London Borough of Hackney

Statement of Accounts 2015/16

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The purpose of the narrative report is to provide a concise and understandable guide of the most significant aspects of the Council's financial performance, year-end financial position and cash flows. It is not intended to comment on the policies of the Council.

The financial statements included in this Statement of Accounts are as detailed below.

The **Annual Governance Statement** sets out the framework within which the effectiveness of the Council's internal controls (including financial controls) is managed and reviewed each year. This review reports on significant weaknesses, areas identified for improvement and the actions taken to strengthen these areas.

The **Statement of Responsibilities** sets out the responsibilities of the Council and its Chief Financial Officer (Group Director, Finance and Corporate Resources) for the Statement of Accounts.

The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net (Increase) / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

The **Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises 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.

The **Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

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

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

The **Pension Fund** Accounts show the contributions to the Council's Pension Fund, the benefits paid from it and the financial position as at 31st March 2016. The Council acts as trustee for the pension and trust funds, which are separate from all of the other accounts and are therefore not included in the Balance Sheet.

The **Glossary of Terms** provides an explanation of the technical terms used throughout the above statements.

THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES NARRATIVE REPORT

London Borough of Hackney is a truly unique Borough. A borough that over years has continued to make significant difference to our community and Finance continues to be at the forefront of this delivery. Below, I highlight our achievements in 2015/16 and herewith also present the Council's Financial Statements and Notes for the 2015/16 financial year.

2015/16 Financial Summary

Introduction

The financial performance of the Council is regularly monitored and reviewed throughout the financial year to assess financial stewardship. Strong financial management and control is a cornerstone of what has enabled the Council to deliver the political priorities that are integral to the regeneration and renewal that Hackney has undergone since 2002. At the end of 2015/16 the Council had an under spend of £1.352 million, equating to 0.14% of gross expenditure. This is the fourteenth successive year that the Council has either spent at or within budget ensuring that resources are directed towards priority areas and avoiding the need for short term decisions to be made that could lead to inefficient use of resource. This achievement should not be underestimated given that it was based upon a budget set in the context of having to find savings of £130 million by between the years of 2010/11 to 2015/16 in order to deal with grant loss of £100m and cost pressures of £30m. Even though overall the Council manages to deliver within Budget, the Council still faces significant cost pressures within the Social Services, which includes provision of children and adult social care. Detailed breakdown of Directorate expenditure is broken down in Note 28 in the Notes to the Statement of Accounts.

Delivery of the 2015/16 Budget

The revenue budget was set against the background of continuing significant reductions in Central Government support to Local Government. As we have seen the Council lost £130m of funding up to 2015/16 which is one of the largest funding losses of any council in England. To develop and deliver this budget therefore was extremely challenging and not without difficulties. It was delivered through adopting well established practices of efficient financial planning and management, identifying savings opportunities early and in detail, driving out inefficiency across the Council and taking decisions in a timely and controlled manner. To facilitate, we have ensured that the Council has in place appropriate management arrangements and controls to manage the risks and impacts on people, place and staff including;

- **Governance:** Cross Council governance arrangements to manage delivery of the programme including the establishment of a Corporate Board, chaired by the Chief Executive, in relation to Adult Social Care to provide targeted and focused attention to ensure that the financial performance of this service and interaction with the NHS is given a high profile.

- **Financial Monitoring and reporting:** Regular progress updates already embedded in overall financial position (OFP) to continue to provide updates against savings allowing issues to be managed as appropriate.

- **Risk Management:** The Council has in place mechanisms for managing risks on savings through relevant risk register and has looked to link the delivery of savings to outputs and performance, taking on board recommendations.

- **Prioritising resources to Corporate Plan objectives:** The 2015/16 budget was agreed by Council in February 2015 and throughout 2015/16 we have been looking at and balanced the budget for 2016/17 and made considerable progress in developing indicative budgets for 2017/18 through to 2019/20

Going forward the Council will continue to face even more challenges and steps have b2een taken in 2015/16 to ensure the Council is best placed to meet them. In 2015/16 the Chief Executive announced a corporate wide restructure, which led to a significant re-alignment of departments and a reduction of Directorates to four from six. The Council also offered Voluntary Redundancy across the Council which allowed the Council to reduce FTEs and reduce its future salaries bill. In addition, the Council also brought back its Housing ALMO (Hackney Homes) from 1 April 2016 to streamline operations and to achieve future operational savings.

