

London Borough of Hounslow

Statement of Accounts for the year 2020/21

LONDON BOROUGH OF HOUNSLOW
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021

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PART 1: NARRATIVE STATEMENT

This document presents the statutory financial statements for London Borough of Hounslow for the period 1 April 2020 to 31 March 2021 and gives a comprehensive summary of the overall financial position of the Council.

This narrative statement provides a summary of the Council, its operations and achievements during 2020/21 and the Council's financial performance and position for the year. As expected, the COVID-19 pandemic has impacted all of our work this year, including the Council's finances.

COVID-19 Pandemic

The COVID-19 pandemic has had a considerable impact on the Council, both in terms of operations and finances.

The pandemic and the government lockdowns over this financial year has significantly disrupted Council services and local communities. The Council acted quickly in its response to COVID-19 and as a result took actions to help the vulnerable in the local community. Our response to the pandemic was robust and effective. Local knowledge, local connections, and local leadership meant that, at a time of significant uncertainty, the Council was able to provide help and support to thousands of people and businesses across the borough. Looking ahead to recovery, the Council also took a proactive role in planning for the future and mitigating the long term impact of the pandemic.

The financial impact of the pandemic is clear in the 2020/21 annual accounts. The Council's response has spanned a wide range of service areas, and this has impacted finances resulting in additional costs. There has also been a significant impact on the Council's income streams whilst services have been suspended due to lockdown. These include Council tax, business rates, parking, waste, licencing and planning. Furthermore, the precise long-term economic and social impacts of COVID-19 are still unknown but are predicted to be substantial and will be monitored by the Council.

The Government has provided grant funding to local authorities to alleviate pressures. The Council has sustained its general fund reserve balance to aid in its resilience in situations such as these. The reserve balances will comfortably see the authority through the immediate short-term position. However, the medium to longer term financial strategy challenges arising from COVID-19 are of material concern.

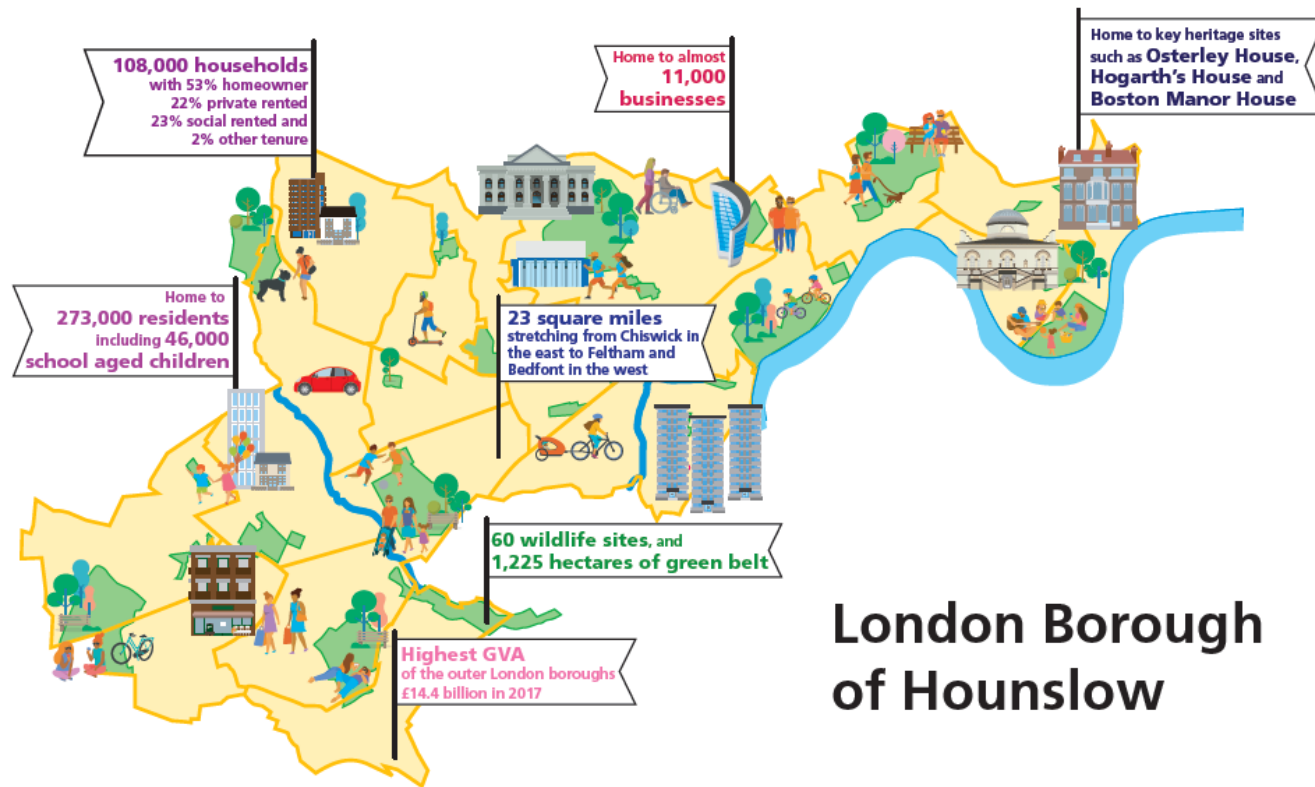
How we deal with the upcoming challenges will be key in ensuring the security of the borough's future. The Council reviewed and updated its Medium-Term Financial Strategy in November 2020; however due to the continually changing horizon and risks this will need regular monitoring and updating. The Council will be sure to review delivery of critical services to the community, and support businesses and local communities where needed. It will review the services it provides, how these services are delivered and the outcomes as the highest priority. We will also be continuing to report our understanding of the financial pressures related to COVID-19 to Elected Members in the public domain in a transparent manner.

Introduction to Hounslow

Hounslow stretches from inner London in the east to the edge of London in the west. From Zone 2 to Zone 6, it is a borough of changing landscapes, people on the move and diverse communities. Situated among major transport links, Hounslow is a business location as well as a place to settle down, with easy transport links in and out of London. It is also home to some of the best schools in the capital and heritage sites of national importance.

This is a place where people live and make a living, and the council is committed to supporting the borough's residents and visitors.

About the Borough



About the Borough

- 23 square miles, stretching from Chiswick in the east to Feltham and Bedfont in the west
- 285 000 residents and 45 000 school aged children
- 101 000 households
- Home to about 15 000 businesses
- Highest Gross Value Added in the UK in 2018
- 60 wildlife sites and 1 225 hectares of green belt
- Home to key heritage sites such as Osterley House, Hogarth's House and Boston Manor House

Corporate Plan

The Council's Corporate Plan was updated in February 2021 to reflect the far-reaching effects of the COVID-19 pandemic

The Corporate Plan is a framework of indicators for measuring performance against the outcomes we set out. Our approach to performance is designed to look beyond outputs and instead help senior decision makers understand i) how much we have done ii) how well we have done it and, crucially iii) is anyone better off as a result of our interventions.

We want to see a borough where:

- People live in good homes and pleasant neighborhoods
- Businesses flourish, and local people enjoy good quality local jobs
- Residents and businesses benefit from a sustainable and green borough
- Children reach their potential
- People are safe
- People are connected and feel part of a community
- Residents are healthy and active
- Residents receive the right help and support

Leading the Borough through Recovery

With the borough hard hit by COVID-19 the pandemic and the economic fallout, the Council has taken a leading role in planning for recovery. Our Borough Plan for Recovery, sets out a range of commitments spanning four foundation responses: renewing local economies; tackling local inequalities; empowering local residents; and reimagining local places

Workforce and One Hounslow

London Borough of Hounslow employs over 2,000 staff, working across services and different locations in the borough. During the pandemic a significant proportion of the workforce moved to being completely home based. Looking towards the future, we are thinking about the new World of Work will look like, and how Council offices might be used differently and to the benefit of all.

The pandemic has also accelerated our One Hounslow transformation programme. During the year we have embedded our new organisational values and working to deliver on our commitment to put residents at the heart of what the Council does.

The Council's Performance - Achievements 2020/21

2020/21 was shaped by the pandemic. At its height we were able to:

- Handle 42,000 calls from people in need of food, medicine, household supplies or a conversation
- Distribute £30 million of grants to over 2,000 local businesses
- House over 150 street homeless people
- Distribute more than £630,000 hardship funding to 4,200 residents
- Make an additional 30,000 home visits at the height of the pandemic to ensure people were safe and, throughout the year, increasing the amount of contact with those residents who might benefit from additional assistance
- Deliver 750 devices to school to help digital inclusion
- Establish a Community Hub to support 22 500 shielded residents and evolved into our Community Solutions model of preventative, community-based activity
- Use local knowledge to provide tens of thousands of PPE items each week to care providers

But that's not all. The pandemic was a constant presence in 2020/21 but the wider work of the council continued, and as we dealt with the local impacts of a global pandemic, we were also able to:

- Secure over 600 new homes in the borough and undertaking planned works in almost 5,000 council properties.
- Save more people from becoming homeless.
- Collect almost 30,000 tonnes of recycling and ensure more than 90% of the borough's surveyed roads were free of litter.
- Spend £9 million with local companies and, by Q4 of 2020/21, have 89% of Council contracts open to local firms.
- Have the best roads in London according to the 2021 'State of the City' report
- Support Hounslow schools – 97% of which are now judged 'Good' or 'Outstanding'
- Register 3,500 residents as volunteers and helping them, and local charities and community groups, respond to the pandemic – whether supporting shielding residents, as COVID champions, or – more recently – as vaccination centre volunteers.
- Answer over 300,000 residents' calls and achieving 90% customer feedback satisfaction.
- Take prevention seriously and see a positive impact for many young people and their families, reducing the number of Looked After Children in Hounslow.
- Move Hounslow's six leisure centres to our own wholly owned trading company, with all staff transferring receiving at least the London Living Wage
- Update our constitution for the first time since 2015
- Establish a £250 000 green innovation fund
- Launch an ambitious, three year community safety strategy
- Engage residents on estate regeneration, with 87% of voters on one estate voting in favour of proposals
- Provide housing advice and support to over 6 000 residents

Financial Performance

General fund

The General Fund is the main revenue fund from which the cost of services are met. It highlights how funding is used to provide statutory services and how Hounslow were able to deliver its many achievements.

Table 1: General Fund Outturn Summary

	Revised Budget (£m)	Actual Outturn (£m)	Outturn Variance (£m)	of which: COVID-19 Impact (£m)	of which: Normal Activity (£m)
Assistant Chief Executive	7.0	8.9	1.9	1.5	0.4
Chief Executive's	0.7	0.6	(0.1)	0.0	(0.1)
Children & Adult Services	90.4	99.6	9.2	4.6	4.6
Commissioning	12.9	13.0	0.1	0.1	(0.0)
Environment, Culture & Customer Services	44.5	51.0	6.5	7.5	(1.0)
Finance & Resources	20.4	20.4	0.0	0.6	(0.6)
Planning, Housing & Communities	8.9	11.0	2.1	4.2	(2.1)
Sub-total Directorate Budgets	184.8	204.5	19.7	18.5	1.2
Corporate Budgets	(5.8)	(37.8)	(32.0)	(18.5)	(13.5)
Funding	(179.0)	(179.0)	0.0	0.0	0.0
General Fund Total	0.0	(12.3)	(12.3)	0.0	(12.3)

The table above outlines The Councils' general fund revenue outturn for 2020/21, against its approved budget. The General Fund revenue outturn position shows an underspend of £12.3m, which is further analysed between exceptional impacts arising from the Coronavirus, and variances relating to 'normal' activities.

The principal reasons for the outturn underspend of £12.3m, were that underlying demand-led pressures on children's and adult social care have been muted as compared to the assumptions made in setting the corporate contingencies for the 2020/21 budget. There were also underspends on other service areas, notably housing, where services were focused on responding to the Coronavirus pandemic. In addition, there was an underspend of £2.8m on capital financing costs due to re-phasing of borrowing for the council and trading companies' capital investment programmes, as well as on some corporate budgets held to manage other risks. Budget pressures arising from impacts of the Coronavirus were contained within the available Government funding. The outturn underspend is largely one-off given the unusual year of operation the council has just completed in responding to the pandemic. Whilst the council has been diverted to prioritise its response to the pandemic, it has continued to deliver its core services.

Whilst Government funding has assisted with addressing the immediate impact of the Coronavirus pandemic and the associated current costs, the council does expect there to be a legacy from the pandemic over the longer term that presents a financial risk over the medium term.

Capital

The capital programme budget for 2020/21-2023/24 was £586.0m, of which £168.2m was programmed for 2020/21. Actual capital expenditure for the year was £99.8m, giving a net in-year variance of £68.4m against the 2020/21 budget. Delivery of the capital programme was adversely impacted by Coronavirus restrictions on the construction industry, in particular on the housing new build programme, which has been reviewed and developed into a refreshed HRA Business Plan that was agreed at Cabinet in April 2021.

Table 2: Capital Programme Outturn Summary

Fund	2020/21 In year Budget			2020/21 – 2023/24 Programme Budget		
	Budget £m	Outturn £m	Variance £m	Budget £m	Outturn £m	Variance £m
General Fund	70.7	36.8	(33.9)	102.4	102.2	(0.2)
HRA	97.5	63.0	(34.5)	483.6	481.2	(2.4)
Total	168.2	99.8	(68.4)	586.0	583.4	(2.6)

The capital programme continues to have the council's ambitions to delivery 1,000 new council homes over life of the administration at its heart, as part of the housing pledge. Other key investments include investment in transport and the public realm, including a major scheme in Feltham Town Centre, planned enhancements to Dukes Meadows in Chiswick, and ongoing investment in school buildings, and in the council's Digital and IT strategy.

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) is set up in accordance with the Local Government and Housing Act 1989. The HRA is a ring-fenced account containing solely the costs relating to the provision, management and maintenance of the Council's housing stock and the income from rents and service charges from tenants and leaseholders.

The Council's housing stock is managed in house. It received income of £90.6m from rents, service charges, leasehold and other income, and expenditure of £75.0m on repairs and maintenance, general management services, special services and other items of spend. This included a revaluation loss on dwellings of £8.0m.

The Statement of Accounts provides further detail on the HRA account for 2020/21.

Collection Fund

The collection fund shows the transactions of the Authority as a billing authority in relation to Council tax and non-domestic rates (NNDR). It illustrates the way in which both have been distributed to precepting authorities and the comprehensive income and expenditure statement.

Income raised from Council Tax is the single largest source of general funding for the Council's revenue budget. In 2020/21 the Council collected £139.9 million in Council tax, of which £28.6m was collected on behalf of the GLA. The Council tax for a Band D property (including the GLA precept) was £1,607.02 in 2020/21.

Business rates, also known as National Non-Domestic Rates (NDR), is a national tax on business premises, collected locally by local authorities. In 2020/21 Hounslow budgeted for a business rate income of £52.6m and took part in the London business rates retention pool. The Coronavirus pandemic had a significant impact on business rates income, with national Government funded additional discounts introduced for retail, leisure, hospitality and nursery premises. This reduced income had the effect of producing a deficit on the Collection Fund, which has been compensated for by additional Government grants in 2020/21. £17.1m of this grant has been taken to a newly created earmarked reserve to offset the transfer of the resulting deficit to the General Fund in 2021/22.

The Statement of Accounts provides further detail on the Collection Fund account for 2020/21.

Pension Fund

In 2020/21, total contributions to the Fund were £40.7m of which employees contributed £9.6m and employers £31.1m. Over 70% of these amounts are in respect of employees of the London Borough of Hounslow.

As at March 2021 the value of the Pension Fund is £1,186.8m. This is above the value projected at the last actuarial valuation. The next triennial actuarial valuation is due based on data as at March 2023.

The Statement of Accounts provides further detail on the Pension Fund accounts for 2020/21.

Lampton 360

Lampton 360 Ltd was established by the London Borough of Hounslow in 2012 with the objective of trading local authority functions in order to generate financial surpluses and return those to the Council. There are five business functions within Lampton 360; Lampton Recycle 360, Lampton Property 360, Lampton Leisure Limited, and Lampton Greenspace 360.

- Lampton Recycle 360 was established with the aim of providing a cost-effective and efficient, high-quality recycling and waste collection services for its customers.
- Lampton Property 360 is made up of the development and investment arms. The development element was established with the aim of re-developing LBH Hounslow land through residential and mixed use projects, while the investment vehicle is focused on acquiring and letting residential property.
- Lampton GreenSpace 360 officially commenced business on 1 March 2018. Its main objectives will be to provide LB Hounslow with a cost-effective and efficient parks and open space maintenance service.
- Lampton Leisure Limited was set up in October 2020 to manage the borough's leisure centres.
- Coalo (formerly Lampton FM 360) – operates outside the Lampton 360 group providing services to the Councils housing estates.

The expectation is that in future years the Lampton group will generate distributable profits and these will be paid as dividends to LB of Hounslow. The profits will come from the provision of services to external organisations or individuals. The Statement of Accounts provides further detail on the subsidiaries within the Group accounts for 2020/21.

Accounting Statements and notes to the accounts

The pages that follow are the Authority's accounts for 2020/21 and comprise:

- **Expenditure Funding Analysis** – This compares how the expenditure is allocated for decision making purposes between the Council's directorates with the position based on International Financial Reporting Standards (IFRS), showing the impact on the Council's general fund and Housing Revenue Account balances.
- **Comprehensive Income and Expenditure (CI&E) Statement** – This reports the cost of performing the Authority's functions on the basis of IFRS and shows how that cost is financed from charges made by the Authority, Council Tax and Central Government. The transactions required under statute and the use of the Authority's own reserves are shown separately in the Movement in Reserves Statement and accompanying notes.
- **Movement in Reserves Statement** – This records the increases and decreases in the Authority's reserves during the course of the year, including surpluses or deficits of expenditure and income and transfers between reserves.
- **Balance Sheet** – This statement records the Authority's year-end financial position at 31 March. It shows the assets owned, and amounts owed in the long term, as well as the net current assets and liabilities, and the reserves at the Authority's disposal. It excludes trust funds held on behalf of individuals and organisations and the Pension Fund.
- **The Cash Flow Statement** – This summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.
- **Statement of Accounting Policies** – This explains the basis of the figures in the accounts.
- **Housing Revenue Account** – This records the Authority's statutory obligation to account separately for the costs of its landlord role. It shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates - and how these are met by rents and other income.
- **Collection Fund** – This shows the transactions of the Authority as a billing authority in relation to non-domestic rates and Council tax and illustrates the way in which they have been distributed to precepting authorities and the comprehensive income and expenditure statement. The Council's share of the Collection Fund is consolidated with other accounts of the Authority.
- **The Group Accounts** – This provides a group comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement for the Authority and its subsidiaries. The notes to the accounts are only restated where they are materially different from the Authority's individual accounts.
- **Pension Fund Revenue Account and Net Assets Statement** – The Revenue Account shows the contributions to the fund during 2020/21 and the benefits paid from it. The Net Assets Statement sets out the financial position for the Fund as at 31 March. The Authority acting as trustee separately manages the fund and its accounts are separate from the Authority's accounts.
- **Statement of Responsibilities for the Statement of Accounts** – This sets out the responsibilities of the Council and the Chief Financial Officer in respect of the preparation of the accounts.

PART 2: MAIN LOCAL AUTHORITY FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Restated 2019/20				2020/21			Notes
Expenditure £m	Income £m	Net £m		Expenditure £m	Income £m	Net £m	
0.7	0.0	0.7	Chief Executive's Directorate	0.6	0.0	0.6	
127.0	(109.1)	17.9	Finance and Resources	129.2	(108.5)	20.7	
69.2	(38.2)	31.0	Environment, Culture and Customer Services	74.9	(38.1)	36.8	
342.7	(241.1)	101.6	Children's and Adults' Services	362.2	(261.6)	100.6	
26.8	(14.7)	12.1	Planning, Housing and Communities	30.3	(18.0)	12.3	
4.4	(0.9)	3.5	Assistant Chief Executive's Directorate	12.0	(2.6)	9.4	
16.7	(1.2)	15.5	Commissioning	13.1	(1.1)	12.0	
121.1	(89.6)	31.5	Housing Revenue Account	77.0	(90.6)	(13.6)	
4.4	(34.2)	(29.8)	Corporate Items	(0.8)	(30.4)	(31.2)	
22.6	0.2	22.8	Overheads allocation and accounting adjustments	41.1	0.2	41.3	
735.6	(528.8)	206.8	Cost Of Services	739.6	(550.7)	188.9	
15.5	0.0	15.5	Other Operating Expenditure	8.3	0.0	8.3	7
35.8	(11.0)	24.8	Financing and Investment Income and Expenditure	15.2	(13.8)	1.4	8
0.0	(224.3)	(224.3)	Taxation and Non-Specific Grant Income	0.0	(265.0)	(265.0)	9
786.9	(764.1)	22.8	(Surplus) or Deficit on Provision of Services	763.1	(829.5)	(66.4)	
		(49.7)	(Surplus) or deficit on revaluation of property, plant and equipment			(165.3)	23
		4.8	Remeasurement of the net defined benefit liability / asset			125.9	
		(44.9)	Other Comprehensive Income and Expenditure			(39.4)	
		(22.1)	Total Comprehensive Income and Expenditure			(105.8)	

In the above table figures shown as positive represent a cost to the Council, while figures shown as negative represent an income.

The 2019/20 accounts have been restated to correct errors made to the accounts in previous years. See Note 41 on page 65 for details.

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	2020/21									
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 Apr 2020	(10.5)	(158.7)	(29.6)	(11.4)	(45.2)	(5.3)	(3.6)	(264.3)	(1,253.9)	(1,518.2)
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	(5.6)							(5.6)	5.6	0.0
Restated balance at 1 April 2020	(16.1)	(158.7)	(29.6)	(11.4)	(45.2)	(5.3)	(3.6)	(269.9)	(1,248.3)	(1,518.2)
Surplus or deficit on provision of services (accounting basis)	(37.2)		(29.2)					(66.4)		(66.4)
Other Comprehensive Expenditure and Income								0.0	(39.4)	(39.4)
Total Comprehensive Expenditure and Income	(37.2)	0.0	(29.2)	0.0	0.0	0.0	0.0	(66.4)	(39.4)	(105.8)
Adjustments between accounting basis & funding basis under regulations	(26.0)		37.5		(3.5)	4.8	(2.5)	10.3	(10.3)	0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	(63.2)	0.0	8.3	0.0	(3.5)	4.8	(2.5)	(56.1)	(49.7)	(105.8)
Transfers to / from Earmarked Reserves	56.3	(56.3)	2.9	(2.9)				0.0		0.0
Increase / Decrease in Year	(6.9)	(56.3)	11.2	(2.9)	(3.5)	4.8	(2.5)	(56.1)	(49.7)	(105.8)
Other items								0.0		0.0
Balance as at 31 Mar 2021	(23.0)	(215.0)	(18.4)	(14.3)	(48.7)	(0.5)	(6.1)	(326.0)	(1,298.0)	(1,624.0)

	2019/20 Restated									
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 Apr 2019	(10.2)	(163.3)	(29.6)	(8.5)	(48.4)	(20.7)	(4.1)	(284.8)	(1,211.3)	(1,496.1)
Surplus or deficit on provision of services (accounting basis)	8.2		14.6					22.8		22.8
Other Comprehensive Expenditure and Income								0.0	(44.9)	(44.9)
Total Comprehensive Expenditure and Income	8.2	0.0	14.6	0.0	0.0	0.0	0.0	22.8	(44.9)	(22.1)
Adjustments between accounting basis & funding basis under regulations	(3.9)		(17.5)		3.2	15.4	0.5	(2.3)	2.3	0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	4.3	0.0	(2.9)	0.0	3.2	15.4	0.5	20.5	(42.6)	(22.1)
Transfers to / from Earmarked Reserves	(4.6)	4.6	2.9	(2.9)				0.0	0.0	0.0
Increase / Decrease in Year	(0.3)	4.6	(0.0)	(2.9)	3.2	15.4	0.5	20.5	(42.6)	(22.1)
Other items								0.0		0.0
Balance as at 31 Mar 2020	(10.5)	(158.7)	(29.6)	(11.4)	(45.2)	(5.3)	(3.6)	(264.3)	(1,253.9)	(1,518.2)

The 2019/20 accounts have been restated to correct errors imade to the accounts in previous years. See Note 41 on page 65 for details.

BALANCE SHEET

Restated 01 Apr 2019	Restated 31 Mar 2020		31 Mar 2021	Notes
£m	£m		£m	
2,089.0	2,162.7	Property, Plant & Equipment	2,368.9	25
62.2	61.8	Investment Property	75.0	26
0.0	0.0	Intangible Assets	1.3	
5.2	13.1	Heritage Assets	15.6	27
0.0	10.0	Long Term Investments	0.0	
35.3	61.3	Long Term Debtors	63.1	28
2,191.7	2,308.9	Long Term Assets	2,523.9	
104.2	83.7	Short Term Investments	72.1	
0.2	0.1	Inventories	0.1	
55.3	75.9	Short Term Debtors	111.9	31
8.4	33.2	Cash and Cash Equivalents	42.1	
168.1	192.9	Current Assets	226.2	
(2.1)	(4.0)	Bank overdrafts	(7.6)	
(2.0)	(66.8)	Short Term Borrowing	(31.7)	
(80.1)	(102.5)	Short Term Creditors	(146.8)	32
(8.0)	(6.0)	Short Term Provisions	(7.0)	33
(92.2)	(179.3)	Current Liabilities	(193.1)	
(4.5)	(6.3)	Provisions	(7.8)	33
(187.2)	(190.5)	Long Term Borrowing	(160.4)	
(529.8)	(552.4)	Other Long Term Liabilities	(699.4)	34
(50.0)	(55.1)	Capital Grants Receipts in advance	(65.4)	
(771.5)	(804.3)	Long Term Liabilities	(933.0)	
1,496.1	1,518.2	Net Assets	1,624.0	
(284.8)	(264.3)	Usable reserves	(325.9)	
(1,211.3)	(1,253.9)	Unusable Reserves	(1,298.1)	
(1,496.1)	(1,518.2)	Total Reserves	(1,624.0)	

The 2019/20 accounts have been restated to correct errors imade to the accounts in previous years. See Note 41 on page 65 for details.

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Authority.

Restated 2019/20		2020/21
£m		£m
(22.8)	Net surplus or (deficit) on the provision of services	66.4
77.5	Adjust net surplus or deficit on the provision of services for noncash movements	34.1
(6.5)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(7.3)
48.2	Net cash flows from Operating Activities	93.2
(109.8)	Purchase of property, plant and equipment, investment property and intangible assets	(83.2)
9.4	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	25.8
10.4	Net change in long and short term investments	21.6
(90.0)	Investing Activities	(35.8)
298.1	Cash receipts of short term and long term borrowing	0.0
0.0	Net receipts for COVID-19 grants where the Authority has acted as agent	16.5
(3.3)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(3.4)
(230.1)	Repayments of short term and long term borrowing	(65.2)
64.7	Financing Activities	(52.1)
22.9	Net increase or decrease in cash and cash equivalents	5.3
6.3	Cash and cash equivalents at the beginning of the reporting period	29.2
29.2	Cash and cash equivalents at the end of the reporting period	34.5

The 2019/20 accounts have been restated to correct errors imade to the accounts in previous years. See Note 41 on page 65 for details.

NOTES TO THE ACCOUNTS

EXPLAINING HOW THE STATEMENT OF ACCOUNTS HAS BEEN PREPARED

Note 1 Accounting Policies

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority 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 Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (CIPFA Code) supported by International Financial Reporting Standards (IFRS).

The CIPFA Code allows authorities not to disclose information that is not material. The Council has where appropriate adopted this approach to only provide information which is material and aids the reader of the accounts.

More details about the individual accounting policies used by the Authority are set out from page 65.

Note 2 Accounting Standards Issued, Not Adopted

The Code of Practice requires that the Authority discloses information relating to the impact of accounting standards issued, but not yet adopted. There are no accounting standards that are applicable to the authority that have not been adopted.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out from page 65 the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is as follows:

- In management's judgement, the Council has interests in the following entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code and have therefore been consolidated within the Council's group accounts:
 - Coalo Ltd (previously called Lampton Facilities Management 360 Ltd)
 - Lampton 360 Ltd
- In management's judgement a school should be included in the Council's non current assets if it owns or has some responsibility for, control over or benefit from the service potential of the premises. As a result assets relating to academies, voluntary aided, voluntary controlled or free schools are not controlled by the Council.
- The Authority has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the Authority is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Authority it is deemed to be a Property, Plant and Equipment asset. If there were no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used.

Note 4 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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 Authority's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are set out in the following table:

Item	Uncertainties	Effect if actual results differ from assumptions
Investment Properties and Property Plant and Equipment	<p>A process of revaluation is undertaken as set out in the accounting policies. Revaluations of council dwellings, other land and buildings and investment properties are provided by professional valuers. However, the revaluation process cannot take account of detailed up to date information for every building revalued, given the large size, and diverse nature and age, of the building stock, and the relatively small level of resources which can be allocated for this function. Often assumptions are made, and industry index values are applied, to arrive at an appropriate estimate of the asset's value. Some of these judgements can be subjective.</p> <p>Covid-19 has continues to impact global financial markets. However our valuers have advised that at valuation date the property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.</p> <p>However due to Covid-19, in respect of retail and specific trading related assets/sectors such as Car Parks our valuers continue to be faced with an absence of relevant/sufficient market evidence on which to base their judgements. Valuations for these assets have therefore been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.</p>	<p>The Authority's balance sheet includes a significant value of property, investment property, plant and equipment. Small variations in assumptions made can have a significant impact on the assigned value. Movements in valuation, however, do not affect Council tax levels, but are reflected in changes to the Capital Adjustment Account or Revaluation Reserve, as appropriate.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Investment Properties and Property, Plant and Equipment	The useful economic lives of assets are re-assessed whenever the assets are revalued. This is then used to calculate the annual depreciation charge. It is very difficult to assess accurately the life of many buildings, and assumptions will often be made in setting a useful economic life.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. Similarly, if the life of assets is increased by a revaluation, depreciation will reduce but the carrying amount of the asset will increase. Although depreciation itself does not affect Council tax levels (as it is a notional charge), there is a capital cost to the Council if a building has to be replaced early, or a capital saving if a building lasts longer than expected.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied (see Note 14).	The actuarial loss or gain provided by the actuary's calculation can be significant. This charge to the Comprehensive Income & Expenditure Statement is notional as it is not charged to the general fund, and does not affect Council tax levels. If the future investment returns are different from the actuarial assumptions, it will not affect the Council tax. However, if the pension fund assets and liabilities vary significantly from those forecast by the actuary, it could mean that either higher or lower pension contributions would be payable by the Authority in the future.
Expected Credit Loss	The Council has established and used an expected credit loss model to reflect debts where there is a significant risk that funds will not be recovered. It is not certain that the Expected Credit Loss amount will be sufficient as the Council cannot assess with certainty which debts will be collected or not.	The creation of the expected credit loss has generated a charge to the Comprehensive Income and Expenditure Statement. If the Authority has over estimated expected credit losses (i.e. collects more debt than the calculation of the credit loss has estimated), this will increase the income to be recognised by the Authority. Conversely, if the Authority has under estimated expected credit losses, this will lead to a further charge in the Comprehensive Income and Expenditure Statement.

ABOUT THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Note 5 Expenditure and Funding Analysis

The Expenditure and Funding Analysis note to the accounts is set out below. This note illustrates how the funding available to the Council for the year 2020/21 and 2019/20 has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under general accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21

	As reported to management	Adjustments to arrive at net charge to General Fund and HRA	Net expenditure chargeable to the General Fund and HRA	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£m	£m	£m	£m	£m
Chief Executive's Directorate	0.6	0.0	0.6	0.0	0.6
Finance and Resources	20.4	0.0	20.4	0.3	20.7
Environment, Culture and Customer Services	51.0	(8.8)	42.2	(5.4)	36.8
Children's and Adults' Services	99.6	(5.8)	93.8	6.8	100.6
Planning, Housing and Communities	11.0	1.3	12.3	0.0	12.3
Assistant Chief Executive's Directorate	8.9	0.5	9.4	0.0	9.4
Commissioning	13.0	(1.1)	11.9	0.1	12.0
Housing Revenue Account	13.1	10.3	23.4	(37.0)	(13.6)
Corporate Items	(216.8)	209.1	(7.7)	(23.5)	(31.2)
Overheads allocation and accounting adjustments	0.0	24.9	24.9	15.9	40.8
Net cost of Services	0.8	230.4	231.2	(42.8)	188.4
Other income and expenditure	0.0	(286.1)	(286.1)	30.8	(255.3)
Surplus or Deficit	0.8	(55.7)	(54.9)	(12.0)	(66.9)
Opening combined General Fund and HRA balances			(210.2)		
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020			(5.6)		
Surplus or deficit on the General Fund and HRA balances for the year (statutory basis)			(54.9)		
Closing combined General Fund and HRA balances			(270.7)		

Restated 2019/20

	As reported to management	Adjustments to arrive at net charge to General Fund and HRA	Net expenditure chargeable to the General Fund and HRA	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£m	£m	£m	£m	£m
Chief Executive's Directorate	0.7	0.0	0.7	0.0	0.7
Finance and Resources	16.0	2.0	18.0	(0.1)	17.9
Environment, Culture and Customer Services	42.7	(8.4)	34.3	(3.3)	31.0
Children's and Adults' Services	94.9	6.8	101.7	(0.1)	101.6
Planning, Housing and Communities	10.6	1.6	12.2	(0.1)	12.1
Assistant Chief Executive's Directorate	2.7	0.8	3.5	0.0	3.5
Commissioning	15.2	0.3	15.5	0.0	15.5
Housing Revenue Account	0.0	13.9	13.9	17.6	31.5
Corporate Items	(183.1)	162.9	(20.2)	(9.6)	(29.8)
Overheads allocation and accounting adjustments	0.0	8.8	8.8	14.0	22.8
Net cost of Services	(0.3)	188.7	188.4	18.4	206.8
Other income and expenditure	0.0	(186.9)	(186.9)	2.9	(184.0)
Surplus or Deficit	(0.3)	1.8	1.5	21.3	22.8
Opening combined General Fund and HRA balances			(211.6)		
Surplus or deficit on the General Fund and HRA balances for the year (statutory basis)			1.5		
Closing combined General Fund and HRA balances			(210.1)		

The 2019/20 accounts have been restated to correct errors made to the accounts in previous years. See Note 41 on page 65 for details.

Note 6 Expenditure and Income analysed by Nature

2019/20		2020/21
£m		£m
(166.7)	Fees, charges and other service income	(155.8)
1.9	Interest and investment income	2.0
(166.8)	Income from local taxation	(140.4)
(423.7)	Government grants and contributions	(516.5)
239.0	Employee benefits expenses	254.5
423.8	Other service expenses	435.2
76.9	Depreciation, amortisation and impairment	25.1
22.9	Interest payments	20.6
9.8	Precepts and levies	11.1
12.2	Payments to Housing Capital Receipts Pool	4.5
(6.5)	Gain or loss on disposal of non-current assets	(7.2)
22.8	(Surplus) or deficit for year	(66.9)

Note 7 Other Operating Expenditure

2019/20		2020/21
£m		£m
9.8	Levies	11.1
12.2	Payments to Government Housing Capital Receipts Pool	4.5
(6.5)	(Gains)/losses on the disposal of non-current assets	(7.3)
15.5	Total other operating expenditure	8.3

Note 8 Financing and Investment Income and Expenditure

2019/20		2020/21
£m		£m
12.4	Interest payable and similar charges	9.7
10.5	Pensions interest cost and expected return on pension assets	10.9
(3.5)	Interest receivable and similar income	(3.2)
0.5	Changes in the fair value of investment properties	(13.5)
4.9	Other investment (income) / losses	(2.5)
24.8	Total of Financing and Investment Income and Expenditure	1.4

Note 9 Taxation and Non-Specific Grant Income

2019/20		2020/21
£m		£m
(106.0)	Council tax income	(110.2)
(60.8)	Non domestic rates	(30.2)
(13.9)	Non-ring fenced government grants	(85.5)
(43.6)	Capital grants and contributions	(39.1)
(224.3)	Total of Taxation and Non-Specific Grant Income	(265.0)

ABOUT COUNCILLORS, EMPLOYEES AND RELATED PARTIES

Note 10 Members' Allowances

During 2020/21 £1.1m of allowances and less than £1k of expenses were paid to Councillors (£961k of allowances and less than £1k of expenses were paid during 2019/20).

Note 11 Termination Benefits

The Authority terminated the contracts of a number of employees in 2020/21, incurring liabilities of £0.3m (£0.6m in 2019/20). The amounts quoted include all amounts related to the decision to terminate a contract. This will include redundancy, severance payments, payments in lieu of notice and payments in relation to untaken annual leave.

The following table sets out the number of staff and amounts due in exit packages per band. Termination payments made or due to senior officers of the council during the year are included here, as well as being set out in the appropriate table of the officers' remuneration disclosures in Note 12.

2019/20		Exit package cost band		2020/21					
Voluntary redundancy	Compulsory Redundancy/ Termination	Total number of people	Total cost of packages £m	£	£	Voluntary redundancy	Compulsory Redundancy/ Termination	Total number of people	Total cost of packages £m
13	47	60	0.3	0 -	20,000	1	5	6	0.1
2	4	6	0.2	20,001 -	40,000	4	3	7	0.2
0	1	1	0.1	40,001 -	60,000	0	0	0	0.0
0	0	0	0.0	60,001 -	80,000	0	0	0	0.0
0	0	0	0.0	80,001 -	100,000	0	0	0	0.0
0	0	0	0.0	100,001 -	150,000	0	0	0	0.0
15	52	67	0.6	Total		5	8	13	0.3

Note 12 Officers' Remuneration

The remuneration paid to officers who were senior employees of the Authority during 2020/21 or 2019/20 is as set out in the following tables. The remuneration figures for the senior officers who left during the year reflect amounts paid or receivable for that year. For individuals whose role changed during the year, the amounts quoted represent the total remuneration for the financial year from all roles combined.

The other emoluments in the tables below largely relates to payments received by officers in relation to their roles as electoral returning officers. No senior officers left in 2020/21.

Information for 2020/21

Post holder information	Salary	Bonus	Termination payments	Other emoluments	Total remuneration excluding pension contributions	Employer's pension contributions	Total remuneration including pension contributions
	£	£	£	£	£	£	£
Information for 2020/21							
Chief Executive - Niall Bolger	197,232	0	0	3,385	200,617	31,948	232,565
Assistant Chief Executive - Mandy Skinner	161,941	0	0	200	162,141	34,882	197,023
Executive Director Children's and Adults - Steven Forbes	171,100	0	0	200	171,300	36,855	208,155
Executive Director of Finance and Resources (s151) – Clive Palfreyman	154,620	0	0	200	154,820	33,305	188,125
Executive Director of Environment, Culture & Customer Services	141,535	0	0	1,450	142,985	30,756	173,741
Executive Director of Housing, Planning and Communities - Peter Matthew	154,844	0	0	200	155,044	-	155,044
Director of Commissioning	129,944	0	0	200	130,144	27,990	158,134

Information for 2019/20

Post holder information	Salary	Bonus	Termination payments	Other emoluments	Total remuneration excluding pension contributions	Employer's pension contributions	Total remuneration including pension contributions
	£	£	£	£	£	£	£
Information for 2019/20							
Chief Executive - Niall Bolger	185,547	0	0	10,765	196,312	0	196,312
Assistant Chief Executive (joined February 2020)	24,251	0	0	0	24,251	5,224	29,475
Executive Director Children's and Adults (joined January 2020)	26,692	0	0	0	26,692	5,749	32,441
Executive Director of Finance and Resources (s151)	126,466	0	0	5,000	131,466	27,241	158,707
Executive Director of Environment, Culture & Customer Services	106,797	0	0	1,032	107,829	23,112	130,941
Executive Director of Housing, Planning and Communities	140,406	0	0	350	140,756	0	140,756
Director of Commissioning	118,388	0	0	0	118,388	25,501	143,889
Director Adult Safeguarding, Social Care and Health	141,612	0	0	0	141,612	0	141,612
Senior officers who left during 2019/20							
Director of Children's Safeguarding and Specialist Services (resigned October 2019)	75,587	0	0	0	75,587	15,088	90,675
Director Education and Early Intervention (resigned February 2020)	107,742	0	0	0	107,742	23,229	130,971

The number of the Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were as set out in the following table. The amounts shown include the value of all remuneration received or receivable, including any termination payments. The senior officers set out in the previous table have been included.

2019/20	Remuneration band		2020/21
	£	£	
155	50,000 -	54,999	183
63	55,000 -	59,999	100
46	60,000 -	64,999	50
32	65,000 -	69,999	30
24	70,000 -	74,999	24
25	75,000 -	79,999	19
4	80,000 -	84,999	20
9	85,000 -	89,999	11
7	90,000 -	94,999	7
5	95,000 -	99,999	3
2	100,000 -	104,999	10
5	105,000 -	109,999	2
0	110,000 -	114,999	1
1	115,000 -	119,999	0
0	120,000 -	124,999	2
0	125,000 -	129,999	0
1	130,000 -	134,999	2
2	140,000 -	144,999	1
0	150,000 -	154,999	1
1	155,000 -	159,999	1
0	160,000 -	164,999	1
0	170,000 -	174,999	1
1	195,000 -	199,999	0
0	200,000 -	204,999	1

Note 13 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21, the Authority paid £13.3m (£11.2m in 2019/20) to Teachers' Pensions in respect of teachers' retirement benefits. Employer's contribution rate for 2020/21 was 23.6% of pensionable pay. In 2019/20 the rate was 16.48% until September 2019 when it increased to 23.6%. In addition, the Authority is responsible for all pension payments relating to added years it has awarded, together with the related increases. These amounted to £1.2m in 2020/21 (£1.9m in 2019/20).

Note 14 Defined Benefit Pension Scheme

Officers working (or who have worked) for the Authority participate in two post-employment schemes:

- The Local Government Pension Scheme (the LBH Pension Fund) - this is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The London Pension Fund Authority (LPFA) Scheme - this is a funded defined benefit scheme. No further contributions are paid into the scheme by employees. Additional amounts are paid into the scheme by the Authority to fund the deficit as calculated by the actuary.

Transactions relating to post-employment benefits.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2019/20			2020/21		
LBH Pension Fund	LPFA Pension Fund	Total	LBH Pension Fund	LPFA Pension Fund	Total
£m	£m	£m	£m	£m	£m
Comprehensive Income and Expenditure Statement					
<i>Cost of services:</i>					
35.1	0.0	35.1	37.2	0.0	37.2
0.9	0.0	0.9	1.0	0.0	1.0
<i>Financing and investment income and expenditure:</i>					
10.5	0.0	10.5	10.9	0.0	10.9
46.5	0.0	46.5	49.1	0.0	49.1
<i>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</i>					
4.8	(1.0)	3.8	(126.1)	0.2	(125.9)
51.3	(1.0)	50.3	(77.0)	0.2	(76.8)
Movement in Reserves Statement					
(46.5)	0.0	(46.5)	(49.1)	(0.0)	(49.1)
<i>Actual amount charged against the general fund balance in the year for pensions</i>					
25.5	0.0	25.5	24.7	0.0	24.7

Assets and liabilities in relation to postemployment benefits

The following tables sets out a reconciliation of the movement in the present value of the scheme liabilities (defined benefit obligation) and fair value of the scheme assets over the course of the year:

2019/20			2020/21			
LBH Pension Fund £m	LPFA Pension Fund £m	Total £m		LBH Pension Fund £m	LPFA Pension Fund £m	Total £m
Present value of liabilities						
(1,290.2)	(3.9)	(1,294.1)	Opening balance as at 1 April	(1,265.8)	(3.3)	(1,269.1)
(34.5)	0.0	(34.5)	Current service cost	(36.9)	0.0	(36.9)
(30.5)	(0.1)	(30.6)	Interest cost	(29.4)	(0.1)	(29.5)
120.7	0.2	120.9	Change in financial assumptions	(326.9)	(0.2)	(327.1)
6.5	(0.1)	6.4	Change in demographic assumptions	16.1	0.0	16.1
(75.1)	0.2	(74.9)	Experience loss/ (gain) on defined benefit obligation	18.2	0.1	18.3
0.1	0.0	0.1	Liabilities assumed/ (extinguished) on settlements	0.0	0.0	0.0
43.3	0.4	43.7	Estimated benefits paid net of transfers in	37.9	0.4	38.3
(0.7)	0.0	(0.7)	Past services costs including curtailments	(0.4)	0.0	(0.4)
(6.7)	0.0	(6.7)	Contributions by Scheme participants	(7.3)	0.0	(7.3)
1.3	0.0	1.3	Unfunded pension payments	1.2	0.0	1.2
(1,265.8)	(3.3)	(1,269.1)	Closing balance as at 31 March	(1,593.3)	(3.1)	(1,596.4)
Fair value of scheme assets						
839.6	2.8	842.4	Opening balance as at 1 April	789.2	2.2	791.4
20.0	0.0	20.0	Interest on Assets	18.5	0.0	18.5
(76.3)	(0.1)	(76.4)	Return on assets less interest	166.7	0.3	167.0
19.4	(0.1)	19.3	Other actuarial gains	0.0	0.0	0.0
(0.9)	0.0	(0.9)	Administration expenses	(1.0)	0.0	(1.0)
25.4	0.0	25.4	Contributions by employer included unfunded	24.7	0.0	24.7
6.7	0.0	6.7	Contributions by scheme participants	7.3	0.0	7.3
(44.6)	(0.4)	(45.0)	Estimated benefits paid plus unfunded net of transfers in	(39.2)	(0.4)	(39.6)
(0.1)	0.0	(0.1)	Settlement prices received/ (paid)	0.0	0.0	0.0
789.2	2.2	791.4	Closing balance as at 31 March	966.2	2.1	968.3

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

Scheme history

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £1,596.4m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £628.1m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m	£m
LBH Pension Fund						
Present value of liabilities	(1,066.6)	(1,327.3)	(1,276.1)	(1,290.2)	(1,265.8)	(1,593.3)
Fair value of assets in the scheme	613.6	780.9	787.0	839.6	789.2	966.2
Surplus / (deficit) in the scheme	(453.0)	(546.4)	(489.1)	(450.6)	(476.6)	(627.1)
LPFA Pension Fund						
Present value of liabilities	(4.6)	(4.7)	(4.2)	(3.9)	(3.3)	(3.1)
Fair value of assets in the scheme	3.0	3.2	2.9	2.8	2.2	2.1
Surplus / (deficit) in the scheme	(1.6)	(1.5)	(1.3)	(1.1)	(1.1)	(1.0)

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. Both the Local Government Pension Scheme and London Pension Fund Authority Scheme liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. The latest full valuation of the LBH Pension Fund was undertaken as at 31 Mar 2021.

The principal assumptions used by the actuary are set out in the following table.

2019/20			2020/21	
LBH Pension Fund	LPFA Pension Fund		LBH Pension Fund	LPFA Pension Fund
		Longevity at 65 for pensioners retiring now		
21.2	21.2	Men	21.0	21.8
23.9	24.1	Women	23.8	24.5
		Longevity at 65 for future pensioners retiring in 20 years		
22.8	22.6	Men	22.4	23.1
25.5	25.6	Women	25.3	25.9
2.7%	3.0%	Rate of inflation - RPI	3.2%	3.5%
1.9%	2.0%	Rate of inflation - CPI	2.8%	2.8%
2.9%	3.0%	Rate of salary increases	3.8%	3.8%
1.9%	2.0%	Rate of pension increases	2.8%	2.8%
2.4%	2.3%	Discount rate	2.0%	1.7%

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 of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. 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, ie 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.

	LBH Pension Fund			LPFA Pension Fund		
	£m	£m	£m	£m	£m	£m
Adjustment to discount rate	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,562.4	1,593.2	1,624.7	3.1	3.2	3.2
Projected service cost	50.1	51.5	53.0	-	-	-
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,594.8	1,593.2	1,591.6	3.2	3.2	3.2
Projected service cost	51.6	51.5	51.5	-	-	-
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,622.8	1,593.2	1,564.2	3.2	3.2	3.1
Projected service cost	53.0	51.5	50.1	-	-	-
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present value of total obligation	1,677.6	1,593.2	1,513.4	3.7	3.2	2.7
Projected service cost	54.0	51.5	49.2	-	-	-

The Local Government Pension Scheme and London Pension Fund Authority Scheme assets consist of the following categories, by proportion of the total assets held:

2019/20			2020/21		
LBH Pension Fund	LPFA Pension Fund		LBH Pension Fund	LPFA Pension Fund	
%	%		%	%	
59	55	Equities	63	55	
6	n/a	Gilts	4	n/a	
11	n/a	Other Bonds	11	n/a	
n/a	7	Infrastructure	n/a	7	
n/a	n/a	Commodities	n/a	n/a	
5	9	Property	4	9	
1	5	Cash	1	5	
18	24	Target return portfolio	17	24	
n/a	n/a	Cash flow matching	n/a	n/a	
100	100	Total	100	100	

Note 15 Related Parties

The Authority 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 Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's power to bargain freely with the Authority. All councillors and officers on the Corporate Leadership Team are required to make at least annual declarations regarding related party transactions.

Central Government

Central government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 18.

Members

Members of the council have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2020/21 and 2019/20 are shown in Note 10.

Officers

The Executive Director, Environment, Culture and Customer Services sits on the Executive Board for London Funders, and is also a director of Gunnersbury CIC.

Voluntary Organisations and Charities

Grants paid to voluntary organisations amounted to £1.6m in 2020/21 (£1.6m in 2019/20). Commissioned services are subject to the council's procurement procedures and the payments made as part of individual contracts for specific services.

Chiswick House and Gardens Trust received grants of £426k in 2020/21 (£293k in 2019/20). We received £180 of licensing income from them in 2020/21. Councillor Tony Louki and Councillor John Todd are the trustees of the Chiswick House and Gardens Trust.

Hounslow Art Trust Ltd received grants of £43k in 2020/21 (£245k in 2019-20). Councillor Guy Lambert is a Trustee and Councillor Corrina Smart is a member of Hounslow Art Trust Ltd. We received £365 of licensing income from them in 2020-21.