Future Local Government Funding

There were three announcements in 2015/16 which will have a significant impact on local authority funding in 2016/17 and beyond and hence on our budgetary strategy. These were the Chancellor’s announcement on Business Rates at the Conservative Conference in October, the Spending Review/Autumn Statement in November and the Provisional Local Government Finance Settlement in December. Also throughout 2015/16 there were significant policy changes in the area of social housing which will have significant financial implications for the Council.

100% Business Rates Retention

At Conference, the Chancellor announced that authorities in total (not at the individual authority level) will be able to keep all the business rates that they collect from local businesses. The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Cities that choose to move to systems of combined authorities with directly elected city-wide mayors will be able to increase rates for specific infrastructure projects, up to a cap, likely to be set at 2p in the £ on the rate. Revenue Support Grant will be phased out and 100% business rates retention will be introduced by 2020 at the latest but the current system of top up and tariffs will be extended to give some protection to authorities with lower levels of business rate income such as Hackney. As local authorities will potentially receive more revenue under this scenario than at present, additional financial responsibilities will be transferred to local authorities such as the responsibility for funding Public Health and TFL Capital Funding.

Spending Review 2015

On 25 November 2015, the Chancellor delivered Spending Review 2015, which sets government departmental expenditure limits for the next four years (2016-17 to 2019-20). Alongside the Spending Review, the Chancellor delivered his annual Autumn Statement, which included and update on the overall economic outlook and future plans for both public spending and taxation up to 2020-21.

The key headlines for local government were as follows:

- The Local Government Resource DEL will be cut from £11.5bn in 2015-16 to £5.4bn in 2019-20 (a 56 per cent in real terms reduction) – the largest of all departments.
- London Councils estimated the cut to core funding (comprising revenue support grant and locally retained business rates) to be around 30 per cent for England
- A new ‘Council tax precept’ of up to 2 per cent will be allowed to be spent exclusively on adult social care.
- Reforms to the New Homes Bonus will be consulted on in 2016 to ‘sharpen the incentive’ and save around £800 million.
- The Government’s strategic review of business rates will now report at Budget 2016
- The Better Care Fund will be expanded by £1.5bn nationally by 2020.

The new “Council Tax 2% precept” is a marked change in policy as in previous years the Government’s policy sought to restrain council tax increases.

Provisional Local Government Finance Settlement 2016/17

On 17th December, CLG published the Provisional Local Government Finance Settlement for 2016-17. It has also published indicative funding figures up to 2019-2020. With regards to the funding allocations for later years, one of these (revenue support grant) is offered to a local authority to accept but the offer is conditional on the local authority publishing an Efficiency Plan. Few details are given on the content of the Plan but it is likely to take the form of a Medium Term Financial Plan linked to service plans.

RSG has been cut dramatically (by £7.3bn or 75%) over the period 2015/16 to 2019/20. It is assumed by Government that nationally this reduction will be largely offset by council tax increases (freeze grant therefore will not be payable over the next 4 years) and an assumed increase in the council tax base (which taken together sum to £5.6bn) and by the Improved Better Care Fund Grant (£1.5bn). RSG allocations to councils will be reduced in a way that ensures that councils delivering the same set of services receive the same percentage change in settlement core funding for these services. This adjustment is a significant change in central government policy. In the past cuts in RSG have been broadly proportionate to prior year RSG entitlements. This will benefit grant dependent councils such as Hackney although over the period 2015/16 to 2019/20, our allocation is still projected to fall from £84.2m to £34.8m – a reduction of £49.4m or 59%.

New Homes Bonus (NHB) grant will continue but substantial savings will be made in later years and the Government has consulted on how these cuts will be made, although the outcome is not yet known. The main proposal involves moving from 6 to 4 year rolling scheme and sharpening the incentives (meaning a reduction to annual awards). The Settlement confirmed that social care authorities will be able to increase their council tax by 2 per cent over the existing referendum threshold, with the proviso that the additional 2 per cent 'social care precept' is spent on adult social care. It also confirmed that additional funding for adult social care through the BCF would be worth £1.5 billion by 2019/2020. The Government will consult on how the additional funding is distributed but in the funding modelling, it has proposed that the grant should act as a method of equalising the relative needs for social care services and the maximum possible impact of the social care council tax precept. This method will benefit low council tax base authorities such as Hackney. Finally, the Settlement restated the government's intentions outlined at Conference and in the Spending Review to reform the business rates retention system and move to 100 per cent retention by 2020 or earlier. In addition to the above, local authorities' public health responsibilities and funding will be extended to cover many Children's Public Health responsibilities as from October 2015.