Hounslow Community Foodbox received grants of £30k in 2020/21 (£0 in 2019-20). Councillor Steve Curran is a patron of Foodbox, Councillor Corinna Smart is chair, and Councillor Guy Lambert is vice chair.

In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these relationships are recorded in the Register of Members' Interest, open to public inspection at Hounslow House, 7 Bath Road, Hounslow, TW3 3EB, during office hours.

Other Public Bodies

The Council is an administering authority for the Pension Fund of the London Borough of Hounslow. The Authority charged £559k in 2020/21 for administrative services provided to the Pension Fund (£560k in 2019/20). As at 31 March 2021 the Authority was owed £15k by the Pension Fund (at 31 March 2020 the Authority was owed £540k by the Pension Fund). London Councils received payments of £202k in 2020/21 (£67k in 2019/20), and we received income of £6k in 2020/21 (£103k in 2019/20). Councillor Steve Curran holds the Shadow Executive Position for Health at London Councils.

The Authority is one of the six London boroughs which fund the net cost of the West London Waste Authority (WLWA), which is responsible for waste disposal. The WLWA is governed by six councillors, one from each borough. Councillor Guy Lambert has been the Authority's representative on the WLWA since 2018. The Authority made payments of £10.5m in 2020/21 (£9.3m in 2019/20).

The Authority also received income of £28.5k from WLWA during 2020/21 (£35k in 2019/20).

Entities Controlled or Significantly Influenced by the Authority

The Council also owns Lampton 360, Coalo Limited and has joint ownership of Lampton Development 360 LLP. Lampton 360 is the holding company of Recycle 360, Investment 360, Greenspace360, and Lampton Leisure Ltd. The consolidated accounts have incorporated the financial results of these entities.

The London Borough of Hounslow is the sole shareholder in Lampton 360 Limited. The Directors, who hold the posts during the year include:

- Michael England (appointed on 25 November 2019)
- Gillian Bishop (appointed 21 May 2020)
- Anthony Middleton (appointed on 2 December 2016)
- Gillian Steward (appointed on 21 August 2019)
- Eric Sharpe (appointed 21st May 2020, resigned on 31 December 2020)

The London Borough of Hounslow was also the sole shareholder of Lampton 78 Unlimited. Lampton 78 Unlimited was dissolved in October 2020, and a distribution of £1.3m of its final Balance was made to London Borough of Hounslow.

The London Borough of Hounslow was also the sole shareholder of Coalo Limited. The Directors, who hold the posts during the year include:

- Sarah Leigh (appointed October 2020)

- Robert Middleton (appointed January 2021)
- Gillian Steward (appointed January 2021)
- Bhupinder Paul
- Colin Gallauger (resigned July 2020)
- Alison Gibb (resigned December 2020)
- Zrina Naqvi (resigned December 2020)
- Aaron Osborne-Taylor (resigned December 2020)
- Eric Sharpe (resigned December 2020)

The also has significant influence over the following bodies which are not deemed material enough to be included within the Group Accounts:

- Bedfont Lakes Trust. In 2020/21 The Council provides grounds maintenance and upkeep to the trust for a fee via the Council's subsidiary Greenspace 360. The fee for 2020/21 was £180k (2019/20 £174k). In addition the Council has received an administration fee of £7k (2019/20 £7k).

Councillors Javed Akhunzada , Bishnu Bahadur Gurung, Raghwinder Siddhu, Mohammed Umair and Adriana Gheorghe are trustees for Bedfont Lakes Trust, Councillor Adriana Gheorghe is the chair.

- Gunnersbury Estate (2026) Community Interest Company. Contributions of £430k were made to the running of the CIC in 2020/21, (£575k in 2019/20). The Executive Director of Environment, Culture and Customer Services is a director of Gunnersbury CIC.

Note 16 Pooled Budgets

The Council has entered into a Pooled Budget arrangement with Hounslow Clinical Commissioning Group (CCG). The Better Care Fund (BCF) provides a mechanism for joint health, housing and social care planning and commissioning. It brings together ring-fenced budgets from CCG allocations, and funding paid directly to local government, including the Disabled Facilities Grant (DFG), the improved Better Care Fund (iBCF) and the Winter Pressures grant. Joint arrangements of this type are permitted under section 75 of the National Health Service Act 2006. The aims and benefits of the agreement with the CCG are to:

- Improve the quality and efficiency of the services
- Meet the National Conditions and Local Objectives
- Make more effective use of resources through the establishment and maintenance of an aligned fund for revenue expenditure of the services
- Ensure that people in Hounslow will be independent, resilient and self-caring so fewer people reach crisis point
- To develop an integrated health and care system that enables people to proactively manage their own care with the support of their family, community and the right professionals at the right time in a properly joined up approach

The continuation of the national conditions and requirements of the BCF from 2019-20 to 2020-21 allows health and care partners to build on their plans to embed joint working and integration. This includes how to work collaboratively to bring together funding streams to maximise the impact on outcomes for communities and sustaining vital community provision. The four national metrics for the fund set by the government in the Policy Framework are:

- i. Non-elective admissions (Specific acute);
- ii. Admissions to residential and care homes;
- iii. Effectiveness of reablement; and
- iv. Delayed transfers of care (DToC).

The Better Care Fund provides various services to Hounslow's residents. The services being provided by the Council or the CCG are dependent on the mix required by clients. The areas covered include:

- Community rehabilitation service
- Re-ablement services
- Hospital social work team
- Community Equipment

The Council and the CCG have an agreement in place for funding these services that runs annually.

The following table summarises the income and expenditure for the 2019/20 and 2020/21 financial years.

2019/20	Better care fund	2020/21
£m		£m
(20.2)	Authority funding	(20.9)
(7.9)	Partner funding	(8.4)
(28.1)	Total pooled funding	(29.3)
20.2	Authority expenditure	20.9
7.9	Partner expenditure	8.4
28.1	Expenditure	29.3
0.0	Net (surplus) / deficit on the pooled budget	0.0
0.0	Authority share of the net (surplus) / deficit	0.0

Note 17 External Audit Costs

The Authority's external auditors for 2020/21 are Mazars LLP. The Authority has incurred the following expenditure for services provided by the external auditors for the relevant year:

- £113k in relation to the audit of the Statement of Accounts for 2020/21 (£113k for 2019/20);
- £24k in relation to certification of grant claims and returns for 2020/21 (£23k for 2019/20);
- Nil in relation to non-audit services provided in 2020/21 (£1k for 2019/20).

ABOUT THE AUTHORITY'S GRANT INCOME

Note 18 Grant Income

In 2020/21 the Authority credited grants, contributions and donations to the comprehensive income and expenditure account as follows:

Grant income credited to taxation and non-specific grant income and expenditure

2019-20		2020-21
£m		£m
0.0	Revenue support grant	(9.7)
(6.6)	New homes bonus	(5.6)
(4.4)	S31 business rates retention grant	(21.5)
0.0	COVID-19 Emergency grant	(24.6)
0.0	COVID-19 Test and Track grant	(6.6)
0.0	Other COVID 19 related grants	(4.9)
(2.9)	Other revenue grants	(12.7)
(8.7)	S106 developer contributions towards capital expenditure	(3.7)
(34.9)	Other Capital Grants	(35.0)
(57.5)	Total grants and contributions	(124.3)

Grant income credited to net cost of services

2019-20		2020-21
£m		£m
(172.5)	Dedicated schools grant (DSG)	(178.7)
(7.3)	Pupil Premium Grant	(6.9)
(92.0)	Housing benefit subsidy	(88.5)
(13.2)	Private finance initiative (PFI) grant	(13.2)
(15.3)	Public health grant	(16.1)
(17.5)	Better care fund	(18.4)
(6.9)	Improved Better Care Fund	(7.9)
	COVID-19 Sales Fess and Charges Compensation grant	(4.7)
0.0	Other COVID 19 related grants	(12.6)
(25.4)	Other grants	(25.2)
(350.1)	Total grants and contributions	(372.2)

A significant amount of new grant income was received in 2020/21 to assist Local Authorities meet the additional cost related to the COVID-19 pandemic. Where the Council has acted as principal and the grant is a new grant these have been amalgamated into the Covid-19 grant category. Some grants such as S31 Business Rates retention grants have received additional funding due to COVID-19 and this increase has been included on the specific grant.

Where the Council is acting as a distribution point of grant money and has no control over how much or to whom the grant is allocated the Council is acting as an agent rather than as a principal and the grant income and associated distributions are not reported in the financial statements. A number of Covid-19 grants fall into this category and for 2020/21 this amounted to £50.9m.

Note 19 Dedicated Schools Grant

The Authority's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Central expenditure	2019/20 ISB	Total		Central expenditure	2020/21 ISB	Total
£m	£m	£m		£m	£m	£m
0.0	0.0	261.0	Final DSG for 2020/21	0.0	0.0	276.8
0.0	0.0	(89.6)	Academy and High Needs Recoup 2020/21	0.0	0.0	(97.6)
0.0	0.0	171.4	Total DSG after Recoupment	0.0	0.0	179.2
0.0	0.0	1.6	Plus: DSG brought forward from 2019/20	0.0	0.0	(5.6)
0.0	0.0	0.0	Less: carry forward of DSG to 2021/22 agreed in advance	0.0	0.0	0.0
21.9	151.1	173.0	Agreed Initial budgeted distribution in 2020/21	22.0	151.6	173.6
		0.0	In Year Adjustments	0.0	0.0	0.0
21.9	151.1	173.0	Final budget distribution for 2020/21	22.0	151.6	173.6
(27.5)	0.0	(27.5)	Less: actual central expenditure	(34.6)	0.0	(34.6)
0.0	(151.1)	(151.1)	Less: actual ISB deployed to schools	0.0	(151.6)	(151.6)
0.0	0.0	0.0	Plus: local authority contribution for 2020/21	0.0	0.0	0.0
(5.6)	0.0	(5.6)	Total to Carry Forward	(12.6)	0.0	(12.6)

The Government's intention is that DSG deficits should not be covered from general funds. The negative reserve is the cumulative DSG overspend as at the end of 2020/21 i.e. a cumulative deficit of £12.6m. The local authority must carry forward the whole of the overspend to future years. This deficit is to be recovered through future DSG funding and/or explicit recovery plans in agreement with the EFSA. The final allocation for the 2020 to 2021 early years block will be made in November 2021 using the January 2021 census figures and any adjustments will be treated as an 'in year adjustment' in the 2021 to 2022 accounts.

ABOUT THE MOVEMENT IN RESERVES STATEMENT

Note 20 Adjustments between Accounting Basis and Funding Basis under Regulations

General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
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	2020/21					
	£m	£m	£m	£m	£m	£m
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:						
Pension cost (transferred to (or from) the Pensions Reserve)	(24.5)					24.5
Financial Instruments (transferred to Financial Instruments Adjustments Account or Revaluation Reserve)	2.9					(2.9)
Council tax and NDR (transfers to or from the Collection Fund)	(26.8)					26.8
Holiday pay (transferred to the Accumulated Absences reserve)	(2.7)					2.7
Schools budget deficit transferred to Dedicated Schools Grant Adjustment account	(6.9)					6.9
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)	(16.8)	(26.7)				43.5
Total Adjustments to Revenue Resources	(74.9)	(26.7)	0.0	0.0	0.0	101.6

Adjustments to Capital Resources

Use of the Capital Receipts Reserve to finance capital expenditure			9.9			(9.9)
Use of the Major Repairs Reserve to finance new capital expenditure				18.3		(18.3)
Application of capital grants to finance capital expenditure	22.9	16.1			(2.5)	(36.5)
Cash payments in relation to deferred capital receipts						0.0
Total Adjustments to Capital Resources	22.9	16.1	9.9	18.3	(2.5)	(64.7)

	2020/21					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£m	£m	£m	£m	£m	£m

Adjustments between Revenue and Capital Resources

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6.5	11.4	(17.9)			0.0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2.1)	(2.4)	4.5			0.0
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		13.5		(13.5)		0.0
Borrowing or liabilities met from the Housing Revenue Account						0.0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						0.0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	11.9					(11.9)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	9.7	25.6				(35.3)
Total Adjustments between Revenue and Capital Resources	26.0	48.1	(13.4)	(13.5)	0.0	(47.2)
Total Adjustments to Revenue Resources	(74.9)	(26.7)	0.0	0.0	0.0	101.6
Total Adjustments between Revenue and Capital Resources	26.0	48.1	(13.4)	(13.5)	0.0	(47.2)
Total Adjustments to Capital Resources	22.9	16.1	9.9	18.3	(2.5)	(64.7)
Other adjustments						0.0
Total Adjustments	(26.0)	37.5	(3.5)	4.8	(2.5)	(10.3)

	Restated 2019/20					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£m	£m	£m	£m	£m	£m

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:

Pension cost (transferred to (or from) the Pensions Reserve)	(21.2)					21.2
Financial Instruments (transferred to the Financial Instruments Adjustments Account or Revaluation Reserve)	(2.2)					2.2
Council tax and NDR (transfers to or from the Collection Fund)	3.6					(3.6)
Holiday pay (transferred to the Accumulated Absences reserve)	1.1					(1.1)
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)	(5.5)	(71.5)				77.0
Total Adjustments to Revenue Resources	(24.2)	(71.5)	0.0	0.0	0.0	95.7

Adjustments to Capital Resources

Use of the Capital Receipts Reserve to finance capital expenditure			6.6			(6.6)
Use of the Major Repairs Reserve to finance new capital expenditure				28.7		(28.7)
Application of capital grants to finance capital expenditure	22.5	21.1			0.5	(44.1)
Cash payments in relation to deferred capital receipts						0.0
Total Adjustments to Capital Resources	22.5	21.1	6.6	28.7	0.5	(79.4)

General Fund Balance	Housing Revenue Account	Restated 2019/20		Capital Grants Unapplied	Unusable Reserves
		Capital Receipts Reserve	Major Repairs Reserve		
£m	£m	£m	£m	£m	£m

Adjustments between Revenue and Capital Resources

Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	6.5	9.1	(15.6)			0.0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)						0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(12.2)		12.2			0.0
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve		13.3		(13.3)		0.0
Borrowing or liabilities met from the Housing Revenue Account						0.0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						0.0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	11.7					(11.7)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3.0	10.5				(13.5)
Total Adjustments between Revenue and Capital Resources	9.0	32.9	(3.4)	(13.3)	0.0	(25.2)
Total Adjustments to Revenue Resources	(24.2)	(71.5)	0.0	0.0	0.0	95.7
Total Adjustments between Revenue and Capital Resources	9.0	32.9	(3.4)	(13.3)	0.0	(25.2)
Total Adjustments to Capital Resources	22.5	21.1	6.6	28.7	0.5	(79.4)
Other adjustments						0.0
Total Adjustments	7.3	(17.5)	3.2	15.4	0.5	(8.9)

The 2019/20 accounts have been restated to correct errors made to the accounts in previous years. See Note 41 on page 65 for details.

Note 21 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

The main earmarked reserves created by the Authority are:

- The specific contingency reserve represents the amounts set aside for specific expenditure pressures in future years.
- The government grants received but not yet spent reserves are unspent grant monies that are not strictly ring fenced but are intended to support specific service expenditure or objectives, and hence has been carried forward as part of an earmarked reserve.
- The New Homes grant reserve holds unspent amounts awarded to the Authority for the introduction of new homes and the funds have been set aside to allocate to Member priorities.
- Savings and improvement reserves have been set up to cover costs associated with developing and improving services and delivery of savings.
- Other reserves are the aggregate amount of a number of funds set aside for specific purposes.

	Balance at 01 Apr 2019	2019/20		Balance at 31 Mar 2020	2020/21		Balance at 31 Mar 2021
	£m	Transfers out	Transfers in	£m	Transfers out	Transfers in	£m
General Fund Earmarked Reserves							
Specific contingency	(29.6)	6.3	(4.0)	(27.3)	0.0	(11.8)	(39.1)
Covid 19 NNDR discounts reserve	0.0	0.0	0.0	0.0	0.0	(17.1)	(17.1)
Government grants received but not yet spent	(7.9)	9.5	(2.2)	(0.6)	0.5	(19.2)	(19.3)
Insurance reserve	(6.0)	0.6	0.0	(5.4)	0.1	0.0	(5.3)
New homes grant	(27.1)	3.6	(6.6)	(30.1)	3.2	(5.6)	(32.5)
PFI reserves	(14.2)	0.0	0.0	(14.2)	0.0	0.0	(14.2)
Savings and improvement reserve	(27.3)	6.9	(6.9)	(27.3)	4.4	(4.7)	(27.6)
Special parking fund	(1.1)	0.3	0.0	(0.8)	0.3	0.0	(0.5)
Schools reserves	(13.7)	12.6	(10.8)	(11.9)	0.0	(1.1)	(13.0)
Public health grant reserves	(5.9)	1.1	(0.5)	(5.3)	0.3	(2.0)	(7.0)
Adult care reserve	(8.1)	1.8	0.0	(6.3)	0.0	(2.3)	(8.6)
Other reserves	(22.4)	6.0	(13.1)	(29.5)	3.1	(4.5)	(30.9)
Total General Earmarked Reserves	(163.3)	48.7	(44.1)	(158.7)	11.9	(68.3)	(215.1)
HRA Earmarked reserves	(8.5)	0.0	(2.9)	(11.4)	0.0	(2.9)	(14.3)
Total Earmarked Reserves	(171.8)	48.7	(47.0)	(170.1)	11.9	(71.2)	(229.4)

About the Value of the Authority's Reserves on the Balance Sheet

Note 22 Usable Reserves

Movements in the Authority's usable reserves are set out in the Movement in Reserves Statement and detailed in Note 21.

Note 23 Unusable Reserves

The following table sets out the Authority's unusable reserves.

Restated		
31 Mar 2020		31 Mar 2021
£m		£m
(579.8)	Revaluation reserve	(745.2)
(1,163.7)	Capital adjustment account	(1,232.2)
7.9	Financial instruments adjustment account and revaluation reserve	5.0
(2.7)	Deferred capital receipts reserve	(2.7)
477.5	Pensions reserve	628.0
2.8	Collection fund adjustment account	29.6
0.0	Dedicated Schools Grant adjustment account	12.6
4.1	Accumulated absences account	6.8
(1,253.9)	Total of unusable reserves as at 31 March	(1,298.1)

The 2019/20 accounts have been restated to correct errors imade to the accounts in previous years. See Note 41 on page 65 for details.

Revaluation Reserve

Restated 31 Mar 2020	Revaluation reserve	31 Mar 2021
£m		£m
(530.1)	Opening balance	(579.8)
(49.7)	Revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(165.4)
(49.7)	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(165.4)
0.0	Difference between fair value depreciation and historical cost depreciation	0.0
0.0	Accumulated gains on assets sold or scrapped	0.0
0.0	Amount written off to the Capital Adjustment Account	0.0
0.0	Other movements	0.0
0.0	Other movements to Other Comprehensive Income and Expenditure	0.0
(579.8)	Total as at 31 March	(745.2)

The Revaluation Reserve contains the gains and losses made by the Authority arising from changes in the value of its Property, Plant and Equipment.

The 2019/20 accounts have been restated to correct errors made to the accounts in previous years. See Note 41 on page 62 for details.

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 Authority as finance for the costs of acquisition, construction and enhancement. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Restated 31 Mar 2020	Capital adjustment account	31 Mar 2021
£m		£m
(1,136.2)	Opening balance	(1,163.7)
31.8	Charges for depreciation and impairment of non-current assets	38.1
32.0	Revaluation losses on non-current assets	4.6
3.6	Revenue expenditure funded from capital under statute	3.7
9.2	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10.6
76.6	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	56.5
76.6	Net written out amount of the cost of non-current assets consumed in the year	56.5
(6.6)	Use of Capital Receipts Reserve to finance new capital expenditure	(9.9)
(28.7)	Use of Major Repairs Reserve to finance new capital expenditure	(18.3)
(44.1)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(36.6)
(11.7)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(11.9)
(13.5)	Capital expenditure charged against the General Fund and HRA balances	(35.3)
(104.6)	Capital financing applied in-year	(112.0)
0.5	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(13.5)
(1,163.7)	Total as at 31 March	(1,232.2)

The 2019/20 accounts have been restated to correct errors imade to the accounts in previous years. See Note 41 on page 65 for details.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

A Financial Instruments Revaluation Reserve has been created to contain the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are revalued downwards, impaired or disposed of.

31 Mar 2020			31 Mar 2021		
Financial Instruments Adjustment Account	Financial Instruments Revaluation Reserve	Financial instruments reserves	Financial Instruments Adjustment Account	Financial Instruments Revaluation Reserve	
£m	£m		£m	£m	
6.2	(0.5)	Opening balance	6.0	1.9	
0.0	0.0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0.0	0.0	
(0.2)	0.0	Premiums incurred in previous years charged to the General Fund in accordance with statutory requirements	(0.2)	0.0	
0.0	2.4	Revaluation of investments	0.0	(2.7)	
6.0	1.9	Total	5.8	(0.8)	

Pension 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 Authority 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 Authority 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 Authority 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.

31 Mar 2020	Pension reserve	31 Mar 2021
£m		£m
451.7	Opening balance	477.5
4.8	Remeasurements of the net defined benefit (liability)/asset	125.9
46.5	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	49.3
(25.5)	Employer's pensions contributions and direct payments to pensioners payable in the year	(24.7)
477.5	Total as at 31 March	628.0

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

31 Mar 2020	Deferred Capital receipts	31 Mar 2021
£m		£m
(3.0)	Opening balance	(2.7)
0.3	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.0
0.0	Transfer to the Capital Receipts Reserve upon receipt of cash	0.0
(2.7)	Total as at 31 March	(2.7)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 Mar 2020	Collection fund adjustment account	31 Mar 2021
£m		£m
6.5	Opening balance	2.8
(3.7)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	26.8
2.8	Total as at 31 March	29.6

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant (DSG) is a grant is a grant ring fenced to financing the schools budget. Where schools budget expenditure exceeds the available funding provided by the DSG the deficit needs to be held in the DSG adjustment account to keep it separate from the general fund.

31 Mar 2020	Dedicated Schools Grant adjustment account	31 Mar 2021
£m		£m
0.0	Opening balance	0.0
0.0	Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	5.6
0.0	Deficit on 2020/21 Dedicated Schools Grant budget	7.0
0.0	Total as at 31 March	12.6

Accumulated Absences Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31 Mar 2020	Accumulated absences account	31 Mar 2021
£m		£m
5.3	Opening balance	4.1
0.0	Settlement or cancellation of accrual made at the end of preceding year	0.0
(1.2)	Amounts accrued at the end of the current year	2.7
4.1	Total as at 31 March	6.8

ABOUT THE AUTHORITY'S NON-CURRENT ASSETS

Note 24 Leases

Authority as lessee:

Finance leases

The only material finance lease relates to the PFI contract, details of which are set out in Note 30.

Authority as lessor:

Operating Leases

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

- To assist in the provision of community services, such as community centres, scout huts, community shops, and office space for some voluntary sector bodies
- To assist in economic development through the provision of suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are as follows (based on current rents at 31 March 2021 and do not include any assumptions for future rent changes):

31 Mar 20		31 Mar 21
£m		£m
4.8	Not later than one year	5.7
17.1	Later than one year and not later than five years	21.0
36.8	Later than five years	35.0
58.7		61.7

The Council's most significant operating lease relates to the Southall Lane Waste Depot, which has been leased to Lampton Recycle 360Ltd, a subsidiary of the Authority. The future minimum lease payments in respect of this lease total £21m over the period to 24 April 2043. Lampton Greenspace 360 Ltd, another subsidiary of the Authority, has leased a unit at the Western International Market with minimum lease repayments of £3.7m over the same period.

Note 25 Property, Plant and Equipment

Movements to 31 March 2021	Council dwellings	Other land and buildings	Vehicles, plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation							
At 1 Apr 2020	1,009.7	907.0	41.7	9.1	2.8	25.8	1,996.1
Additions	27.0	9.0	6.8	1.3	1.7	36.9	82.7
Accumulated Depreciation Written Out to Gross Carrying Amount	(12.5)	(5.7)	0.0	0.0	0.0	0.0	(18.2)
Revaluation increases/(decreases) recognised in Revaluation Reserve	61.3	104.1	0.0	0.0	0.0	0.0	165.4
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7.4)	2.8	0.0	0.0	0.0	0.0	(4.6)
Derecognition - disposals	(4.5)	(6.2)	0.0	0.0	0.0	0.0	(10.7)
Assets reclassified (to)/from Investment Properties	0.0	0.0	0.0	0.0	0.0	0.4	0.4
Reclassifications	4.4	10.3	0.0	0.0	0.0	(14.7)	0.0
At 31 Mar 2021	1,078.0	1,021.3	48.5	10.4	4.5	48.4	2,211.1
Accumulated Depreciation and Impairment							
At 1 Apr 2020	(12.5)	(7.9)	(21.8)	(0.1)	(0.2)	0.0	(42.5)
Depreciation charge	(12.9)	(11.1)	(3.3)	0.0	0.0	0.0	(27.3)
Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	12.5	5.7	0.0	0.0	0.0	0.0	18.2
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0.0	(0.3)	0.0	0.0	0.0	0.0	(0.3)
Derecognition - disposals	0.0	0.1	0.0	0.0	0.0	0.0	0.1
At 31 Mar 2021	(12.9)	(13.5)	(25.1)	(0.1)	(0.2)	0.0	(51.8)
Net Book Value at 31 Mar 2021	1,065.1	1,007.8	23.4	10.3	4.3	48.4	2,159.3
Net Book Value at 31 Mar 2020	997.2	899.1	19.9	9.0	2.6	25.8	1,953.6

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 council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that the 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.

Movements to 31 March 2021	Property, Plant and Equipment (excluding Infrastructure Assets)	Infrastructure Assets	Total Property, Plant and Equipment
	£m	£m	£m
Net Book Value at 31 Mar 2020	1,953.6	209.1	2,162.7
Additions	82.7	11.1	93.8
Donations	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	(18.2)	0.0	(18.2)
Revaluation increases/(decreases) recognised in Revaluation Reserve	165.4	0.0	165.4
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4.6)	0.0	(4.6)
Derecognition - disposals	(10.7)	0.0	(10.7)
Assets reclassified (to)/from Held for Sale	0.0	0.0	0.0
Assets reclassified (to)/from Investment Properties	0.4	0.0	0.4
Reclassifications	0.0	0.0	0.0
Depreciation charge	(27.3)	(10.6)	(37.9)
Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	18.2	0.0	18.2
Depreciation written out to Surplus/Deficit on Provision of Services	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(0.3)	0.0	(0.3)
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0.0	0.0	0.0
Derecognition - disposals	0.1	0.0	0.1
Derecognition - to assets held for sale	0.0	0.0	0.0
Assets reclassified (to)/from Heritage Assets	0.0	0.0	0.0
Other movements in depreciation or impairment	0.0	0.0	0.0
Net Book Value at 31 Mar 2021	2,159.3	209.6	2,368.9

Restated - Movements to 31 March 2020
(See Note 41 on page 65 for details of the restatement)

	Council dwellings	Other land and buildings	Vehicles, plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation							
At 1 Apr 2019	972.6	873.2	55.0	8.1	3.9	34.0	1,946.8
Additions	57.7	16.6	3.7	1.0	0.0	25.3	104.3
Donations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	(12.3)	(20.8)	0.0	0.0	0.0	0.0	(33.1)
Revaluation increases/(decreases) recognised in Revaluation Reserve	11.6	38.0	0.0	0.0	0.1	0.0	49.7
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(54.5)	15.4	0.0	0.0	(0.5)	0.0	(39.6)
Derecognition - disposals	(4.0)	(5.4)	(17.0)	0.0	0.0	0.0	(26.4)
Assets reclassified (to)/from Held for Sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets reclassified (to)/from Heritage Assets	0.0	(5.6)	0.0	0.0	0.0	0.0	(5.6)
Reclassifications	38.6	(4.4)	0.0	0.0	(0.7)	(33.5)	0.0
At 31 Mar 2020	1,009.7	907.0	41.7	9.1	2.8	25.8	1,996.1
Accumulated Depreciation and Impairment							
At 1 Apr 2019	(12.3)	(16.2)	(35.7)	(0.1)	(0.2)	0.0	(64.5)
Depreciation charge	(12.5)	(12.7)	(3.1)	0.0	0.0	0.0	(28.3)
Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	12.3	20.8	0.0	0.0	0.0	0.0	33.1
Depreciation written out to Surplus/Deficit on Provision of Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derecognition - disposals	0.0	0.2	17.0	0.0	0.0	0.0	17.2
Derecognition - to assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets reclassified (to)/from Heritage Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
At 31 Mar 2020	(12.5)	(7.9)	(21.8)	(0.1)	(0.2)	0.0	(42.5)
Net Book Value at 31 Mar 2020	997.2	899.1	19.9	9.0	2.6	25.8	1,953.6
Net Book Value at 31 Mar 2019	960.3	857.0	19.3	8.0	3.7	34.0	1,882.3

Movements to 31 March 2021	Property, Plant and Equipment (excluding Infrastructure Assets)	Infrastructure Assets	Total Property, Plant and Equipment
	£m	£m	£m
Net Book Value at 31 Mar 2019	1,882.3	206.7	2,089.0
Additions	104.3	9.5	113.8
Donations	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	(33.1)	0.0	(33.1)
Revaluation increases/(decreases) recognised in Revaluation Reserve	49.7	0.0	49.7
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(39.6)	0.0	(39.6)
Derecognition - disposals	(26.4)	0.0	(26.4)
Assets reclassified (to)/from Held for Sale	0.0	0.0	0.0
Assets reclassified (to)/from Investment Properties	(5.6)	0.0	(5.6)
Reclassifications	0.0	0.0	0.0
Depreciation charge	(28.3)	(7.1)	(35.4)
Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	33.1	0.0	33.1
Depreciation written out to Surplus/Deficit on Provision of Services	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0.0	0.0	0.0
Derecognition - disposals	17.2	0.0	17.2
Derecognition - to assets held for sale	0.0	0.0	0.0
Assets reclassified (to)/from Heritage Assets	0.0	0.0	0.0
Other movements in depreciation or impairment	0.0	0.0	0.0
Net Book Value at 31 Mar 2020	1,953.6	209.1	2,162.7

Property, Plant and Equipment Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. The Council's dwelling stock is subject to an annual revaluation undertaken by professional external valuers, Wilks Head and Eve.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£m	£m	£m	£m	£m
Carried at historical cost			48.5		48.5
Valued at current value as at:					
31 March 2021	1,078.0	337.3		1.7	1,417.0
31 March 2020		150.6		0.0	150.6
31 March 2019		345.1		0.0	345.1
31 March 2018		143.0		2.8	145.8
31 March 2017		6.2		0.0	6.2
Total cost or valuation	1,078.0	982.2	48.5	4.5	2,113.2

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. Valuations of vehicles, plant and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset.

The value of Council dwellings has been adjusted annually and takes into account an adjustment factor to reflect the lower value of social housing. This adjustment factor is per the guidance issued by the Ministry of Housing, Communities & Local Government.

De-recognition of Infrastructure Assets

The authority has determined that 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 when there is replacement expenditure is nil.

Capital Commitments

Capital commitments as at 31 March 2021 totaled £72.4m, of this £68.1m relates to Housing and £1.4m relates to schools. Commitments as at 31 March 2020 totaled £45.7m (£38.7m related to Housing and £2.1m related to schools).

Note 26 Investment Properties

The following table summarises the movement in the fair value of investment properties over the year:

2019/20		2020/21
£m		£m
62.2	Balance at start of year	61.8
0.1	Additions: subsequent expenditure	0.0
(0.5)	Net gains/losses from fair value adjustments	13.6
0.0	Transfer to Land and Buildings	(0.4)
61.8		75.0

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. Rental income from investment properties for 2020/21 was £4.3m (2019/20 £4.0m). Investment properties are revalued according to market conditions at year end by professional external valuers.

Note 27 Heritage Assets

The following table summarises the Heritage asset movements for 2020/21.

2019/20		2020/21
£m		£m
5.2	Balance at start of year	13.1
2.3	Additions: subsequent expenditure	2.5
5.6	Reclassified from Land and Buildings	0.0
13.1	Total expenditure	15.6

The Authority has several heritage buildings and/or grounds which have local and national cultural value and have been included in the balance sheet at cost:

- Hogarth House
- Gunnersbury Museum – This is jointly owned with the London Borough of Ealing
- Chiswick House Grounds
- Boston Manor House

Other items:

The Hogarth-Kirby Letter which is on display at Hogarth House and which is of national significance. In addition there is the Gunnersbury House Museum Collection, plus specific artefacts in other buildings.

Note 28 Long Term Debtors

2019/20		2020/21
£m		£m
58.1	Receivables from subsidiaries	58.5
3.2	Other	4.6
61.3		63.1

Note 29 Capital Expenditure and Capital Financing

2019/20		2020/21
£m		£m
467.2	Opening Capital Financing Requirement	482.4
	Capital investment:	
113.8	Property, plant and equipment	93.8
0.1	Investment properties	0.0
2.3	Heritage assets	2.5
0.0	Intangible assets	1.3
3.6	Revenue Expenditure Funded from Capital under statute	3.7
119.8	Total capital spending	101.3
	Sources of finance:	
(6.6)	Capital receipts	(9.9)
(44.1)	Government grants and other contributions	(36.6)
(28.7)	Major repairs reserve	(18.3)
	Sums set aside from revenue:	
(13.5)	Direct revenue contributions	(35.3)
(11.7)	Minimum revenue provision	(11.9)
(104.6)	Total sources of finance	(112.0)
482.4	Closing Capital Financing Requirement	471.7
	Explanation of movements in year	
18.4	Increase/(decrease) in need to borrow (unsupported by government financial assistance)	(7.3)
(3.2)	Other movements	(3.4)
15.2	Increase/(decrease) in capital financing requirement	(10.7)

Note 30 Service Concession Arrangements

The Council entered into a PFI contract in August 2012 for the maintenance and updating of all the highways and street lighting and associated infrastructure (a 'fence to fence' contract). The contract is for 25 years and came into effect from January 2013.

The Authority makes an agreed payment which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2021 (excluding any estimation of availability/performance deductions) are as follows:

	Payment for Services	Interest	Reimbursement of Capital Expenditure	Total
	£m	£m	£m	£m
Payable in 2020/21	16.9	2.0	3.4	22.3
Payable within 1 year	17.2	1.9	3.5	22.6
Payable within 2 to 5 years	72.1	6.7	14.8	93.6
Payable within 6 to 10 years	98.0	6.0	21.0	125.0
Payable within 11 to 15 years	107.7	2.9	24.2	134.8
Payable within 16 to 20 years	42.4	0.2	9.3	51.9
Total	354.3	19.7	76.2	450.2

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the 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 the contractor for capital expenditure is as follows:

2019/20		2020/21
£m		£m
(79.5)	Balance outstanding at start of year	(76.2)
3.3	Payments during the year	3.4
(76.2)	Balance outstanding at year-end	(72.8)

ABOUT THE AUTHORITY'S CURRENT ASSETS

Note 31 Short Term Debtors

2019/20		2020/21
£m		£m
16.4	Council tax - LBH share of arrears	19.8
1.5	Council tax - GLA share of arrears	0.0
15.4	Housing benefit debtors	14.4
2.9	Housing general fund - Private Sector Leases	3.1
5.8	Housing general fund - Leaseholder Charges	4.6
2.7	Housing Revenue account - rent outstanding	6.0
8.2	Payments in advance	8.1
45.1	Sundry debtors	37.1
4.9	NNDR - GLA share of prepayments, arrears & deficit	23.5
3.5	NNDR - government share of prepayments, arrears & deficit	20.3
4.3	NNDR - LBH share of arrears	6.4
5.4	VAT	7.8
116.1		151.1
(40.0)	Impairment Allowances	(39.2)
76.1		111.9

Impairment Allowances

2019/20		2020/21
£m		£m
(12.4)	Housing benefit	(11.9)
(2.6)	Housing General Fund	(2.7)
(2.0)	Leaseholders	0.0
(4.1)	Housing Revenue Account	(4.6)
(1.7)	Business rates - LBH share	(2.3)
(8.3)	Sundry bad debt provision	(7.5)
(8.9)	Council Tax - LBH share	(10.2)
(40.0)		(39.2)

Note 32 Creditors

2019/20		2020/21
£m		£m
(5.0)	Business rates LBH share of prepayments	(3.6)
(8.3)	Council Tax LBH share of prepayments	(8.4)
(3.0)	Council Tax - amount owed to government (net of arrears)	(0.1)
(7.4)	Business rates - amounts owed to government	(1.4)
(7.2)	Business rates - amounts owed to GLA	0.0
(3.4)	Hounslow Private Finance Initiative	(3.5)
(4.5)	Housing Revenue Account capital creditors	(9.8)
(14.1)	Receipts in advance	(12.9)
(45.6)	Sundry Creditors	(85.6)
(4.0)	Grants	(21.5)
(102.5)		(146.8)

Note 33 Provisions

The Authority is required under IFRS to split its provisions between short term and long term on the balance sheet. The table below shows the overall provisions for the Council. The short-term provisions are those estimated to be payable within one year of the balance sheet date and total £7.0m at 31 March 2021 (£6.0m at 31 March 2020). The long-term provisions are those estimated to be payable in more than one year from the balance sheet date and total £7.8m at 31 March 2021 (£6.3m at 31 March 2019). The two most significant areas for which provisions have been set aside are for NNDR appeals (£10.3m as at 31 March 2021, £7.8m as at 31 March 2020) and insurance provision (£3.3m as at 31 March 2021, £3.3m as at 31 March 2020). The insurance provision is there to cover the potential cost of claims made against the Council. The level of the insurance provision and reserve is set using the best available information at the time. The provision for business rates appeals has been estimated by analysing historic trends in appeals and information about outstanding appeals.

2019/20		2020/21
£m		£m
(12.5)	Opening balance	(12.3)
(0.7)	Increase in provision during year	(2.5)
0.9	Provisions no longer required written back to CIES during year	0.0
(12.3)	Balance outstanding at year-end	(14.8)

Note 34 Long Term Liabilities

2019/20		2020/21
£m		£m
(477.7)	Pension Liability	(628.0)
(72.8)	Long Term PFI Liability	(69.4)
(1.9)	Other Long Term Liabilities	(2.0)
(552.4)		(699.4)

Note 35 Contingent Liabilities

At 31 March 2021 there were a number of legal claims outstanding against the Council, none of which are material. These claims are disputed and are still the subject of negotiation, and/or legal action, with the parties concerned.

ABOUT THE AUTHORITY'S FINANCIAL INSTRUMENTS

Note 36 Financial Instruments

31 Mar 2020					31 Mar 2021				
Non-current assets	Current assets	Non-current liabilities	Current liabilities	Financial instruments	Non-current assets	Current assets	Non-current liabilities	Current liabilities	
£m	£m	£m	£m		£m	£m	£m	£m	£m
				Valued at amortised cost					
10.0	54.9	(190.5)	(66.8)	Investments / borrowings	0.0	40.5	(160.4)	(31.7)	
61.3	14.6	(74.7)	(5.6)	Debtors / creditors	63.1	14.4	(71.3)	(6.8)	
	33.2		(4.0)	Cash and cash equivalents		42.1		(7.6)	
				Fair value through profit and loss					
	28.8			Investments		31.6			
71.3	131.5	(265.2)	(76.4)	Total	63.1	128.6	(231.7)	(46.1)	

Fair values of financial assets

The Authority holds units in the Legal & General Short Dated Corporate Bond Index Fund with a value of £12.0m as at 31 March 2021. This investment is measured at fair value on a recurring basis using unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date. These assets show a £0.8m revaluation gain during 2020/21 with no additions or disposals during the year.

The Authority invested £20m in the Fidelity Multi Asset Fund on 1 October 2019. At 31 March 2021 this investment had a value of £19.6m, measured at fair value on a recurring basis using unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date. This investment shows a £2.0m revaluation gain during 2020/21 with no additions or disposals during the year.

The fair value of PWLB debt, Lobo loans and Money market debt has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments discounted by interest rates at the balance sheet date based on PWLB redemption interest rates advised on PWLB.

31 Mar 2020			31 Mar 2021	
Carrying amount	Fair Value		Carrying amount	Fair Value
£m	£m		£m	£m
159.1	221.8	PWLB Debt	144.9	186.1
39.5	107.3	Lobo Loans	39.5	87.3
7.5	23.2	Money Market Debt	7.5	18.8
206.1	352.3	Total	191.9	292.2

Impairment (credit losses) on receivables

	Rent Debtors	Other Debtors	Leasehold Debtors
	£m	£m	£m
Balance 31 March 2019	(6.9)	(4.9)	(2.0)
Write offs	0.1	0.3	0.0
Set up/release	(0.4)	(1.5)	0.0
Balance 31 March 2020	(7.2)	(6.1)	(2.0)
Write offs	1.1	0.5	0.0
Set up/release	(1.4)	(0.2)	2.0
Balance 31 March 2021	(7.5)	(5.8)	0.0

See note 4 for information around management assumptions on expected credit losses.

Note 37 Nature and Extent of Risks Arising from Financial Instruments

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects 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. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

The Authority's activities expose it to a variety of financial risks.

Credit Risk

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Authority are as detailed below:

- The Authority had a policy of limiting deposits with institutions to a maximum of £30m for banks, building societies and local authorities and similar bodies and £50m for partially nationalised banks.
- Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £30m to £50m per counter party cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2021 that this was likely to crystallise.

The Council has no bonds. Furthermore, no credit limits were exceeded during the financial year and the Authority expects full repayment on the due date of deposits placed with its counterparties. During 2020/21 the counterparty limit for partially nationalised banks was maintained at £50m, and the counterparty limit for other banks and building societies was maintained at £30m.

There are no cases, and hence no carrying value, that would otherwise be past due or impaired whose terms have been renegotiated.

The Authority does not generally allow credit for customers.

Liquidity risk

The Authority has access to a facility to borrow from the Public Works Loans Board. As a result, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Authority has safeguards in place to ensure that a significant proportion of its borrowing does not mature at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Authority's policy is to limit exposure on the proportion of its loans that are due to mature within any rolling five-year period. This is achieved through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is:

	31 Mar 20	31 Mar 21
	£m	£m
Between one and two years	30.2	18.4
Between two and five years	40.5	51.7
Between five and ten years	29.3	14.7
More than ten years	75.9	75.9
Total Long Term Borrowing	175.9	160.7
Less than one year	30.2	30.3
Total	206.1	191.0

This is on a different basis than included in the Balance Sheet because the balance sheet figures include the accrued interest amounts as at 31 March each year in the carrying amount.

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

The Authority has a number of strategies for managing interest rate risk. The policy was to aim to keep a maximum of £60m of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2020		31 March 2021
£m		£m
0.7	Increase in interest payable on variable rate borrowings	0.5
(2.2)	Increase in interest receivable on variable rate investments	(3.4)
(1.5)	Impact on Surplus or Deficit on the Provision of Services	(2.9)
0.9	Share of overall impact credited to the HRA	0.8
0.0	Decrease in fair value of fixed rate investment assets	0
(0.6)	Impact on Other Comprehensive Income and Expenditure	(2.1)

Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure) of £48.6m 2020/21 (£62.6m in 2019/20).

The impact of a 1% fall interest is estimated to be less than the figures above (with the movements in reverse) due to the low level of interest rates earned on the Authority's short-term investments.

Foreign Exchange Risk

The Authority has no material financial assets or liabilities denominated in foreign currencies and has minimal exposure to loss arising from movements in exchange rates.

ABOUT THE CASH FLOW STATEMENT

Note 38 Cash Flow from Operating Activities

2019/20		2020/21
£m		£m
12.4	Interest Paid	9.7
(3.5)	Interest Received	(3.2)
0.0	Dividend Received	(1.3)
8.9	Total	5.2

Note 39

Reconciliation of Liabilities Arising from Financing Activities

	01 Apr 2020	Financing cash flows	Non-cash changes	31 Mar 2021
	£m	£m	£m	£m
Long-term borrowing	(190.5)	0.0	30.1	(160.4)
Short-term borrowing	(66.8)	65.2	(30.1)	(31.7)
On balance sheet PFI liabilities	(76.2)	3.4	0.0	(72.8)
Total	(333.5)	68.6	0.0	(264.9)

OTHER DISCLOSURES

Note 40 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on July 28th 2021. Events taking place after this date are not reflected in the financial statements or notes.

The passing of the Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021 in December 2021 removed the ability for business ratepayers to appeal against rateable values on the basis of a Material Change in Circumstances arising from COVID-19 restrictions. The consequential impact on the council's NNDR appeals provision would be to reduce the provision by £3.4m – this has been treated as a non-adjusting post-balance sheet event.

Note 41 Restated 2019/20 Accounts

During the preparation of the statement of accounts it was noticed that two errors had been made in the financial statements prepared in previous years.

1. A number of infrastructure and Plant, Vehicle and Equipment assets had not been depreciated.
2. A number of Other Land and Building assets were showing an incorrect valuation relating to prior years.

The comparatives for 2018/19 and 2019/20 have been adjusted to correct these errors. The impact of these changes on the main statements has been as follows:

Effect on Balance Sheet 1 April 2019

	As stated in 2019/20 Accounts	Restatement	Correction Required
	£m	£m	£m
Property, Plant & Equipment	2,098.2	2,089.0	(9.2)
Long Term Assets	2,200.9	2,191.7	(9.2)

Net Assets	1,505.3	1,496.1	(9.2)
Unuseable Reserves	(1,220.5)	(1,211.3)	9.2
Total Reserves	(1,505.3)	(1,496.1)	9.2

Effect on Balance Sheet 1 April 2020

	As stated in 2019/20 Accounts £m	Restatement £m	Correction Required £m
Property, Plant & Equipment	2,183.1	2,162.7	(20.4)
Long Term Assets	2,329.3	2,308.9	(20.4)
Net Assets	1,538.6	1,518.2	(20.4)
Reserves	(1,274.3)	(1,253.9)	20.4
Total Reserves	(1,538.6)	(1,518.2)	20.4

Effect on Comprehensive income and Expenditure statement 2019/20

	As stated in 2019/20 Accounts £m	Restatement £m	Correction Required £m
Overheads allocation and accounting adjustments	11.6	22.8	11.2
Cost Of Services	195.6	206.8	11.2
(Surplus) or deficit on Provision of Services	11.6	22.8	11.2
Total Comprehensive Income and Expenditure	(33.3)	(22.1)	11.2

Effect on Movement in reserves statement - unusable reserves 2019/20

	As stated in 2019/20 Accounts £m	Restatement £m	Correction Required £m
Balance as at 1 Apr 2019	(1,220.5)	(1,211.3)	9.2
Adjustments between accounting basis & funding basis under regulations	(8.9)	2.3	11.2
Balance as at Mar 31 2020	(1,274.3)	(1,253.9)	20.4

ACCOUNTING POLICIES

1. Introduction

The Authority is required to produce an annual Statement of Accounts by the Accounts and Audit Regulations 2015, preparation of which is primarily governed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (CIPFA Code), supported by International Financial Reporting Standards (IFRS). The Council has where appropriate provided only information which is material and either aids the reader of the accounts or can be provided on a value for money basis, as permitted by the CIPFA code.

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.

2. Accruals of expenditure and income

Activity is accounted for in the year that it takes place, regardless of when cash payments are made. In particular:

- Revenue from the sale of goods and services is recognised in accordance with the terms and conditions of the contract.
- Revenue from contracts with service recipients is recognised when the Council has satisfied a performance obligation by transferring promised goods or services to a recipient;
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument.
- Where the Authority is acting as an agent for another party (e.g. in the collection of NNDR and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Authority for the agency services rendered or the Authority incurs expenses directly on its own behalf in rendering the services.

3. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 Authority's cash management.

5. Contingent Assets and liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Similarly, a contingent asset arises where an uncertain event could lead to the creation of service potential or economic benefits for the Authority. Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be a material impact.

6. Employee Benefits

(i) Benefits Payable during Employment

Short-term employee benefits are recognised as an expense in the year in which employees render service to the Authority. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

(ii) Termination Benefits

Termination benefits are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. Adjustments are applied through the Movement in Reserves Statement, with appropriations to and from the Pensions Reserve, to adjust for the differences between amounts paid and the amounts charged to the Comprehensive Income and Expenditure Statement.

(iii) Post Employment Benefits

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the London Borough of Hounslow (LBH) pension fund attributable to the Authority 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. The discount rate adopted by the Actuary is based on a weighted average of “spot yield” on AA related corporate bonds.
- The assets at the LBH pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price

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

Teachers’ pensions scheme

The arrangements for the teachers’ scheme mean that liabilities for these benefits cannot be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Comprehensive Income and Expenditure Statement is charged with the employer’s contributions payable to Teachers’ Pensions in the year.

(iv) Discretionary Benefits

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

7. Events after the Balance Sheet date

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

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

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

8. Exceptional Items

When items of income and expense are material, their nature and amount are disclosed separately, either in the Comprehensive Income and Expenditure Statement or in the notes to the Accounts. The decision on where this is reflected will depend on how significant the items are to an understanding of the Authority’s financial performance.

9. Financial Instruments

Assets

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

- amortised cost;
- fair value through profit and loss; and
- fair value through other comprehensive income.

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument) which are classified as fair value through profit & loss. The authority does not hold any financial assets which are classified as fair value through OCI.

Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Interest rate risk

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

Expected Credit Loss

Where assets are identified as likely to be impaired in future because of a likelihood arising from past events that payments due under the contract will not be made, a loss allowance is calculated and set aside for expected credit losses.

10. Government Grants and other contributions

Government grants and third party contributions and donations, are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the grant, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied.

Section 106 contributions received are each subject to conditions. There is a clause in each s106 agreement that requires unspent contributions to be repaid. Therefore, once received the s106 balances will remain as a creditor until expenditure to satisfy the condition of the agreement is incurred.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited either to the Net Cost of Services or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and contributions) in the Comprehensive Income and Expenditure Statement.

Where a capital grant becomes repayable because its conditions have not been met, this will be applied against the Capital Grants Receipts in Advance account. Where a grant that has been recognised in the Comprehensive Income and Expenditure Statement becomes repayable, the repayment will be recognised as an expense in the Comprehensive Income and Expenditure Statement. Repayments of grants for capital purposes will be treated as capital expenditure. The repayment shall be transferred from the General Fund or HRA to the Capital Adjustment Account. This will be reported in the Movement in Reserves Statement.

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

11. Business Rates Supplement - Crossrail

The Authority is required by the Greater London Authority (GLA) to levy a Business Rate Supplement to assist in funding the Crossrail project. The GLA levy is authorised by the Business Rate Supplements Act 2009 (the "BRS" Act). The Authority will account for these sums in its role as a billing authority as an agent and will therefore not incorporate any of the levy and the resulting payments to the GLA in the Authority's Comprehensive Income and Expenditure Statement, apart from a small contribution to the administrative expenses involved in the collection of the levy.

12. Intangible Assets

Expenditure on intangible assets is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase. Research expenditure is not capitalised. Expenditure on the development of websites is not capitalised.

Intangible assets are measured initially at cost and are not revalued. The depreciable amount of an intangible asset is amortised over its useful life, charged to the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council will only capitalise expenditure on computer software licences of over £10,000. Intangible Assets will be amortised over 5 years unless its life is estimated to be higher or lower. Amortisation, impairment losses, disposal gains and losses of intangible assets are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

14. Investment Properties

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability

The following assets are held at Fair Value:

- Investment Properties are valued by our Valuers Wilks Head & Eve. They are valued using inputs on level 2 of the Fair Value hierarchy. The observable inputs include estimated rental value, capitalisation rate and assumed void periods.
- Financial Instruments held at fair value through profit and loss are valued at year end on the basis of Level 1 inputs on the Fair Value Hierarchy, being quoted prices in active markets.

16. 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 are not legally leases 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.

(i) The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). Initial direct costs of the Authority are added to the carrying amount of the asset.

All finance leases for which the underlying asset value is over £100,000 and which is estimated to have a life of more than 7 years will be shown as an asset on the Balance Sheet. Property, Plant and Equipment recognised under finance leases are 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.

Operating Leases

Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, with a value of more than £100,000, the relevant asset is written out of the Balance Sheet as a disposal.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance. It is a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. 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, because the cost of fixed assets is fully provided for under separate arrangements. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority 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 Comprehensive Income and Expenditure Statement 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.

17. Overheads and Support Services

The costs of overheads and support services are recognised in the Net Cost of Services, charged to the Directorate responsible for managing those costs. Adjustments are made to reflect the proportion of overheads and support costs that are associated with trading accounts, recognised in Other Operating Income and Expenditure.

18. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current and future years affected by the change. They do not give rise to a prior period adjustment.

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

19. Property, Plant and Equipment (excluding Highways Infrastructure Assets)

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 Authority 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.

A review is undertaken annually to ensure that expenditure which adds value to Property, Plant and Equipment is capitalised; otherwise it is treated as an impairment and charged to revenue.

The Council will only capitalise expenditure on Property, Plant and Equipment if it is more than £10,000 in any one transaction. Consolidation of similar assets will occur where they have a common characteristic.

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 Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Authority. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

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

- infrastructure, community assets – depreciated historical cost
- assets under construction – historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH) in accordance with Ministry of Housing, Communities and Local Government (MHCLG) rules, which require the valuation to be adjusted to reflect the ratio at a regional level of local authority rents to those rents in the private sector that are applicable for housing benefit
- all other assets – current value, the amount that would be paid for the asset in its existing use (existing use value - EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

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. Valuations are on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institute of Chartered Surveyors (RICS). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Revaluations are carried out in a five year rolling programme, with at least 20% of the assets in each class being revalued in year. Any high value assets are revalued more frequently than every five years to ensure they are not materially misstated in the accounts. The remaining assets in each class are reviewed and when a material change in value would result a desktop revaluation is completed for the remaining assets in the class.

The balance is reduced when assets with accumulated gains are:

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

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 to determine whether there is evidence that an asset may be impaired (i.e. the asset has suffered a reduction in value due to damage to an asset, obsolescence, or changes in market value). Where it has and the differences are estimated to be material, the recoverable amount of the asset is estimated. Where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the 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 on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment - straight-line allocation over the useful life of the item
- infrastructure – straight line allocation over the useful life of the relevant component.

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.

Newly acquired assets are not depreciated in the year of acquisition and assets in the course of construction are not depreciated until they are brought into use. Assets are depreciated in the year of disposal.

Depreciation in these accounts is included according to the following policy:

- Where it can be separately identified, depreciation is not charged for land;
- Depreciation is calculated using the straight-line method over the following periods:
 - Buildings 5 to 60 years
 - Vehicles, plant & equipment 3 to 20 years
 - Infrastructure (other than highways infrastructure) 40 years
 - Intangible Fixed Assets 5 to 20 years

Componentisation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

In practice, parts of assets are only componentised where the part is more than 20% of the value of the asset and the value of the asset itself is greater than £1m.

20. 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 accruals basis, provided that it is probable that the future economic benefits or service potential 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.

Impairment

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

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 by the council's highways maintenance PFI contractor as follows:

- Carriageways – 25 years
- Footpaths and cycle tracks – 35 years
- Structures – 75 years
- Street lighting – 25 years
- Street furniture – 25 years

Derecognition

Derecognition other than by way of disposal is a relevant matter for infrastructure assets, and the council determines 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 when there is replacement expenditure is nil.

21. Provisions

Any provision made is based on the best estimate at the balance sheet date required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are made, they are charged to the provision on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

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 if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

22. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement. When expenditure is financed from a reserve, it is charged to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Reserves are deemed to be earmarked when they are set aside for a specific purpose.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits. They do not represent usable resources for the Authority. These reserves are explained in the relevant policies.

The HRA Resource Accounting regime also requires the maintenance of a Major Repairs Reserve, which represents the balance of the HRA Major Repairs Allowance not yet used to fund major repairs to housing stock.

23. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in a non-current asset has been charged as expenditure. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

This treatment applies to expenditure on property not owned by the Authority, and statutory redundancy costs when an authority has been granted a directive under the Local Government Act 2003.

24. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

25. Group Accounts.

The Council has reviewed the relationships it has with its partner organisations. The Council has more than half of the voting rights or has effective overall control of the following bodies:

- o Lampton 360 Ltd - which itself has a number of subsidiaries.
- o Coalo Ltd (previously called FM360 Ltd)
- o Bedford Lakes Trust

The accounts of Lampton 360 Ltd have been consolidated with the financial statements of the London Borough of Hounslow. Consolidation has been undertaken on a like by like basis by adding like items of assets, liabilities, reserves, income and expenses together line by line to those of other group members in the financial statements. Intergroup balances and transactions are eliminated in full and all transactions have been consolidated into the Group Accounts.

The other bodies listed above have not been incorporated into the group accounts on the grounds that they are not material.

There are no minority interests in these organisations or acquisitions.

Because there has been no loss of control during the year, there are no cases where there has been a gain or loss attributable to recognising any investment retained.

26. Heritage Assets

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge and culture. The Authority considers that its heritage assets will have indeterminate lives and a high residual value, therefore it is not appropriate to charge depreciation for the assets. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. Subsequent expenditure on heritage assets is capitalised. Under the CIPFA code of practice for local authority accounting some of the measurement rules for assets can be relaxed in relation to heritage assets as detailed below, largely where it would not be cost effective or feasible to obtain regular valuations of assets.

The Authority will be using the relaxation to the rules on the measurement of assets which is permitted under the CIPFA code in relation to heritage assets. This permits the Authority, where cost figures are not available, and where the cost of obtaining specialist valuations for specific assets is estimated to be out of proportion to the benefits obtained, not to include a valuation figure in its balance sheet. There are 40,000 items in the collection in Gunnersbury House Museum and various other heritage asset artefacts in other buildings. The Authority does not have either actual cost or valuation figures for these items and therefore does not recognise on the balance sheet the Gunnersbury House collection, or any other artefacts in other premises, apart from the historical letter at Hogarth House.

27. Highways Private Finance Initiative (PFI) Contract

The Council has entered into a major contract for the maintenance and updating of all the highways and street lighting and associated infrastructure (a 'fence to fence' contract). The infrastructure assets remain the Council's property. In the first five years of the contract there will be substantial investment to improve the overall condition of the borough's highways, followed by further ongoing lifecycle works over the remaining twenty years of the contract.

A proportion of the payments to the PFI provider are treated as a finance lease for accounting purposes, to reflect repayment of the long term creditor and associated notional interest. The remaining payments are treated as revenue expenditure.

The Council receives a PFI related grant from the Department for Transport. This grant is recognised as revenue income in the Net Cost of Services.

PART 3: OTHER FINANCIAL STATEMENTS

Housing Revenue Account

The Housing Revenue Account (HRA) summarises the transactions relating to the management maintenance of the Authority's houses and flats. The account has to be self-financing and there is a legal prohibition on cross subsidy to or from Council Tax payers. The Authority had transferred responsibility for the management of its Housing stock to Hounslow Homes, an arm's length management company, wholly owned by the Authority. During 2015/16 the Authority took back responsibility for the management of its Housing stock from Hounslow Homes. The Authority has retained ownership of the housing stock throughout and has statutory responsibility for the Housing Revenue Account.

Collection Fund

These statements represent the transactions of the statutory Collection Fund. The Fund accounts independently for income and expenditure relating to the Council Tax and Non-Domestic Rates on behalf of those bodies (including the Authority's own General Fund) for whom the income has been raised. Administration costs are borne by the General Fund.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2019/20 £m		2020/21 £m	Note
	Expenditure		
19.6	Repairs and maintenance	17.8	
31.0	Supervision and management	33.5	
2.3	Rents, Rates, Taxes and Other Charges	2.6	
67.9	Depreciation and revaluation losses in relation to Non Current Assets	21.5	
(0.6)	Movement in the allowance for bad debt	(1.3)	
120.2	Total Expenditure	74.1	
	Income		
(69.1)	Dwelling rents	(69.7)	1
(2.2)	Non-dwelling rents	(2.2)	
(18.3)	Charges for services and facilities	(18.7)	
(89.6)	Total Income	(90.6)	
30.6	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(16.5)	
0.9	HRA share of Corporate and Democratic Core	0.9	
31.5	Net (income)/expenditure for HRA Services	(15.6)	
	HRA Share of operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement		
(5.2)	Gain on disposal of non-current assets	(6.2)	
10.4	Interest payable and similar charges	9.3	
(0.9)	HRA Interest and Investment income	(2.1)	
0.0	Payments to Government Housing Receipts pool	2.4	
0.0	COVID-19 grant income	(0.9)	
(21.2)	Capital grants and Contributions	(16.1)	
14.6	(Surplus)/deficit for the year on provision of HRA Services	(29.2)	

MOVEMENT ON THE HRA STATEMENT

2019/20		2020/21
£m		£m
(29.6)	Balance at start of year	(29.6)
14.6	Surplus or (deficit) on HRA Income and Expenditure Statement	(29.2)
(17.5)	Adjustments between accounting basis & funding basis under regulations	37.5
(2.9)	Net Increase / Decrease before Transfers to Reserves	8.3
2.9	Transfers to / from Reserves	2.9
0.0	Increase / (Decrease) in Year	11.2
(29.6)	Balance at end of year	(18.4)

NOTE 1 - RENT OF DWELLINGS

This is the total rent income collectable for the year after allowance is made for empty properties. During the year 2020/21 1.34% (1.85% in 2019/20) of lettable properties were vacant.

NOTE 2 - HOUSING STOCK

The stock numbers at the year end were made up as follows:

2019/20		2020/21
Number		Number
3,824	Houses/Bungalows	3,803
9,211	Flats/Maisonettes	9,126
13,035	Stock as at 31 March	12,929

The change in stock can be summarised as follows:

2019/20		2020/21
Number		Number
12,873	Stock at 1 April	13,035
(57)	Less: Sales	(56)
(4)	Less: Demolitions, Conversions etc.	(94)
223	Add: New Build Completed and Purchases	44
13,035	Stock as at 31 March	12,929

The balance sheet value of the land, houses and other property are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS) as follows:

2019/20		2020/21
£m		£m
	Operational Assets	
997.2	Dwellings	1,065.1
7.3	Other land and buildings	17.4
1.3	Plant, vehicle and equipment	2.4
4.5	Infrastructure	4.3
	Non-operational Assets	
53.8	Assets under construction	43.9
1,064.1	Total	1,133.1

The net book value of dwellings is based on their existing use as social housing. As such, the valuations are lower than those reflecting vacant possession on the open market. The valuation of dwellings on a vacant possession basis as at 31 March 2021 was £4,260m (£3,989m as at 31 March 2020).

NOTE 3 - MAJOR REPAIRS RESERVE

HRA Resource Accounting requires the maintenance of a Major Repairs Reserve (MRR). This represents the balance of the Major Repairs Allowance not used to fund major repairs to housing stock. The statement below analyses the movement in this reserve.

2019/20		2020/21
£m		£m
(20.8)	Balance as at 1 April	(5.4)
(13.3)	Amount transferred in	(13.4)
	Amount in respect of capital expenditure:	
28.7	Housing	18.3
(5.4)	Balance as at 31 March	(0.5)

Note 4 - Capital expenditure and financing

Capital expenditure

The following statement summarises the total capital expenditure on land, houses and other property within the HRA and how it was funded.

2019/20					2020/21					
Houses	Other Property	Plant, Vehicles & Equipment	Surplus Assets	Total		Houses	Other Property	Plant, Vehicles & Equipment	Surplus Assets	Total
£m	£m	£m	£m	£m		£m	£m	£m	£m	£m
18.4	0.0	0.0	0.0	18.4	Borrowing	0.0	0.0	0.0	0.0	0.0
1.7	0.0	0.0	0.0	1.7	Capital receipts	2.9	0.0	0.0	0.6	3.5
8.5	0.0	2.0	0.0	10.5	Revenue contributions	23.3	0.8	1.4	0.0	25.5
0.0	0.0	0.0	0.0	0.0	Leaseholder reserves	0.0	0.0	0.0	0.0	0.0
28.7	0.0	0.0	0.0	28.7	Major Repairs Reserve	18.4	0.0	0.0	0.0	18.4
7.1	0.0	0.0	0.0	7.1	Section 106	2.7	0.0	0.0	0.0	2.7
14.0	0.0	0.0	0.0	14.0	Grants/other contributions	13.4	0.0	0.0	0.0	13.4
78.4	0.0	2.0	0.0	80.4	Expenditure in Year	60.7	0.8	1.4	0.6	63.5

Capital receipts

The following statement summarises the total capital receipts from disposals of land, houses and other property within the HRA.

2019/20		2020/21	
£m		£m	
(9.1)	Sale of Houses and flats	(11.4)	
0.0	Land Sales	0.0	
0.0	Other receipts	0.0	
(9.1)	Total	(11.4)	

NOTE 5 - DEPRECIATION

Depreciation on dwellings and other assets is charged to operational expenditure as set out in the note on Accounting Policies.

2019/20		2020/21
£m		£m
12.5	Houses	12.8
0.2	Other land and buildings	0.2
0.4	Infrastructure assets	0.3
0.2	Vehicles, plant and equipment	0.2
13.3	Expenditure in Year	13.5

The HRA Income and Expenditure Statement includes the effect of an upwards revaluation in the Authority's dwellings stock. Council dwellings are valued at market value and then an adjustment factor to reflect the lower value of social housing is applied. The Ministry of Housing, Communities and Local Government set the adjustment factor and review it every five years. The adjustment factor to be applied in London is 25% for 2020/21 (25% for 2019/20).

Information about the net book value of land and buildings is set out in Note 2 above.

NOTE 6 - RENT ARREARS

The gross rent arrears at 31 March 2021 was £5.3m (£4.8m at 31 March 2020). A bad debt provision in respect of current and former tenant arrears has been made in the accounts for potentially uncollectable rent arrears. This provision amounted to 4.5m at 31 March 2021 (£4.0m at 31 March 2020).

NOTE 7 - DISTRICT HEATING

Special Services includes the costs of providing District Heating, which in 2020/21 was £2.4m (2019/20 £2.2m). District Heating is self-financing and in 2020/21 was funded from customer receipts of £3.6m (2019/20 £3.5m), contributions of £1.3m were made to the District Heating reserve (2019/20 a contribution of £1.3m was made).

NOTE 8 - MAJOR WORKS RESERVE

The Major Works Reserve has been set up to account for contributions received from leaseholders to fund major works to their homes, but which have not yet been applied to fund the capital programme. In 2020/21, adjustments to the reserve for the difference between estimated cost and actual cost of works increased the reserve by a total of £1.6m and £0m was utilised for capital works.

The balance within this reserve at 31 March 2021 was £9.8m which will be used to fund the capital programme in future years.

COLLECTION FUND

Income and Expenditure for the Year Ended 31 March 2021

Council Tax £m	2019/20				Council Tax £m	2020/21		
	NNDR £m	BRS £m	Total £m			NNDR £m	BRS £m	Total £m
				Amounts required by statute to be credited to the Collection Fund:				
(136.0)	(201.2)	(6.5)	(343.7)	Income receivable from Council Tax or ratepayers	(139.9)	(140.9)	(4.7)	(285.5)
0.0	0.0	0.0	0.0	COVID-19 Hardship Reductions to Collection Fund	(1.2)	0.0	0.0	(1.2)
0.0	(20.1)	(0.5)	(20.6)	Receipt from LBH/GLA/CLG for previous year's estimated collection fund deficit	0.0	(5.4)	(0.2)	(5.6)
(136.0)	(221.3)	(7.0)	(364.3)	Total Income	(141.1)	(146.3)	(4.9)	(292.3)
				Amounts required by statute to be debited to the Collection Fund:				
104.5	97.9	0.0	202.4	Precepts and demands from LBH	110.0	62.0	0.0	172.0
27.3	55.1	6.3	88.7	Precepts and demands from GLA	28.6	76.5	5.0	110.1
0.0	51.0	0.0	51.0	Precepts and demands from Central Government	0.0	68.2	0.0	68.2
2.1	1.0	0.4	3.5	Provision for uncollectable amounts	2.2	4.7	0.4	7.3
0.0	5.1	0.0	5.1	Provision for appeals	0.0	18.0	0.0	18.0
0.0	(0.3)	0.0	(0.3)	Payment of transitional relief	0.0	0.8	0.0	0.8
0.0	0.4	0.0	0.4	Costs of collection (NDR and Crossrail BRS)	0.0	0.4	0.0	0.4
7.0	0.0	0.0	7.0	Payment to LBH/GLA for previous year's estimated Collection Fund surplus/(deficit)	4.0	0.0	0.0	4.0
140.9	210.2	6.7	357.8	Total Expenditure	144.8	230.6	5.4	380.8
4.9	(11.1)	(0.3)	(6.5)	Movement on fund balance (Increase)/Decrease	3.7	84.3	0.5	88.5
(8.8)	22.7	0.5	14.4	Fund Balance brought forward	(3.9)	11.6	0.2	7.9
(3.9)	11.6	0.2	7.9	Fund Balance carried forward	(0.2)	95.9	0.7	96.4

NOTE 1 - MOVEMENT IN COLLECTION FUND

The level of the Collection Fund balance by organisation is as follows:

	Council Tax			NDR			
	LBH	GLA	Total	LBH	GLA	CLG	Total
	£m	£m	£m	£m		£m	£m
Fund Balance brought forward at 01 April 2019	7.1	1.7	8.8	(13.6)	(8.2)	(0.9)	(22.7)
Movement on fund balance Increase/(Decrease) during 2019/20	(4.0)	(0.9)	(4.9)	7.7	4.8	(1.4)	11.1
Fund Balance as at 31 March 2020	3.1	0.8	3.9	(5.9)	(3.4)	(2.3)	(11.6)
Movement on fund balance Increase/(Decrease) during 2020/21	(2.9)	(0.8)	(3.7)	(23.9)	(31.5)	(28.9)	(84.3)
Fund Balance as at 31 March 2021	0.2	0.0	0.2	(29.8)	(34.9)	(31.2)	(95.9)

NOTE 2 - COUNCIL TAX

The Council Tax Base set for 2020/21 was 86,251.9 Band D equivalent properties, as approved by Cabinet in January 2021. The number of properties and tax set for each property band is shown below. The collection rate for 2020/21 was 98.0% however, for 2019/20 this was 97.5%.

2019/20				2020/21		
No of Properties	Band D Equivalentents	Tax Set £ p		No of Properties	Band D Equivalentents	Tax Set £ p
1,501	1,000	1,031.02	Band A	1,543	1,029	1,071.35
5,539	4,308	1,202.87	Band B	5,621	4,372	1,249.91
20,476	18,201	1,374.70	Band C	20,725	18,422	1,428.46
31,542	31,542	1,546.54	Band D	31,677	31,677	1,607.02
13,470	16,463	1,890.21	Band E	13,484	16,480	1,964.13
5,271	7,614	2,233.89	Band F	5,354	7,733	2,321.25
3,732	6,221	2,577.56	Band G	3,763	6,271	2,678.37
945	1,890	3,093.08	Band H	944	1,888	3,214.04
	87,238		Relevant Amount		87,871	
	85,057		Adjusted for Collection Rate 98.00%		86,114	
	138	1,546.54	Defence Property		138	1,607.02
82,476	85,195		Total	83,111	86,252	

Actual collectable income from Council Tax was:

2019/20			2020/21		
LBH	GLA	Total	LBH	GLA	Total
£m	£m	£m	£m	£m	£m
(107.8)	(28.2)	(136.0)	(111.0)	(28.9)	(139.9)
0.0	0.0	0.0	(1.0)	(0.2)	(1.2)
(107.8)	(28.2)	(136.0)	(112.0)	(29.1)	(141.1)

The cumulative arrears of Council Tax including costs at 31 March 2021 were £24.8m and £0.35m was written off during the year.

NOTE 3 - NON-DOMESTIC RATES (NDR)

Non-domestic rates are organised on a national basis. The Government specifies the rate 51.2p (50.4p in 2019/20) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The total rateable value applicable to Hounslow as at 31 March 2021 was £454.9m (£457.3m as at 31 March 2019). The Authority is responsible for collecting rates due from the ratepayers in its area.

During 2020/21 Hounslow took part in the London business rates retention pool. The shares of business rates retained were London Borough of Hounslow (LBH) 30% (48% in 2019/20), Greater London Authority (GLA) 37% (27% in 2019/20) and central Government 33% (25% in 2019/20).

,PART 4: GROUP ACCOUNTS

The Authority has to prepare group accounts where it has interests in subsidiaries, associates and/or jointly controlled entities. It has reviewed the relationships it has with its partner organisations and determined that it has two 100% owned subsidiaries that need to be consolidated into the following group accounts. One of these companies also has 100% owned subsidiaries that have also been consolidated into the accounts. The entities involved are:

- Lampton 360 Ltd:
 - Lampton Recycle 360 Ltd (A 100% owned subsidiary of Lampton 360 Ltd)
 - Lampton GreenSpace 360 Ltd (A 100% owned subsidiary of Lampton 360 Ltd)
 - Lampton Investment 360 Ltd (A 100% owned subsidiary of Lampton 360 Ltd)
 - Lampton Leisure Limited (A 100% owned subsidiary of Lampton 360 Ltd)
 - Lampton Development 360 LLP (A 100% owned subsidiary of Lampton 360 Ltd)
- Coalo Ltd (previously called Facilities Management Ltd)

In addition the authority has more than half of the voting rights of the Befont Lakes Trust, but the results of the organisation have not been incorporated into the group accounts on the grounds of materiality.

There are no significant restrictions on the subsidiaries regarding the transfer of funds to the Authority in the form of cash dividends or to repay loans or advances.

Group Financial Statements

The Authority is required to prepare the key statements to the accounts together with the relevant notes where they are materially different to the reporting authority's accounts.

The following Statements have been prepared:

- Group Comprehensive Income and Expenditure Account;
- Group Movement in Reserves statement;
- Group Balance Sheet;
- Group Cash flow statement.

Accounting Policies

There are no material differences between the accounting policies that have been adopted by the subsidiaries and those adopted by the London Borough of Hounslow, as set out from page 64. Where there are differences the impact of applying a consistent policy would not lead to a material change in the group accounts.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the expenditure and income for the group analysed by service and how it was financed.

Gross Expenditure	2019/20			2020/21		
	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£m	£m	£m		£m	£m	£m
0.7	0.0	0.7	Chief Executive's Directorate	0.6	0.0	0.6
127.0	(106.9)	20.1	Finance and Resources	129.2	(105.8)	23.4
51.8	(38.2)	13.6	Environment, Culture and Customer Services	60.3	(38.1)	22.2
342.7	(241.1)	101.6	Children's and Adults' Services	362.2	(261.6)	100.6
26.7	(14.7)	12.0	Planning, Housing and Communities	30.2	(17.9)	12.3
4.4	(0.9)	3.5	Assistant Chief Executive's Directorate	12.0	(2.6)	9.4
16.7	(1.2)	15.5	Commissioning	13.1	(1.1)	12.0
105.5	(89.6)	15.9	Housing Revenue Account	59.2	(90.6)	(31.4)
4.4	(32.5)	(28.1)	Corporate Items	(0.8)	(28.5)	(29.3)
11.4	0.2	11.6	Overheads allocation and accounting adjustments	41.1	0.2	41.3
33.3	(7.5)	25.8	Group subsidiaries	31.8	(4.9)	26.9
724.6	(532.4)	192.2	Cost Of Services	738.9	(550.9)	188.0
15.5	0.0	15.5	Other Operating Expenditure	8.3	0.0	8.3
35.8	(7.0)	28.8	Financing and Investment Income and Expenditure	19.9	(13.8)	6.1
0.0	(224.3)	(224.3)	Taxation and Non-Specific Grant Income	0.0	(265.0)	(265.0)
775.9	(763.7)	12.2	Surplus or Deficit on Provision of Services	767.1	(829.7)	(62.4)
		(49.7)	Surplus or deficit on revaluation of Property, Plant and Equipment			(165.3)
		4.8	Remeasurement of the net defined benefit liability / asset			125.9
		(44.9)				(39.4)
		(32.7)	Total Comprehensive Income and Expenditure			(101.8)

GROUP MOVEMENT IN RESERVES STATEMENT

This records the increases and decreases in the Group's reserves during the course of the year, including surpluses or deficits of expenditure and income and transfers between reserves.

Group	2020/21											
	General Fund Balance £m	Earmarked General Fund Reserves £m	Housing Revenue Account £m	Earmarked HRA Reserves £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied Account £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m	Authority's share of subsidiaries & associates £m	Total Group Reserves £m
Balance at 1 April 2020	(10.5)	(158.7)	(29.6)	(11.4)	(45.2)	(5.3)	(3.6)	(264.3)	(1,253.9)	(1,518.2)	0.8	(1,517.4)
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	(5.6)							(5.6)	5.6	0.0		0.0
Restated balance at 1 April 2020	(16.1)	(158.7)	(29.6)	(11.4)	(45.2)	(5.3)	(3.6)	(269.9)	(1,248.3)	(1,518.2)	0.8	(1,517.4)
Surplus / deficit on provision of services (accounting basis)	(37.2)		(29.2)					(66.4)		(66.4)		(66.4)
Other Comprehensive Expenditure and Income								0.0	(39.4)	(39.4)		(39.4)
Total Comprehensive Expenditure and Income	(37.2)	0.0	(29.2)	0.0	0.0	0.0	0.0	(66.4)	(39.4)	(105.8)	0.0	(105.8)
Adjustments between Group accounts and authority accounts	(3.8)							(3.8)		(3.8)	3.8	0.0
Net Increase / Decrease before Transfers	(41.0)	0.0	(29.2)	0.0	0.0	0.0	0.0	(70.2)	(39.4)	(109.6)	3.8	(105.8)
Adjustments between accounting basis & funding basis under regulations	(25.4)	0.0	37.4	0.0	(3.5)	4.8	(2.5)	10.8	(10.8)	0.0		0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	(66.4)	0.0	8.2	0.0	(3.5)	4.8	(2.5)	(59.4)	(50.2)	(109.6)	3.8	(105.8)
Transfers to / from Earmarked Reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0		0.0
Increase / Decrease in Year	(66.4)	0.0	8.2	0.0	(3.5)	4.8	(2.5)	(59.4)	(50.2)	(109.6)	3.8	(105.8)
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	(1.3)	(1.3)
Balance at 31 March 2021	(82.5)	(158.7)	(21.4)	(11.4)	(48.7)	(0.5)	(6.1)	(329.3)	(1,298.5)	(1,627.8)	3.3	(1,624.5)

2020/21

Group	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves	Authority's share of subsidiaries & associates	Total Group Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2020	(10.5)	(158.7)	(29.6)	(11.4)	(45.2)	(5.3)	(3.6)	(264.3)	(1,253.9)	(1,518.2)	0.8	(1,517.4)
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	(5.6)							(5.6)	5.6	0.0		0.0
Restated balance at 1 April 2020	(16.1)	(158.7)	(29.6)	(11.4)	(45.2)	(5.3)	(3.6)	(269.9)	(1,248.3)	(1,518.2)	0.8	(1,517.4)
Surplus / deficit on provision of services (accounting basis)	(33.9)		(29.2)					(63.1)		(63.1)		(63.1)
Other Comprehensive Expenditure and Income								0.0	(39.4)	(39.4)		(39.4)
Total Comprehensive Expenditure and Income	(33.9)	0.0	(29.2)	0.0	0.0	0.0	0.0	(63.1)	(39.4)	(102.5)	0.0	(102.5)
Adjustments between Group accounts and authority accounts	(3.8)							(3.8)		(3.8)	3.8	0.0
Net Increase / Decrease before Transfers	(37.7)	0.0	(29.2)	0.0	0.0	0.0	0.0	(66.9)	(39.4)	(106.3)	3.8	(102.5)
Adjustments between accounting basis & funding basis under regulations	(25.4)	0.0	37.4	0.0	(3.5)	4.8	(2.5)	10.8	(10.8)	0.0		0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	(63.1)	0.0	8.2	0.0	(3.5)	4.8	(2.5)	(56.1)	(50.2)	(106.3)	3.8	(102.5)
Transfers to / from Earmarked Reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0		0.0
Increase / Decrease in Year	(63.1)	0.0	8.2	0.0	(3.5)	4.8	(2.5)	(56.1)	(50.2)	(106.3)	3.8	(102.5)
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	(1.3)	(1.3)
Balance at 31 March 2021	(79.2)	(158.7)	(21.4)	(11.4)	(48.7)	(0.5)	(6.1)	(326.0)	(1,298.5)	(1,624.5)	3.3	(1,621.2)

2019/20 Restated

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries & associates	Total Group Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 Apr 2019	(10.2)	(163.3)	(29.6)	(8.5)	(48.4)	(20.7)	(4.1)	(284.8)	(1,211.3)	(1,496.1)	0.2	(1,495.9)
Surplus or deficit on provision of services (accounting basis)	8.2		14.6					22.8		22.8		22.8
Other Comprehensive Expenditure and Income								0.0	(44.9)	(44.9)		(44.9)
Total Comprehensive Expenditure and Income	8.2	0.0	14.6	0.0	0.0	0.0	0.0	22.8	(44.9)	(22.1)	0.0	(22.1)
Adjustments between accounting basis & funding basis under regulations	(3.9)		(17.5)		3.2	15.4	0.5	(2.3)	2.3	0.0	0.6	0.6
Net Increase / Decrease before Transfers to Earmarked Reserves	4.3	0.0	(2.9)	0.0	3.2	15.4	0.5	20.5	(42.6)	(22.1)	0.6	(21.5)
Transfers to / from Earmarked Reserves	(4.6)	4.6	2.9	(2.9)				0.0	0.0	0.0		0.0
Increase / Decrease in Year	(0.3)	4.6	(0.0)	(2.9)	3.2	15.4	0.5	20.5	(42.6)	(22.1)	0.6	(21.5)
Other items								0.0		0.0		0.0
Balance as at 31 Mar 2020	(10.5)	(158.7)	(29.6)	(11.4)	(45.2)	(5.3)	(3.6)	(264.3)	(1,253.9)	(1,518.2)	0.8	(1,517.4)

GROUP BALANCE SHEET

Restated 1 Apr 2019	Restated 31 Mar 2020		31 Mar 2021
£m	£m		£m
2,121.3	2,219.0	Property, Plant & Equipment	2,427.3
62.2	61.8	Investment Property	75.0
0.0	0.0	Intangible Assets	1.3
0.0	13.1	Heritage Assets	15.6
5.2	0.0	Long Term Investments	0.0
3.5	3.2	Long Term Debtors	2.9
2,192.2	2,297.1	Long Term Assets	2,522.1
104.2	93.7	Short Term Investments	72.1
0.2	0.1	Inventories	0.1
50.2	77.7	Short Term Debtors	108.4
16.0	40.1	Cash and Cash Equivalents	48.1
170.6	211.6	Current Assets	228.7
(2.1)	(4.0)	Bank overdrafts	(7.6)
(2.0)	(66.8)	Short Term Borrowing	(31.7)
(83.3)	(110.1)	Short Term Creditors	(150.8)
(8.0)	(6.0)	Short Term Provisions	(7.0)
(95.4)	(186.9)	Current Liabilities	(197.1)
	0.0	Long Term Creditors	0.0
(4.5)	(6.3)	Provisions	(7.8)
(187.2)	(190.5)	Long Term Borrowing	(160.4)
(529.8)	(552.4)	Other Long Term Liabilities	(699.4)
(50.0)	(55.1)	Capital Grants Receipts in advance	(65.4)
(771.5)	(804.3)	Long Term Liabilities	(933.0)
1,495.9	1,517.5	Net Assets	1,620.7
(284.8)	(264.3)	Usable reserves	(325.9)
(1,211.3)	(1,254.0)	Unusable Reserves	(1,298.1)
0.2	0.8	Reserves (group entities)	3.3
(1,495.9)	(1,517.5)	Total Reserves	(1,620.7)

GROUP CASH FLOW

Restated 2019- 20 £m		2020-21 £m
(23.4)	Net surplus or (deficit) on the provision of services	62.6
105.7	Adjust net surplus or deficit on the provision of services for noncash movements	37.2
(6.5)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(7.3)
75.8	Net cash flows from Operating Activities	92.5
(138.1)	Purchase of property, plant and equipment, investment property and intangible assets	(83.4)
9.4	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	25.8
10.4	Net change in long and short term investments	21.6
(118.3)	Net cash flows from Investing Activities	(36.0)
298.1	Cash receipts of short term and long term borrowing	0.0
43.6	Other receipts of financing activities	0.0
0.0	Net receipts for COVID-19 grants where the Authority has acted as agent	16.5
(3.3)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(3.4)
(230.1)	Repayments of short term and long term borrowing	(65.2)
64.7	Net cash flows from Financing Activities	(52.1)
22.2	Net increase or decrease in cash and cash equivalents	4.4
13.9	Cash and cash equivalents at the beginning of the reporting period	36.1
36.1	Cash and cash equivalents at the end of the reporting period	40.5

NOTES TO THE GROUP ACCOUNTS

Notes to the group accounts are not generally materially different from those for the London Borough of Hounslow's. There are two exceptions which are shown below.

1. Leases

Authority as lessor:

Operating Leases

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

- To assist in the provision of community services, such as community centres, scout huts, community shops, and office space for some voluntary sector bodies
- To assist in economic development through the provision of suitable affordable accommodation for local businesses.

The future minimum lease payments receivable to the Group under non-cancellable leases in future years are as follows (based on current rents at 31 March 2021 and do not include any assumptions for future rent changes):

2019/20		2020/21
£m		£m
3.7	Not later than 1 year	4.6
12.6	Later than one year but not five years	16.5
16.6	Later than five years	15.8
32.9	Total	36.9

2. Plant Property and Equipment

Plant Property and Equipment the group accounts show a net book value as at 31 March 2021 of £2,427.8m which is £58.4m higher than the Authority net book value. This arises as a result of land and buildings and plant owned by the subsidiaries.

Movements to 31 March 2021

	Council dwellings	Other land and buildings	Vehicles, plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£m	£m	£m	£m	£m	£m	£m
At 1 Apr 2020	1,009.7	950.8	41.7	9.1	2.8	26.0	2,040.1
Additions	27.0	9.1	7.2	1.3	1.7	36.9	83.2
Donations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	(12.5)	(5.7)	0.0	0.0	0.0	0.0	(18.2)
Revaluation increases/(decreases) recognised in Revaluation Reserve	61.3	105.7	0.0	0.0	0.0	0.0	167.0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7.4)	2.8	0.0	0.0	0.0	0.0	(4.6)
Derecognition - disposals	(4.5)	(6.2)	0.0	0.0	0.0	0.0	(10.7)
Assets reclassified (to)/from Held for Sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets reclassified (to)/from Investment Properties	0.0	0.0	0.0	0.0	0.0	0.4	0.4
Other movements in cost or valuation	4.4	10.5	0.0	0.0	0.0	(14.9)	0.0
At 31 Mar 2021	<u>1,078.0</u>	<u>1,067.0</u>	<u>48.9</u>	<u>10.4</u>	<u>4.5</u>	<u>48.4</u>	<u>2,257.2</u>

Accumulated Depreciation and Impairment

At 1 Apr 2020	(12.5)	(8.1)	(20.4)	(0.1)	(0.2)	0.0	(41.3)
Depreciation charge	(12.9)	(11.1)	(3.3)	0.0	0.0	0.0	(27.3)
Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	12.5	5.7	0.0	0.0	0.0	0.0	18.2
Depreciation written out to Surplus/Deficit on Provision of Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0.0	(0.3)	0.0	0.0	0.0	0.0	(0.3)
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Derecognition - disposals	0.0	0.1	0.0	0.0	0.0	0.0	0.1
Derecognition - to assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets reclassified (to)/from Heritage Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements in depreciation or impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
At 31 Mar 2021	(12.9)	(13.7)	(23.2)	(0.1)	(0.2)	0.0	(50.6)
Net Book Value at 31 Mar 2021	1,065.1	1,053.3	25.7	10.3	4.3	48.4	2,206.6
Net Book Value at 31 Mar 2020	997.2	942.7	21.3	9.0	2.6	26.0	1,998.8

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 council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that the 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.

Movements to 31 March 2021	Property, Plant and Equipment (excluding Infrastructure Assets)	Infrastructure Assets	Total Property, Plant and Equipment
	£m	£m	£m
Net Book Value at 31 Mar 2020	1,998.8	220.2	2,219.0
Additions	83.2	11.1	94.3
Donations	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	(18.2)	0.0	(18.2)
Revaluation increases/(decreases) recognised in Revaluation Reserve	167.0	0.0	167.0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4.6)	0.0	(4.6)
Derecognition - disposals	(10.7)	0.0	(10.7)
Assets reclassified (to)/from Investment Properties	0.4	0.0	0.4
Reclassifications	0	0.0	0.0
Depreciation charge	(27.3)	0.0	(27.3)
Depreciation written out to the Revaluation Reserve	0.0	(10.6)	(10.6)
Accumulated Depreciation Written Out to Gross Carrying Amount	18.2	0.0	18.2
Depreciation written out to Surplus/Deficit on Provision of Services	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(0.3)	0.0	(0.3)
Derecognition - disposals	0.1	0.0	0.1
Net Book Value at 31 Mar 2021	2,206.6	220.7	2,427.3

Comparator table

Restated movements to 31 March 2020	Council dwellings	Other land and buildings	Vehicles, plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation							
At 1 Apr 2019	972.6	901.5	55.0	8.1	3.9	38.3	1,979.4
Additions	57.7	20.4	3.7	1.0	0.0	25.3	108.1
Donations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	(12.3)	(20.8)	0.0	0.0	0.0	0.0	(33.1)
Revaluation increases/(decreases) recognised in Revaluation Reserve	11.6	38.0	0.0	0.0	0.1	0.0	49.7
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(54.5)	23.0	0.0	0.0	(0.5)	0.0	(32.0)
Derecognition - disposals	(4.0)	(5.4)	(17.0)	0.0	0.0	0.0	(26.4)
Assets reclassified (to)/from Held for Sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets reclassified (to)/from Heritage Assets	0.0	(5.6)	0.0	0.0	0.0	0.0	(5.6)
Other movements in cost or valuation	38.6	(0.3)	0.0	0.0	(0.7)	(37.6)	0.0
At 31 Mar 2020	1,009.7	950.8	41.7	9.1	2.8	26.0	2,040.1

Accumulated Depreciation and Impairment

At 1 Apr 2019	(12.3)	(16.2)	(34.8)	(0.1)	(0.2)	0.0	(63.6)
Depreciation charge	(12.5)	(12.7)	(2.6)	0.0	0.0	0.0	(27.8)
Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	12.3	20.8	0.0	0.0	0.0	0.0	33.1
Depreciation written out to Surplus/Deficit on Provision of Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Derecognition - disposals	0.0	0.0	17.0	0.0	0.0	0.0	17.0
Derecognition - to assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets reclassified (to)/from Heritage Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements in depreciation or impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
At 31 Mar 2020	(12.5)	(8.1)	(20.4)	(0.1)	(0.2)	0.0	(41.3)
Net Book Value at 31 Mar 2020	997.2	942.7	21.3	9.0	2.6	26.0	1,998.8
Net Book Value at 31 Mar 2019	960.3	885.3	20.2	8.0	3.7	38.3	1,915.8

Comparator table

Movements to 31 March 2020	Property, Plant and Equipment (excluding Infrastructure Assets)	Infrastruct ure Assets	Total Property, Plant and Equipme nt
	£m	£m	£m
Net Book Value at 31 Mar 2019	1,915.8	214.7	2,130.5
Additions	108.1	9.5	117.6
Donations	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	(33.1)	0.0	(33.1)
Revaluation increases/(decreases) recognised in Revaluation Reserve	49.7	0.0	49.7
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(32.0)	0.0	(32.0)
Derecognition - disposals	(26.4)	0.0	(26.4)
Assets reclassified (to)/from Investment Properties	0.0	0.0	0.0
Reclassifications	(5.6)	0.0	(5.6)
Depreciation charge	(27.8)	(4.0)	(31.8)
Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	33.1	0.0	33.1

Depreciation written out to Surplus/Deficit on Provision of Services	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0.0	0.0	0.0
Derecognition - disposals	17.0	0.0	17.0
Net Book Value at 31 Mar 2020	1,998.8	220.2	2,219.0

PART 5: PENSION FUND ACCOUNTS

The London Borough of Hounslow Pension Fund (the Fund) provides for the payment of pensions and other benefits to former employees of the Authority and certain admitted and scheduled bodies. A separate annual report is published and is available via <https://www.wypf.org.uk/publications/report-accounts/hounslow-pension-fund-report-and-accounts/> to all including pensioners, people with deferred benefits and employees of the Authority who are members of the pension scheme. The annual report sets out the Fund's Statement of Investment Principles. A separate Annual General Meeting for the Fund is also held.

Responsibility for the overall direction of the Fund's investment policy rests with the Authority's Pension Fund Panel and draft accounts were approved by the Panel on 23 September 2021. These accounts summarise the transactions and net assets of the scheme. In implementing the Fund's investment policy, the Authority has appointed eight investment managers; Aberdeen Standard Investments, Black Rock Investment Management Ltd, Fidelity International Ltd, Columbia Threadneedle Investments Ltd, CBRE Global Investments Ltd, CCLA Investment Management Ltd, RBC Investor & Treasury Services Ltd (held within London LGPS CIV) and Longview Partners (held within London LGPS CIV) to deal at discretion within investment objectives laid down by the Authority.

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

2019/20 £m		2020/21 £m	Notes
	Dealings with members, employers and others directly involved in the fund		
	Contributions		
32.0	From Employers	33.5	6
9.0	From Employees	9.6	6
5.8	Individual Transfers in from Other Pension Funds	6.2	
46.8		49.3	
	Benefits		
(34.3)	Pensions	(34.7)	7
(12.4)	Commutation, Lump Sum Retirement and Death Benefits	(9.9)	7
	Payments to and on Account of Leavers		
(5.3)	Individual Transfers out to Other Pension Funds	(4.1)	
(0.4)	Refunds to Members Leaving Service	(0.2)	
(52.4)		(48.9)	
(5.6)	Net Additions/(Withdrawals) from Dealings with Members	0.4	
(5.7)	Management Expenses	(6.1)	8
(11.3)	Net Additions/(Withdrawals) including fund management expenses	(5.7)	
	Returns on Investments		
26.2	Investment Income	24.3	9
(0.1)	Taxes on Income (Irrecoverable Withholding Tax)	(0.0)	
26.1		24.3	
(95.7)	Profit and Loss on Disposal of Investments and Change in the Market Value of Investments	210.1	14
(69.6)	Net Returns on Investments	234.4	
(80.9)	Net Increase/(Decrease) in the Net Assets available for Benefits During the Year	228.7	
1,039.0	Opening Net Assets of the Fund	958.1	

NET ASSETS STATEMENT AS AT 31 MARCH 2021

2019/20 £m		2020/21 £m	Notes
	Investment Assets		16
327.7	Equities	378.5	
612.8	Pooled investment Vehicles	790.4	
1.7	Private Equity	1.4	
0.2	Long term investment	0.2	
2.1	Cash (Money Market Fund)	7.1	
	Other Investment Balances:		
2.2	Income Due	2.8	
19.0	Amounts Receivable for Sale of Investments	4.1	14
3.2	Cash Deposits	2.5	
968.9		1,187.0	
	Investment Liabilities		
(15.1)	Amounts Payable for Purchase of Investments	(8.2)	14
953.8	Net Value of Investments Assets	1,178.8	
5.4	Current Assets	10.2	20
(1.1)	Current Liabilities	(2.2)	21
958.1	Net Assets of the Fund Available to Fund Benefits at the Period End	1,186.8	

NOTES TO THE FUND ACCOUNTS 2020/21

NOTE 1 – DESCRIPTION OF THE LONDON BOROUGH OF HOUNSLOW PENSION FUND

a) General

The Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Hounslow. The Fund is a contributory defined benefit scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the London Borough of Hounslow and the admitted and scheduled bodies in the Fund. The Fund is overseen by the Pension Fund Panel, with the responsibility for deciding on the most appropriate investment policy for the Fund. For more detail, reference should be made to the London Borough of Hounslow Pension Fund Annual Report 2020/21 and the underlying statutory powers underpinning the Scheme, namely, the Public Service Pensions Act 2013 and The Local Government Pensions Scheme (LGPS) Regulations 2013 (as amended), LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended), the LGPS (Management and Investment of Funds) Regulations 2016 (as amended) and the LGPS (Amendment) Regulations 2018.

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. There are 60 employers within the Fund. Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund,
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

More information is available on the LGPS scheme on <https://www.wypf.org.uk>. This site is managed by West Yorkshire Pension Fund who are the Fund's pension benefits administrator.

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

31 March 2020		31 March 2021
No.		No.
48	Number of employers	60
	Number of employees in scheme	
4,612	Council	4,552
2,027	Other employers	1,998
6,639	Total	6,550
	Pensioners	
5,964	Council	6,222
1,077	Other employers	1,389
7,041	Total	7,611
	Deferred pensioners	
6,293	Council	6,296
1,386	Other employers	1,432
7,679	Total	7,728
21,359	Total number of members in scheme	21,889

c) 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, benefits payable in respect of service are now based on career average revalued earnings and the number of years of eligible service. Pensions are increased annually in line with the Consumer Price Index.

d) Funding

Benefits are funded by contributions from employees, the Council, the admitted and scheduled bodies, and the Fund's investment income. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employee contributions are matched by employer contributions which are set based on triennial actuarial funding valuations. Employer contributions paid in 2020-21 were based on the 2019 triennial actuarial valuation.

e) Investment Principles

The LGPS (Management and Investment of Funds) Regulations 2016 requires administering authorities to prepare and review from time to time, a written statement recording the investment policy of the Fund. The Pension Fund Panel approved an Investment Strategy Statement in September 2020 and this is available at the link below. The Statement shows the Fund's compliance with the Myners principles of investment management. <https://www.wypf.org.uk/publications/policy-home/hpf-index/>

The Pension Fund Panel has delegated the management of the Fund's investments to external investment managers (see Note 10), appointed in accordance with regulations, whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarise the Fund's transactions for the financial year 2020/21 and its position as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on a going concern basis and an accruals basis, apart from individual transfer values which have been accounted for on a cash basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension fund benefits. The accounts 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 Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Authority has opted to disclose this information in Note 19.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis for the period for which they are due.

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Investment income is reported gross of withholding tax.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Changes in the net market value of investments are recognised as income or loss 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 as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. This is as a result of being a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004. 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. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses.

f) Management Expenses

In the interest of greater transparency, the Council discloses its Fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)*. The profit and loss on disposal of investments and changes in the market value of investments reflect the fees which had been deducted at source.

Administrative Expenses

All administrative expenses are accounted for on an accruals basis. 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.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. 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

All investment management expenses are accounted for on an accruals basis.

The Pension Fund Panel has appointed external investment managers to manage the investments of the Fund. Fees of the investment managers and custodian are agreed in the respective mandates governing their appointments. Their fees are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Additionally, the Fund has negotiated with BlackRock Fund managers that an element of their fee be performance related.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the Fund account.

The costs of the Council's in-house management team are charged direct to the Fund and a proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.

Net Assets Statement

g) Financial Assets

Financial assets are included in the net assets statement either on a fair value or amortised cost basis as at the reporting date. Quoted securities and pooled investment vehicles have been valued at the bid price and fixed interest securities are recorded at net market value based on their current yields at the balance sheet date. Quoted securities are valued by the Fund's custodian and pooled investment vehicles at the published bid prices or those quoted by their managers. Investments in private equity funds are valued based on the Fund's share of the net assets in the private equity fund using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association. All other assets are valued at amortised cost.

h) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. Spot market exchange rates at the end of the financial year 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) Derivatives

The Fund may use derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. Derivatives are valued at fair value on the following bases: assets at bid price and liabilities at offer price. Changes in the fair value are included in the change in market value in the Fund Account.

The Value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin. The value of forward foreign exchange contracts is based on market forward exchange rates at year-end and determined as the gain or loss that would arise if the contract were matched at year-end with an equal and opposite contract.

j) Cash and Cash Equivalents

Cash comprises cash in hand and deposits with financial institutions which are repayable on demand without penalty 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 changes in value.

k) Financial Liabilities

Financial liabilities are included in the net assets statement either on a fair value or amortised cost basis as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

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 (post-retirement benefits) and relevant actuarial standards.

m) Additional Voluntary Contributions

The London Borough of Hounslow provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Standard Life as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 22).

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Fair value hierarchy

Investments are held at fair value and amortised cost in accordance with the requirements of the Code and IFRS 13. Where an asset has been valued using Level 2 or Level 3 inputs, assumptions have been made about the fair value of these assets which has relied on comparable valuations or NAV based pricing. These valuations endeavour to use the best available market information but valuations at these levels are potentially sensitive to changes in valuation inputs.

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19 below. These estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Items in the net assets statement as at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
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, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £30.3m. An 0.1% increase in assumed earnings would increase the value of liabilities by £1.9m and an increase in assumed life expectancy would increase the liability by £70.2m.

NOTE 6 – CONTRIBUTIONS

Employee contributions are calculated on a sliding scale based on a percentage of their pensionable pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund. The following table shows a breakdown of the total amount of employer and employee contributions.

By type of employer		
2019/20		2020/21
£m		£m
31.4	Administering Authority	32.4
6.1	Scheduled Bodies	7.0
3.5	Admitted Bodies	3.7
41.0	Total	43.1

By category		
2019/20		2020/21
£m		£m
9.0	Employee Normal Contributions	9.6
	Employer Contributions:	
19.7	Normal	27.1
11.9	Deficit Funding	4.0
0.4	Augmentation	2.4
41.0	Total	43.1

NOTE 7 – BENEFITS PAID OR PAYABLE

The table below shows a breakdown of the total amount of benefits payable by category.

By type of employer

2019/20 £m		2020/21 £m
42.8	Administering Authority	40.6
2.0	Scheduled Bodies	2.4
1.9	Admitted Bodies	1.7
46.7	Total	44.7

By category

2019/20 £m		2020/21 £m
34.3	Pensions	34.7
11.4	Commutation of pensions and lump sum retirement benefits	8.9
1.0	Lump sum death benefits	1.1
46.7	Total	44.7

NOTE 8 – MANAGEMENT EXPENSES

The following table shows a breakdown of the management expenses incurred during the year.

2019/20		2020/21
£m		£m
1.0	Administration	0.9
0.2	Oversight and governance	0.1
4.5	Investment Management	5.1
5.7	Total	6.1

The investment management expenses are grossed up to include fees netted against the investment value, in line with CIPFA's Accounting for LGPS Management Expenses (2016). This adjustment has an equal impact on investment management expenses and the change in the market value of investments. There is no impact on the overall net assets of the Fund.

Investment management expenses include £0.1m relating to custodian fees (£0.1m for 2019/20), performance related fees £1.3m (£1.3m for 2019/20) and £2.4m in respect of transaction fees (£0.5m in 2019/20) whilst the remainder relates to management fees.

Included in the administration expenses above are audit fees for the Fund of £16k (£16k for 2019/20).

NOTE 9 – INVESTMENT INCOME

The table below shows a breakdown of the investment income for the year:

2019/20		2020/21
£m		£m
10.3	Dividends from equities	9.0
15.8	Pooled Investments – Unit trusts and other managed funds	15.3
0.1	Interest on cash deposits	0.0
26.2		24.3

NOTE 10 – INVESTMENT MANAGEMENT ARRANGEMENTS

As at 31 March 2021, the investment portfolio was mainly managed by eight external managers:

- Aberdeen Standard Investments
- BlackRock Investment Ltd
- CBRE Global Investors Ltd
- CCLA Investment Management Ltd
- Columbia Threadneedle Investments Ltd
- Fidelity International Ltd
- Longview Partners Ltd (within London LGPS CIV)
- RBC Investor & Treasury Services Ltd (within London LGPS CIV)

All managers have discretion to buy and sell investments within the constraints set by the Fund Panel and their respective Investment Management Agreements. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.

The Pension Fund Panel appointed Northern Trust as its global custodian, with effect from February 2007. They are responsible for the safe custody and settlement of all investment transactions and collection of income. The bank account for the Fund is held with NatWest Bank.

The market value and proportion of investments managed by each fund manager as at 31 March 2021 was as follows:

31 March 2020		Fund Manager	Mandate	31 March 2021	
Market Value				Market Value	
£m	%			£m	%
254.7	26.7	Aberdeen	Global Balanced	252.9	21.5
407.6	42.7	BlackRock	Global Balanced	511.7	43.4
138.0	14.5	Fidelity	Income Fund	152.9	13.0
101.9	10.7	Longview	Global Equities	138.6	11.8
0.0	0.0	RBC	Sustainable Equity Fund	66.3	5.6
30.5	3.2	Threadneedle	Property	31.0	2.6
17.8	1.9	CBRE	Property	17.6	1.5
0.5	0.0	LAMIT	Property	0.5	0.0
1.7	0.2	Various	Private Equity	1.4	0.1
1.1	0.1	Internal	Other	5.9	0.5

953.8	100.0	1,178.8	100.0
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The following investments represent more than 5% of the net assets of the scheme.

31 March 2020		Asset Name	31 March 2021	
Market Value			Market Value	
£m	%		£m	%
137.5	14.4	Fidelity Multi Asset Income Fund	152.9	13.0
119.0	12.5	Blackrock ACS World ex UK Equity Tracker	142.6	12.1
101.9	10.7	Longview Partners (LCIV) Global Equity Fund	138.6	11.8
55.3	5.8	Blackrock All Stocks Corporate Bond Fund	77.0	6.5
0.0	0.0	RBC (LCIV) Sustainable Equity Fund	66.3	5.6
413.7	43.4		577.4	49.0

NOTE 11 – EQUITIES

31 March 2020		31 March 2021
£m		£m
274.0	UK Investments (listed)	370.5
	Overseas Investments (listed):	
25.3	North America	5.8
4.0	Japan	0.0
12.8	Europe	2.2
11.6	Other	0.0
327.7		378.5

The top 10 equity holdings of the London Borough of Hounslow Pension Fund worldwide as at 31 March 2021 were:

	Bid value	% of Total Fund	% of Equities
	£m	%	%
Astra Zeneca Plc	30.3	2.6	8.0
Relx Plc	23.8	2.0	6.3
Rio Tinto Ltd	21.8	1.8	5.8
Next Plc	20.7	1.8	5.5
Ferguson Plc	18.2	1.5	4.8
Compass Group Plc	16.0	1.4	4.2
Standard Chartered Plc	15.8	1.3	4.2
Reckitt Benckiser Group	15.7	1.3	4.1
Smith & Nephew Plc	12.7	1.1	3.4
British American Tobacco Plc	12.2	1.0	3.2
	187.2	15.8	49.5

NOTE 12 – POOLED INVESTMENTS

31 March 2020		31 March 2021
£m		£m
	Pooled Investments (listed)	
88.6	UK Bond Funds	114.1
11.3	Overseas Bond Funds	11.1
233.0	Overseas Equity Funds	371.7
137.5	Overseas Income Fund	152.9
53.8	UK Index Linked	51.1
5.7	UK Mid Cap & Smaller Companies	1.0
48.8	UK Property	49.1
34.1	UK Absolute Return	39.4
612.8		790.4

The top 10 pooled investment holdings of the London Borough of the Fund worldwide as at 31 March 2021 were:

	Market value £m	% of Total Fund %	% of Pooled Investments %
Fidelity Investments Multi Asset Income Fund	152.9	13.0	19.3
Blackrock Pensions Aquila Life World (ex UK) Fund	142.7	12.1	18.1
Longview Partners (LCIV) Global Equity	138.6	11.8	17.5
Blackrock All Stocks Corporate Bond	77.0	6.5	9.7
Longview Partners (LCIV) Global Sustainable Equities	66.3	5.6	8.4
Aberdeen Fund Managers Corporate Bond	37.4	3.2	4.7
Columbia Threadneedle Property Fund	31.0	2.6	3.9
Aberdeen Fund Managers Sterling Index Linked Bond	28.7	2.4	3.6
BlackRock Index Linked A Bond Fund	27.8	2.4	3.5
Blackrock iShares Emerging Markets Index Fund	24.3	2.1	3.1

NOTE 13 – PRIVATE EQUITY

31 March 2020		31 March 2021
£m		£m
1.7	Private equity (unlisted)	1.4
1.7		1.4

Private equity holdings of the Fund as at 31 March 2021 were:

	Valuation £m	% of Total Fund %	% of Private Equity %
Schroder Private Equity Fund of Funds IV	0.4	0.1	28.6
The Chandos Fund	0.3	0.0	21.4
Environmental Technologies Fund	0.2	0.0	14.3
Schroder Private Equity Fund of Funds III	0.2	0.0	14.3
Schroder Private Equity Fund of Funds II	0.1	0.0	7.1
Hg Capital Fund	0.1	0.0	7.1
Schroder Private Equity Fund of Funds	0.1	0.0	7.1
	1.4	0.1	100.0

All private equity holdings are held within the UK.

NOTE 14 – RECONCILIATION OF MOVEMENT IN INVESTMENTS

Market Value as at 31 March 2020		Purchases during the year	Sales during the year	Change in Market Value during the year	Market Value as at 31 March 2021
£m		£m	£m	£m	£m
327.7	Equities	143.4	(125.0)	32.4	378.5
564.0	Pooled investment vehicles	64.3	(63.9)	176.9	741.3
0.2	Long term investment				0.2
48.8	Pooled Property Investments		(0.8)	1.1	49.1
1.7	Private Equity		(0.2)	(0.1)	1.4
2.1	Cash Funds	24.8	(19.9)	0.1	7.1
944.5		232.5	(209.8)	210.4	1,177.6
Other Investment Balances:					
3.2	Cash deposits			(0.3)	2.5
19.0	Amount receivable for sales of investments				4.1
2.2	Investment income due				2.8
(15.1)	Amounts payable for purchases				(8.2)
953.8	Net Investment Assets			210.1	1,178.8

Market Value as at 31 March 2019		Purchases during the year	Sales during the year	Change in Market Value during the year	Market Value as at 31 March 2020
£m		£m	£m	£m	£m
359.6	Equities	104.3	(90.1)	(46.1)	327.7
606.0	Pooled investment vehicles	76.5	(76.7)	(41.8)	564.0
0.2	Long term investment				0.2
51.7	Pooled Property Investments			(2.9)	48.8
4.1	Private Equity		(2.3)	(0.1)	1.7
1.5	Cash Funds				2.1
1,023.1		180.8	(169.1)	(90.9)	944.5
	Other Investment Balances:				
8.1	Cash deposits			(4.8)	3.2
1.4	Amount receivable for sales of investments				19.0
3.5	Investment income due				2.2
(2.7)	Amounts payable for purchases				(15.1)
1,033.4	Net Investment Assets			(95.7)	953.8

NOTE 15 – ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

The Pension Fund Panel has authorised the use of derivatives for efficient portfolio management purposes and to reduce certain investment risks, in particular, foreign exchange risk. All uses of derivatives are outsourced to the Fund's external asset managers which must adhere to the detailed requirements set out in their investment management agreements.

Forward foreign currency

The Fund uses forward foreign exchange contracts to reduce the foreign currency exposure from overseas bond holdings that are within the portfolio.

T h i s p a g e l e f t b l a n k i n t e n t i o n a l l y

NOTE 16b – NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The following table summarises the net gains and losses on financial instruments classified by type of instrument.

2019/20		2020/21
£m		£m
	Financial assets	
(95.8)	Fair value through profit and loss	210.3
0.1	Assets at amortised cost	(0.2)
(95.7)	Total Financial assets	210.1

NOTE 16c – VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

All investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation basis of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values of each instrument, with the overall objective of maximising the use of market based information. There has been no change in the valuation techniques used during the year.

Level 1 – these are financial instruments where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices based on the market quotation of the relevant stock exchange.

Level 2 – these are financial instruments where 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 and where these techniques use inputs that are significantly based on observable market data. This includes NAV based pricing for units held in unquoted pooled funds.

Level 3 – these are financial instruments where at least one input that could have a significant impact on the instrument's valuation is not based on observable market data. Examples of the basis of valuation can include comparable valuations of similar companies or as a multiple of revenue. This would include unquoted private equity investments which are based on partners' share of net assets.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into the level at which fair value is observable.

31 March 2020				31 March 2021				Total
Quoted Market price	Using observable inputs	With significant unobservable inputs	Total	Quoted Market price	Using observable inputs	With significant unobservable inputs	Total	
Level 1 £m	Level 2 £m	Level 3 £m	£m	Level 1 £m	Level 2 £m	Level 3 £m	£m	
Financial assets								
549.6	393.2	1.7	944.5	At fair value through profit and loss	378.5	741.3	50.7	1,170.5
5.1	24.7	-	29.8	Assets at amortised cost	26.7	-	-	26.7
554.7	417.9	1.7	974.3	Total Financial assets	405.2	741.3	50.7	1,197.2
Financial liabilities								
-	(15.1)	-	(15.1)	At fair value through profit and loss	(8.2)	-	-	(8.2)
(1.1)	-	-	(1.1)	At amortised cost	(2.2)	-	-	(2.2)
(1.1)	(15.1)	-	(16.2)	Total Financial liabilities	(10.4)	-	-	(10.4)
553.6	402.8	1.7	958.1	Total	394.8	741.3	50.7	1,186.8

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim, therefore, 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, currency and interest rate risks) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Panel. Risk management policies are established to identify and analyse the risks faced by the Fund and these are regularly reviewed to reflect changes in Fund activities and market conditions. The objective of the Fund's risk management strategy is to identify, manage and control its risk exposure within acceptable parameters, whilst optimising the return on risk.

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 asset mix. Generally, excessive volatility in market risk is managed through diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. Regular monitoring of market conditions and benchmark analysis is undertaken by the Pension Fund Panel to mitigate market risk.

Price Risk

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 price risk through diversification and the selection of securities and other financial instruments. This is regularly monitored by the Fund to ensure it is within the limits specified in the Fund investment strategy.

Following analysis of historical data and expected movement of return on investment during the financial year, the Fund, in consultation with the Fund's performance measurement provider, the PIRC Limited, has determined that the following movements in market price risk are reasonably possible for the 2020/21 reporting period:

Asset type	Value as at 31 March 2021 £m	Percentage Change %	Value on increase £m	Value on decrease £m
UK Equities	370.5	15.3	427.2	313.8
Overseas Equities	379.7	15.3	437.8	321.6
UK Equity Fund	1.0	6.5	1.1	0.9
Total Bonds	176.3	6.8	188.3	164.3
Long Term Investment	0.2	0.0	0.2	0.2
Diversified Growth	39.4	7.1	42.2	36.6
Income Fund	152.9	7.1	163.8	142.0
Cash	8.3	0.9	8.4	8.2
Property Units	49.1	2.4	50.3	47.9
Alternatives	1.4	6.5	1.5	1.3
Total Investment Assets	1,178.8	11.5	1,320.8	1,036.8

Asset type	Value as at 31 March 2020 £m	Percentage Change %	Value on increase £m	Value on decrease £m
UK Equities	279.7	13.5	317.5	241.9
Overseas Equities	286.7	13.5	325.4	248.0
Total Bonds	153.7	6.6	163.8	143.6
Long Term Investment	0.2	0.0	0.2	0.2
Diversified Growth	34.1	6.2	36.2	32.0
Income Fund	137.5	6.2	146.0	129.0
Cash	11.4	1.0	11.5	11.3
Property Units	48.8	2.3	49.9	47.7
Alternatives	1.7	5.5	1.8	1.6
Total Investment Assets	953.8	10.1	1,052.3	855.3

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 risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate with changes in market interest rates. The Fund and its investment advisors routinely monitor the Fund's interest rate risk in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against relevant benchmarks. Fixed interest securities, cash and cash equivalents are exposed to interest rate risk.

Long term average rates are expected to move less than 100 basis points (1%) from one year to the next. The total value of fixed interest securities and cash and cash equivalent investments is £60.7m as at the end of 2020/21. (2019/20: £59.2m). Assuming that all other variables, in particular exchange rates, remain stable a 1% increase in valuation of these assets would increase the value by £0.6m (2019/20: £0.6m) and equally a 1% decrease would reduce the value by £0.6m (2019/20: £0.6m).

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result 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 functional currency). The Fund aims to mitigate this risk through the use of derivatives (See Note 15). A strengthening/weakening of the pound sterling against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

Following analysis of historical data in consultation with the PIRC Limited, the Fund considers the following likely volatility associated with foreign exchange rate movements:

Currency exposure - asset type	Value as at 31 March 2021 £m	Percentage Change %	Value on increase £m	Value on decrease £m
Overseas Equities	379.8	8.4	411.7	347.9
Multi Asset income	152.9	8.4	165.7	140.1
Alternatives	0.8	8.4	0.9	0.7
Total Investment Assets	533.5		578.3	488.7

Currency exposure - asset type	Value as at 31 March 2020 £m	Percentage Change %	Value on increase £m	Value on decrease £m
Overseas Equities	286.7	6.4	305.0	268.4
Multi Asset income	137.5	6.9	147.0	128.0
Alternatives	0.9	7.3	1.0	0.8
Total Investment Assets	425.1		453.0	397.2

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure it always has adequate cash resources to meet its commitments. The purpose of the Fidelity income fund mandate is to insure a monthly income into the current account.

As at 31 March 2021 the Fund has £9.4m (2019/20: £4.2m) in its current account. The Fund also has access to an overdraft facility for short term cash needs.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer to convert into cash. As at 31 March 2021 the value of the liquid assets represented 99.9% of the total fund value (94.7% of total fund value in 2019/20).

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

BlackRock Investment Management Ltd use their Money Market Fund to manage invested cash and held £7.1m in this fund at 31 March 2021 (2019/20: £2.1m). Money market funds have AAA ratings from leading ratings agencies. This fund is the £7.1m Cash Fund figure in the Net Assets Statement.

The remainder of invested cash is held in short term bank deposits. Aberdeen Standard Investments held £0.5m in a call account with Standard Chartered at 31 March 2021 (2019/20: £0.8m). A further £2.0m invested cash is held with the Fund's Custodian, Northern Trust (2019/20: £2.4m). As at 31 March 2021 both Standard Chartered and Northern Trust had a credit rating of AA-. These funds account for the £2.5m cash deposits of the Net Assets Statement (2019/20: £3.2m).

NOTE 18 – FUNDING ARRANGEMENTS

The LGPS Regulations require that a full actuarial valuation of the Fund is carried out every three years. The purpose of this is to establish that the London Borough of Hounslow is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last triennial valuation was carried out by Barnett Waddingham, the Fund's Actuary as at 31 March 2019 in accordance with the Funding Strategy statement of the Fund and Regulation 62 of the Local Government Pension Scheme (Administration) Regulations 2013. This is effective from 1 April 2020. The next triennial valuation will be performed as at 31 March 2022. The initial results will be drafted in September 2022 with employers agreeing contributions in October 2022. A revised Funding Strategy Statement will be agreed within the statutory timescale by 31 March 2023. The report and Funding Strategy Statement are both available at <https://www.wypf.org.uk/publications/policy-home/hpf-index/>. The common rate of contribution for the London Borough of Hounslow, for the 3 year period from 1 April 2020 to 31 March 2023, is 21.8% of payroll. The common rate of contributions is the rate that, in addition to contributions paid by members, is sufficient to meet 100% of the liabilities arising in respect of service after the valuation.

Adjustments to contributions by individual employers are required to make good the deficiency resulting from the change in funding requirement, i.e. £67 million as at the date of the actuarial valuation. The Authority has agreed to keep the employers' contribution stable to meet the 100% funding requirement over a period of 17 years.

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

Future Assumed Returns at 2019	2019 allocation	% return per annum
Equities	59%	6.7
Gilts	5%	1.7
Other Bonds	10%	2.6
Property	5%	6.1
Cash	-	0.8
Cash Plus	21%	5.0
Less Expense Allowance		(0.2)
Estimated discount rate based on long-term investment strategy		5.4
Prudence allowance		(0.7)
Final discount rate assumption		4.7

Financial Assumptions	2016	2019
Discount rate	5.4% per annum	4.7% per annum
Retail Price Inflation (RPI)	3.3% per annum	3.6% per annum
Consumer Price Inflation (CPI)	2.4% per annum	2.6% per annum
Pension and Deferred Pension Increases	2.4% per annum	2.6% per annum
Short - Term Pay Increases	In line with the CPI assumption for the 4 years to 31 March 2020	n/a
Long - Term Pay Increases	3.9% per annum	3.6% per annum

The actuarial value of the fund's assets and liabilities are set out in the table below.

	2016	2019
Actuarial value of liabilities	£916m	£1,034m
Actuarial value of assets	£772m	£1,101m
Deficit	£144m	£67m
Funding Level	84%	94%

NOTE 19 – ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31 March 2021. The figures have been prepared by Barnett Waddingham, the Fund's Actuary, only for the purposes of providing the information required by IAS26 and are provided in addition to the triennial valuation. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation.

In calculating the required numbers, the Actuary adopted methods and assumptions that are consistent with IAS19.

31 March 2020		31 March 2021
£m		£m
(1,524.9)	Present Value of Promised Retirement Benefits	(1,974.8)
957.7	Fair Value of Scheme Assets (bid value)	1,181.5
(567.2)	Net Liability	(793.3)

Assumptions

To assess the value of the Fund's liabilities at 31 March 2021, the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2019 have been rolled forward, using financial assumptions that comply with IAS 19.

Demographic Assumptions

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019. The post retirement mortality tables adopted are the SIPA tables with a multiplier of 90%, for males and 95% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% p.a.

The assumed life expectations from age 65 are:

31 March 2020	Life Expectancy from Age 65		31 March 2021
21.2	Retiring today	Males	21.0
23.9		Females	23.8
22.8	Retiring in 20 years	Males	22.4
25.5		Females	25.3

Financial Assumptions

The main financial assumptions are:

31 March 2020		31 March 2021
2.7	RPI increases	3.2
1.9	CPI increases	2.8
2.9	Salary increases	3.8
1.9	Pension increases	2.8
2.4	Discount rate	2.0

NOTE 20 – CURRENT ASSETS

31 March 2020		31 March 2021
£m		£m
	Debtors:	
0.5	Amount due from the London Borough of Hounslow	-
0.5	Contributions due - employers	0.6
0.2	Contributions due - employees	0.2
4.2	Cash balances	9.4
5.4	Total	10.2

Debtors

Debtors represent those sums of money owed to the Fund for contributions due from scheduled and admitted bodies for 2020/21, for which payment had not been received as at 31 March 2021.

NOTE 21 – CURRENT LIABILITIES

31 March 2020		31 March 2021
£m		£m
	Creditors:	
0.3	Investment Management Fees	1.7
0.4	PAYE tax due to HMRC	0.4
0.4	West Yorkshire Pension Fund	0.1
1.1	Total	2.2

Creditors

Creditors represent those sums of money owed by the Fund for fund management services received during 2020/21, for which payment had not been made as at 31 March 2021, amounts due to HMRC in respect of tax and NI contributions for March 2021 as well as payments processed by West Yorkshire Pension Fund (the Fund's administrator) for which they had not yet been reimbursed as at the year end. 2021 investment management fees include performance related fees of £1.3m.

NOTE 22 – ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Fund's Additional Voluntary Contributions (AVC) provider is currently Standard Life.

Additional voluntary contributions of £30.9k were paid directly to Standard Life during the year (2019/20: £29k). Employees can contribute and the Fund acts only as an agent, the contract being between the employee and Standard Life. The value of these separately invested additional voluntary contributions at 31 March 2021 was £342.0k (2019/20: £354k). A further £135.3k is held within Utmost Life and Pensions (formerly Equitable Life), the former provider of AVCs to Fund members. The value of these in 18/19 was £114k.

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

NOTE 23 – RELATED PARTY TRANSACTIONS

The Fund is administered by the London Borough of Hounslow and the Council is a related party to the Fund. During 2020/21, some Fund payments and receipts were made through the Council's General Account as a result of the day-to-day administration of the Fund. At 31 March 2021 £0.0m was owed by the General Account to the Fund (at 31 March 2020 £0.5m was owed by the Fund to the General Account).

The Fund incurred administrative expenses of £0.6m in 2020/21 (£0.6m 2019/20) for Council officers' time spent in administering the Fund.

No other material transactions with related parties of the Fund during 2020/21 were identified.

NOTE 24 – EVENTS AFTER THE REPORTING DATE

The Fund has carried out a review and can confirm that there were no significant events occurring after the reporting date.

PART 6: GOVERNANCE

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority'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 Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Chief Financial Officer has also:

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


This Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2021.



Chief Financial Officer (Acting)

Dated: 20/07/2023

I confirm that these accounts were approved under authority delegated to me at a meeting of the Audit and Governance Committee on 19 April 2023.



Chair of the Audit and Governance Committee

Dated: 20/07/2023.

London Borough of Hounslow Annual Governance Statement 2020/21

1. Scope of Responsibility

- 1.1 The London Borough of Hounslow (the 'Council') is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government.
- 1.4 This statement explains how the council has complied with the code and also meets the requirements of regulation 6(2) Accounts and Audit Regulations 2015, in relation to the approval of the Annual Governance Statement. It also highlights how the council's financial management arrangements conform to the governance requirements of CIPFA's *Statement on the Role of the Chief Finance officer in Local Government (2016)*.

2. The Purpose of the Governance Framework

- 2.1 The Council's governance framework comprises its systems and processes, the culture and values by which it is directed and controlled and those activities through which it accounts to, engages with and leads the Community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost effective services.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, and prioritise the risk to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the London Borough of Hounslow for the year ended 31st March 2021 and up to the date of approval of the annual report and the statement of accounts.

1. The Governance Framework

- 3.1 Set out below are the key elements of the processes and systems that comprise the Council's governance arrangements. These have been aligned to the six core principles of the CIPFA / SOLACE Framework.

The section describes normal processes within the Council. During the Covid period it has been necessary to adapt and section 5 sets out some of the key necessary.

3.1.1 Creating and Implementing a Vision for the Local Area

Good governance means developing and clearly communicating the Council's purpose and vision and the outcomes it is seeking to deliver to the local area. The following describes how the Council achieves this:

- The London Borough of Hounslow's Corporate Plan, agreed in March 2021, sets out an ambitious vision for the borough, putting residents at the heart of Council services in the context of Covid-19 and beyond.

The plan makes eight outcomes that the Council will work with partners and communities to create a borough where:

- People live in good homes and pleasant neighbourhoods
- Businesses flourish and local people enjoy good quality jobs
- Residents and businesses benefit from a sustainable and green borough
- People are connected and feel part of a community
- People are safe
- Children reach their potential
- Residents are healthy and active
- Residents receive the right help and support

The Council refreshed the way it works in response to the new challenges created by Covid-19 in order to maintain the new forms of collaboration between the Council and community that emerged during lockdown.

- The pledges set out by the administration in its vision for Hounslow are described in the current Corporate Plan and remain at the core of the Council's strategic objectives and involve close collaboration between members and officers to achieve these objectives.
- The Council's business planning process is underpinned by departmental service plans that are designed to set out clear departmental objectives that contribute directly to the Council's aims.

3.1.2 Roles and Responsibilities of Members and Officers

Good governance means elected members and officers working together to achieve a common purpose with clearly defined functions and roles. The following describes how the Council achieves this:

- The Council is composed of 60 members, elected every four years, there is currently two vacancies with by-elections due to be held on 6 May 2021. There is also a Boundary Commission Review that will increase from 20 to 22 wards from next year. All members meet together as the Borough Council. The Council operates a Cabinet and elected Leader model of decision making, supported by open and accountable working relationships between members and officers.

- The Council has an agreed Constitution which sets out how it operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is currently being reviewed and will be issued in 2021/22 following agreement. The Constitution includes the defined? responsibility for functions including the scheme of delegation, rules of procedure including financial regulations and contract procedure rules and Member and Officer Codes of Conduct. The full Council appoints a Leader of the Council for a four year term who then appoints a Cabinet as the Council's Executive. Overview and Scrutiny committees hold the Cabinet to account.
- Members receive clear guidance and training on the statutory Members' Code of Conduct and the Council's Members' Town Planning Code of Good Practice. In addition there is a formal Council Protocol on Relationships between Councillors and Officers in place.
- There is in place a Corporate Leadership Team (CLT), which includes the Executive Director, Finance and Resources (Section 151)
 - The Monitoring Officer reports to the Executive Director, Finance and Resources and has an 'open' invitation to attend the Fortnightly CLT meetings. In addition, all agendas and papers are circulated to this Officer (as well as the forward plan for CLT meetings) and they are welcome to discuss any item in advance with the Executive Director, Finance and Resources or the Chief Executive as an alternative to attending. The attendance of the Monitoring Officer is required once a month, at the meeting which draft Cabinet and Council and other key decision reports are reviewed.
 - All CLT members and Directors have responsibility for maintaining a sound system of internal control within their area of responsibility.

3.1.3 Standards of Conduct and Behaviour

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieve this:

- The Audit and Governance committee has responsibility for standards including promotion and maintenance of high standards of conduct by Members and co-opted Members of the Authority.
- All Members' and Officers are required to complete an annual Declaration of Interests statement and a register of Members' interests, which is updated by Members', is maintained and published on the Hounslow web site.
- The Councillor Code of Conduct defines the standards of conduct expected of elected representatives including a requirement for members to declare any interests at the start of every meeting, which are not recorded in a public register.
- In addition, the following Codes, protocols and systems are well established within the Council. All are regularly reviewed and updated to account for developments in governance arrangements and changes in local government. These include:
 - The Council adopted the recommendations of the London wide advisory body on Members' remuneration;
 - There is a declaration of interest process for Members and Officers as described above;
 - Rules and protocols are in place and are being further developed for all partnership working;
 - Organisation-wide performance appraisal and employee development schemes are in operation;
 - Corporate performance management systems have been put in place and are subject to periodic review and development;
 - There is a corporate complaints procedure in place in line with Ombudsman good practice requirements;

- Whistle-blowing, anti-fraud and anti-corruption policies and effective Standing Orders are in place and publicised;
- In compliance with the national transparency agenda, Senior Officers' remuneration is published on the Council Website.

3.1.4 Decision Making, Scrutiny and Risk Management

Good governance means taking informed and transparent decisions that are effectively scrutinised and which manage risk. The following describes how the Council achieves this:

- The Leader is responsible for determining where executive decisions are to be made and will usually arrange for the discharge of key and other important decisions to be made by Cabinet. Decisions not specifically reserved to Cabinet collectively or individually are delegated to Chief Officers as outlined in Part 7 of the Constitution – Leader's Scheme of Delegation to Directors and Statutory Officers.
- All forthcoming Key decisions are published in the Cabinet's Forward Plan and republished every month on the Council's web site.
- Reports and minutes of meetings are also published on the Council's web site. This also includes decisions made by individual Cabinet members and decisions made under the urgency provisions. Urgent decisions are reported to the next formal meeting of the Council.
- Equality Impact Assessments are completed for all appropriate decisions, an updated training programme is being introduced in 2021/22 to increase the consistency of these across the Council.
- The Council has an Audit and Governance Committee with clear terms of reference and annual work programme for audit, risk management and corporate governance.
- Procedures are in place for Chief Officers which satisfy the statutory requirements for decision making.
- The Council maintains an Internal Audit service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit has direct access to the Chief Executive, the Executive Director, Finance and Resources and the Chair of the Audit and Governance Committee.
- An embedded Risk Management Strategy is in place, with each department maintaining a departmental risk register. All major projects undertaken are required to have risk registers.
- Robust financial systems and regulations are in place that provides active support to risk management activity.
- There is a corporate performance management system and operational framework in place, which is linked to the Business Plan, through service business plans to individual delivery targets, which are reported to Cabinet.

3.1.5 Developing Capacity and Capability of Members and Officers

Good governance means developing the capacity and capability of members and Officers to be effective. The following describes how the Council achieves this:

- A framework is in place for the Hounslow Leadership Group, which defines the Leadership qualities and values that are expected from Hounslow Managers.
- Individual training and development plans are an integral part of the staff performance system. A target of 100% for appraisal completion is in place and is monitored.
- There is an extensive & well considered induction process for new Councillors which has internal and external input from subject specialists. There are Mandatory sessions for all Councillors and added onto that are specific training and development activities dependent upon Councillors portfolios. Councillors also have access to external training and development opportunities on an ongoing basis.

3.1.6 Engaging with Local People and Stakeholders

Good governance means engaging with local people and other stakeholders to ensure robust public accountability which is achieved through continuous consulting with and engaging local people and communities in a wide range of ways on a wide range of important issues. The following describes how the Council achieves this:

- The Council produces a business plan which sets out and clearly communicates the vision and strategy for the Council to all stakeholders and local communities through multiple channels.
- A broad range of communication channels are in place, which are subject to continuous review and improvement to ensure effective reach across all borough communities.
- An annual Overview and Scrutiny report is published and circulated, locally, regionally and nationally.
- Corporately led programmes of community and stakeholder consultation are in place, supported by service led operational consultations delivered to corporate standards and employing effective and tailored feedback mechanisms.
- The Council's business planning process is supported by a communications strategy and delivery plans.
- Clear systems and processes are in place for employee and employee representatives to be consulted and involved in decision making, which are subject to regular review and continuous development.

4 Review of Effectiveness

4.1 The Council has responsibility for conducting at least annually a review of the effectiveness of its governance framework, including the system of internal control. This review is informed by the work of executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and comments by the External Auditor and other review agencies and inspectorates.

The key evidence to support the review of effectiveness is outlined below:

4.2.1 Planning

There is a clear vision of the outcomes which the Council wants to achieve for local people, as established in the Council Plan and through Customer and Community outcome plans.

The Council operates a planning process which integrates all aspects of strategic, operational and financial planning which has the full involvement of the Cabinet and all senior managers of the Council. This ensures financial plans realistically support the delivery of the Council's priority outcomes and strategy obligations in the short and medium terms.

4.2.2 Performance Management

The Council has in place an embedded performance management framework. On a quarterly basis the Council produces a corporate performance report, reflective of the range of services that the Council provides, which is presented to Cabinet and which gives both Cabinet and the public an insight into the Council's overall performance. The performance management framework also provides assurance in respect of the quality of services delivered by the Council.

The Council has established Directorate Finance and Performance meetings that are chaired by the Chief Executive where financial, performance and other matters are discussed. Each directorate accounts for the key financial and performance issues for their directorate, with a clear focus on financial rigour. Finance representatives also attend these meetings.

Additionally there is a workforce performance management process operating at all levels of the organisation including the management of staff personal performance through the Personal Development Appraisals process.

4.2.3 The Cabinet

In 2020/21 the Cabinet were responsible for most key decisions, from 2021/22 all key decisions will go to cabinet. The Cabinet met 8 times during the year and makes decisions that are in line with the Council's overall policies and budget. Decisions Cabinet wishes to make outside of the budget or Policy Framework must be referred to full Council. The Cabinet receives regular monitoring reports on key aspects of control including performance and financial management.

4.2.4 Overview and Scrutiny Committees

The Council has appointed the Overview and Scrutiny committees (Scrutiny Committees) to discharge the functions conferred by section 21 of the Local Government Act 2000. Scrutiny committees oversee and scrutinise the decisions made by the Cabinet and Cabinet members under delegated powers.

4.2.6 The Audit and Governance Committee

The Council has an Audit and Governance Committee that provides independent, effective assurance on the adequacy of the Council's governance environment. All major political parties elected onto the Council are represented on the Audit and Governance Committee.

The Audit and Governance Committee met regularly during 2020 – 21 considering reports, including the annual Internal Audit Report, from the Head of Internal Audit, the Council's senior Finance Officers and the External Auditor. The Minutes of the Audit and Governance Committee are presented at Council meetings, which are attended by the Chair of the Audit and Governance Committee.

The Chair of the Audit and Governance Committee writes an Annual Report on the Audit and Governance Committee agreed by the Committee to Cabinet.

The Audit and Governance Committee includes the work of the former Standards Committee and promotes and seeks to maintain high standards of conduct by monitoring the operation of the Councillors Code of Conduct, this includes member conduct.

4.2.7 Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer and S151 Officer, were effectively fulfilled during 2020-21 and up to the date of this report.

The Council's financial management arrangements during the period covered by this Annual Governance Statement conform to the requirements of the CIPFA Statement on the Role of the Chief Financial Officer.

4.2.8 Management

Directors are requested to provide self-assurance statement in respect of 2020-21 that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities;
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks

4.2.9 Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Internal Audit to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

An assurance scoring mechanism is used to reflect the effectiveness of the Council's internal control environment.

The table below details the four levels of assurance

Level	Definition
Substantial	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Reasonable	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
None	Control processes are generally weak leaving the processes / systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes / systems open to error or abuse.

It is the opinion of the Head of Internal Audit that, taking into account all available evidence, the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2020-21 provides reasonable assurance on the effective management of risks across the organisation.

4.2.10 External Audit

Mazars LLP is currently the Council's appointed External Auditor. As well as an examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of whether significant weaknesses in arrangements to secure economy, efficiency and effectiveness from the use of resources has come to their attention.

4.2.11 Risk Management

The Council managed its risks during 2020-21 in accordance with the approved Risk Management Policy and Strategy. The Corporate Leadership Team and Directorate Management Teams formally considered risk on a quarterly basis. Details of corporate and directorate risks were considered as part of the Corporate Performance process. Quarterly risk management reports were submitted to the Audit and Governance Committee.

The indicative Internal Audit Plan for 2019-20 presented to the Audit and Governance Committee in March 2019 is chiefly based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2019-20.

4.2.12 Developing Capacity

The Council has operated procedures during the period covered by this Statement to ensure training needs of staff are assessed against core competencies and any key training needs met. Additionally the Council has provided, or is in the process of providing, appropriate training to councillors to enable them to effectively fulfil their duties.

4.2.13 Engagement

The Council has continued to make strenuous efforts to fully engage the community in the development of its plans and policies.

4.2.14 Council Owned Companies

In June Cabinet received a report summarising the steps that have been taken to strengthen and clarify the governance framework for the Council's trading companies. That report also detailed the further work on governance issues planned in the light of both Lampton 360's and Coalo's ambitions for future growth and development. It noted the need for a further review of the size and structure of the Boards of both Lampton 360 and Coalo, to ensure the companies are structured in a way which is commercially effective, which maximises the opportunities for joint working and economies of scale, and ensures that the necessary commercial expertise is available.

Subsequently in September a report setting out a proposal for the restructuring of the Companies bringing all together under Lampton 360. This report went on to provide a rewritten and updated 'Code of Practice' on the Council's governance arrangements in relation to the companies, which Cabinet approved.

The Code of Practice is intended to provide the clarity L360 has requested in relation to a number of issues that have arisen in practice where the role of the Council as shareholder and the Board of L360 intersect. These issues include

- L360s desire for greater certainty in relation to the limits set by the Council on its trading activities
- The need for greater clarity in relation to roles and responsibilities, in particular in relation to potential conflicts between the Council's role as shareholder and its separate role as a commissioner of services

- Process in relation to budget-setting, and decision-making in relation to the use of surpluses in cases where surpluses are generated by L360's trading activities; and
- Clarity in relation to decision-making and accountability on staff appointments.

Whilst the Councils governance arrangements in relation to L360 will need to continue to develop and improve as L360 itself grows and develops over time, and further discussion with L360 on governance issues will continue over time.

5 Covid Pandemic

- 5.1 During the Covid Pandemic it has been essential to make adjustments to ways of working. The framework has been maintained to ensure compliance with overarching governance requirements and the Constitution.
- 5.2 Committee meetings – it was necessary to cancel some early meetings due to lockdown. Central Government then amended regulations to allow virtual meetings and standardised processes were reintroduced.
- 5.3 In the immediate aftermath of the first lockdown, decision making was minimal and focused on necessary response and support decisions for the Community. Council Gold made decisions support by emergency decision powers. The increased number of late and urgent key decisions for e.g. payment of grants was well documented and recorded and published in the normal way.

6 Significant Governance Issues

- 6.1 Based on the Council's established risk management approach, the issues detailed below have been assessed as being significant for the purpose of the 2020-21 Annual Governance Statement. We will over the coming year take appropriate steps to address these matters and further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Issue	Actions
<p>Failing to effectively respond to further waves of infection or variants or to support the community in their recovery.</p>	<p>Contingency planning arrangements have been in place throughout the pandemic with Council Gold structure taking responsibility/The council has supported through local partnerships, dynamic risk assessments.</p> <p>Process during response have include support process such as Covid grants payments, self-isolation payments, test, track and trace.</p> <p>A recovery plan is in place to support the community.</p>
<p>The Council has continued to a controlled and managed approach to managing the ongoing financial position. With uncertainty over future finance settlements more so for 2022, and demand lead pressures this remains one of the Council's highest risk areas.</p>	<ul style="list-style-type: none"> - Regular reporting of financial risk to Cabinet & CLT. - Budget rebasing continually ongoing. - Medium Term Financial Strategy monitored to keep issue alive. The MTFS has been aligned to the Recovery Plan and Corporate Plan. - A summary of budget numbers and pressures in each area is issued to each Lead Member. - Establishing effective strategies for demand led pressures. <p>Ongoing throughout 2021/22</p>

6 Progress against Actions Identified in the 2019-20 Statement

Issue	Actions	Update
<p>Uncertainty and community support required in relations to Covid-19 virus.</p>	<p>Council Gold structure taking responsibility:</p> <ul style="list-style-type: none"> - Monitoring and communicating guidance and advice to our residents, particularly the most vulnerable, and to work to protect life - Developing plans to maintain and support the delivery of essential services and to maintain, as far as possible, critical services to our residents and businesses. - Overseeing the financial impacts on the council during the response and recovery phases. - Planning to facilitate recovery and the return to normality. 	<p>This risk has been managed throughout the year, work to support and recover continues and a revised issue is listed in 20/21 (section 5 above)</p>

Issue	Actions	Update
<p>The Council has a controlled and managed approach to managing the ongoing financial position. With uncertainty over future finance settlements, and demand led pressures this remains one of the Council's highest risk areas.</p>	<ul style="list-style-type: none"> - Regular reporting of financial risk to Cabinet & CLT. - Budget rebasing continually ongoing. - MTFS monitored to keep issue alive. - A summary of budget numbers and pressures in each area is issued to each Lead Member. - Establishing effective strategies for demand led pressures. - Ongoing throughout 2020/21 	<p>Work has continued through the year. A revised risk is included in 2020/21. This included regular updates on the financial position related to Covid.</p>
<p>Significant control weaknesses have been identified around direct payments processes within adult social care.</p>	<ul style="list-style-type: none"> - Internal Audit review. - Social Care reviewing control framework and - suppliers. - By Spring 2020 	<p>Revised processes and procedures were implemented and this was confirmed through an internal audit follow-up.</p>

Conclusion and Evaluation

The Leader of the Council was appointed in 2022. The Leader has the confidence to sign this statement for the year 2020-21 following a briefing session with the Corporate Leadership Team and receiving the assurance statements from the Chief Executive and Directors.

As Leader and Chief Executive, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the London Borough of Hounslow to ensure effective internal control is maintained.

We are also satisfied that there are appropriate plans in place to address the weaknesses and ensure continuous improvement in the system of internal control.

Signed.....

Councillor Shantanu Rajawat

Leader of the Council

Date:

Signed.....

Niall Bolger

Chief Executive

Date:

PART 7: GLOSSARY

A statement of accounts needs to be prepared in accordance with applicable accounting standards that incorporate a wide range of technical phrases. This glossary has been provided to aid readers of the accounts by explaining some of these.

Accounting Policies

The rules and practices adopted by the Authority that dictate how transactions and events are treated in its financial records.

Actuarial Gains/Losses

The profits and losses on the pension scheme as calculated by the Actuary because the assumptions made were not the same as the actual performance (e.g. if interest rates were less than anticipated).

Available for sale assets

Assets that have a quoted market price and/or do not have fixed or determinable payments.

Capital Charge

A charge to the cost of services to reflect the use of fixed assets used in the provision of services made up of interest and depreciation.

Capital Expenditure

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

Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash Equivalents

Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Contingent assets and liabilities

Contingent assets and liabilities arise where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the authority.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. *Community Assets*

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings

Consolidation

The process of adjusting and combining financial information from the individual financial statements of a reporting authority and its subsidiaries to prepare consolidated financial statements that present financial information for the group as a single economic entity.

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control (e.g. the outcome of a court case); or
- A present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

Corporate and Democratic Core

These are activities that local authorities engage in specifically because they are elected, multi-purpose authorities. These costs would not be incurred by a single-purpose organisation and therefore should not be apportioned to services.

Current Service Cost (Pensions)

The increase in value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Defined Benefit Scheme

A pension or retirement benefit scheme into which an employee pays regular contributions fixed as an amount or as a percentage of pay and will have no legal obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The reduction in the value of an asset due to wear and tear.

EIR (Effective Interest Rate)

The Effective Interest Rate is the interest rate on a loan or financial product restated from the nominal interest rate as an interest rate with annual compound interest.

Emoluments

All sums paid to or receivable by an employee including salary, expenses, and allowances and the monetary value of any other benefits received other than cash. Pension contributions payable by either employer or employee are excluded.

Finance Lease

A lease that transfers the risks and rewards of ownership to the lessee, but ownership of the asset is retained by the lessor.

Fixed Assets (or non-current assets)

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Government Grants

Assistance by the government and their agencies in the form of cash or transfer of assets to an authority, which may be in return for past or future compliance with certain conditions relating to the activities of the authority.

Impairment

A reduction in the value of a fixed asset, below the amount it is included at on the balance sheet.

Infrastructure Assets

Fixed assets that are recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible assets

Non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events, for example, computer software licences.

Investment Properties

Interest in land and/or buildings that are held for their investment potential or rental income.

Liquid Resources

Investments that can be readily converted to cash without disrupting the business of the organisation.

Loans and receivables

Assets that have fixed or determinable payments but are not quoted in an active market.

LOBO

A LOBO is a loan where the lender has the option to change the terms of the loan on specified dates. If the lender exercises its option, then the borrower has the option to repay the loan without penalty.

Minority Interest

The interest in an entity included in the consolidation that is attributable to the shares held by persons other than the reporting authority and its subsidiary entities.

Net Book Value

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

Net Current Replacement Cost

The cost of replacing an asset in its existing condition and for its existing use i.e. the cost of buying the item or the nearest equivalent asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non distributable Costs

These are overheads for which no user benefits and should not be apportioned to services.

Non-Operational Assets

Fixed assets held by an authority that are not directly occupied, used or consumed in providing services. Examples of non-operational assets are investment properties and assets pending sale or redevelopment.

Operating Leases

A lease that stipulates the asset can never become the property of the lessee.

Operational Assets

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of services.

Past Service Cost

For a defined benefit scheme, the increase or decrease in the value of benefits payable that were earned in prior years arising because of a change to retirement benefits.

Projected unit method

This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Property, Plant and Equipment

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

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Members are required to declare if they have entered into any such transactions and any relationships of influence with any organisations associated with the Authority.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)

Expenditure on grants, property not owned by the authority or statutory redundancy costs when an authority has been granted a directive under the Local Government Act 2003, that is classified as capital for funding purposes, but that does not result in the expenditure being carried in the Balance Sheet as a fixed asset.

Stocks

The amount of unused or unconsumed goods held in expectation of future use within one year. Stocks are valued at the end of each financial year and carried forward to be matched to the use or consumption when it arises. Stock comprises the following categories:

- Goods or other assets purchased for resale.
- Raw materials and other components purchased for the incorporation into products for resale
- Products and services partially or fully completed

Subsidiary

An entity is a subsidiary of the reporting authority if:

- The authority is able to exercise control over the operating and financial policies of the entity, and
- The authority is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

Independent auditor's report to the members of London Borough of Hounslow

Report on the audit of the financial statements

Opinion on the financial statements of London Borough of Hounslow Pension Fund

We have audited the financial statements of the London Borough of Hounslow Pension Fund ('the Pension Fund') for the year ended 31 March 2021, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and 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 Interim Executive Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate;
- the Interim Executive Director of Finance and Resources 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 Interim Executive Director of Finance and Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Interim Executive Director of Finance and Resources for the financial statements

As explained more fully in the Statement of the Interim Executive Director of Finance and Resources' Responsibilities, the Interim Executive Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Interim Executive Director of Finance and Resources is also responsible for such internal control as the Interim Executive Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Interim Executive Director of Finance and Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Interim Executive Director of Finance and Resources is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's 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.

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

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to 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 a recommendation under section 24 of the Local Audit and Accountability Act 2014; or

- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of the London Borough of Hounslow, as a body and as administering authority for the London Borough of Hounslow Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.



Suresh Patel Key Audit Partner
For and on behalf of Mazars LLP

30 Old Bailey
London
EC4M 7AU

21 July 2023

Independent auditor's report to the members of London Borough of Hounslow

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of London Borough of Hounslow "the Council" for the year ended 31 March 2021, which comprise the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Movement in Reserves Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, Housing Revenue Account, the Movement on the Housing Revenue Account Statement, Collection Fund Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. 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 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.

Emphasis of Matter – the valuation of investment property

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's investment property. As disclosed in Note 4 to the financial statements, the Council's valuer has included a 'material valuation uncertainty' declaration in their report because of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Interim Executive Director, Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Interim Executive Director, Finance and Resources with respect to going concern are described in the relevant sections of this report.

Other information

The Interim Executive Director, Finance and Resources is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Interim Executive Director, Finance and Resources for the financial statements

As explained more fully in the Statement of the Interim Executive Director, Finance and Resources' Responsibilities, the Interim Executive Director, Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Interim Executive Director, Finance and Resources is also responsible for such internal control as the Interim Executive Director, Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Interim Executive Director, Finance and Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Interim Executive Director, Finance and Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Interim Executive Director, Finance and Resources' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Corporate Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.
- Our audit procedures in relation to fraud included but were not limited to:
 - making enquiries of management and the Corporate Committee on whether they had knowledge of any actual, suspected or alleged fraud;
 - gaining an understanding of the internal controls established to mitigate risks related to fraud;
 - discussing amongst the engagement team the risks of fraud; and
 - addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Corporate Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Interim Executive Director, Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in this respect.

Responsibilities of the Council

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to 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 a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of London Borough of Hounslow Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack.



Suresh Patel
For and on behalf of Mazars LLP

30 Old Bailey,
London
EC4M 7AU

Date: 21 July 2023