Social Housing

With regards to social housing, the Government, in the summer budget, the Government announced a 1% rent cut for each of the four years from 2016/17. This will make a significant difference to the projected future income stream of the HRA. The HRA self-financing settlement had been calculated on the basis of future rent increases above inflation but the rent cut has changed the rules and will require a significant reworking of the HRA Business Plan.

There are also the "new" risks arising from

- The forced sale of Council properties to pay for Housing Association Right to Buy discounts;
- Proposals for high income households to have to pay to stay in their council property;
- Proposals to limit HB to the Local Housing Allowance rates; and
- Proposals to limit the life of a council tenancy to 5 years.

Treasury Management

2015/16 has seen some a continuation of Government policy to limit Government borrowing through a strong focus on reducing levels of public expenditure on services and external funding, and on welfare benefits. This has been compounded by historically low levels of interest rates and on-going instability in the financial markets around the world and I have looked to ensure that the Council has taken this into regard in relation to our Treasury Management position.

Reserves, Liabilities, Capital Expenditure and Borrowing

Overall the Council has maintained its general level of reserves on the General Fund and Housing Revenue Account. Both are in line with the levels anticipated throughout the financial year and within the Council's Medium Term Planning Forecasts.

In accordance with the CIPFA IFRS Code of Practice on Local Authority Accounting, the Council includes a liability within the net assets on its Balance Sheet in respect of the Hackney (including Hackney Homes Limited) and LPFA Pension Funds. This shows a reduction in the liability of £145.999 million to a net total of £566.789 million. The associated costs have been included within the Comprehensive Income and Expenditure Statement. The effect of this has been mitigated by a net transfer from the associated Pensions Reserve.

This is the sixth year that the Council, along with all other local authorities in the United Kingdom, has been required to produce the Statement of Accounts under the International Financial Reporting Standard Regime. The accounting policies are reviewed annually to ensure that they are in accordance with revised Standards. As part of the annual budget setting process, the Council reviews its level of borrowing and future requirements ensuring that it sets limits required by the Prudential Framework that are both affordable and sustainable in the longer term. These limits take full account of the Council's future investment proposals and its capital financing requirement. The Council stayed within both its external debt authorised limit (£329 million) and the operational boundary (£298 million) throughout 2015/16.

Most of the capital expenditure during the year has been incurred maintaining and enhancing existing assets. There has however been continued delivery of new or refurbished secondary schools within the Building Schools for the Future programme. Works have also continued on the delivery of significant regeneration of housing estates at Woodberry Down and other locations across the borough alongside the continued improvement of the Council's dwelling stock through the delivery of its planned maintenance and Decent Homes programme. There have been no significant new liabilities incurred during the year.

The Council has carried out a full review of its planned capital investment for the forthcoming year to ensure that it has sufficient resources to meet those plans in light of the significant reduction in external resources available, particularly in respect of funding for Decent Homes and other forms of supported borrowing approvals. The approved capital programme for 2016/17 amounted to £246 million. This is to be financed with unused resources brought forward of £131million, new external grants and contributions of £15.5 million, revenue contributions of £51 million (inclusive of HRA depreciation), capital receipts of £26 million and prudential borrowing of £22.5 million.

There were no material events after the reporting date up to the date on which these financial statements were authorised for issue.

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Summary

The 2015/16 Statement of Accounts presents in a financial context the continued delivery of public services against the very challenging financial outlook described above – Hackney has suffered some of the most severe funding cuts of any local authority since 2010. I would like to place on record my thanks and gratitude for the support and co-operation I have received from the Mayor, Cabinet Members, colleagues on the Hackney Management Team and officers within my own Directorate throughout the year. This Statement of Accounts evidences that the Council continues to operate on a sound financial basis, with no material cuts to frontline services being necessary to maintain its financial standing. This is a clear demonstration of the Council continuing to deliver against the Mayor's priorities and further evidence of the continued effective management of the Council's finances, something that it will need to rely upon as the funding challenges continue and need to be carefully navigated.

The 2015/16 Statement of Accounts is available on the Council's website (www.hackney.gov.uk) and further information can be obtained from the Group Director, Finance and Corporate Resources, Mr Ian Williams, by contacting his office at the Hackney Town Hall, Mare Street, London E8 1EA (ian.williams@hackney.gov.uk).

HACKNEY A PLACE TO LIVE AND WORK

Environment

Green spaces
Hackney is the third most densely populated borough in London, but it is also one of the greenest in inner London with 58 parks, gardens and open space covering 318 hectares, 19 of which have been awarded the green flag quality mark.

Household energy efficiency
The Standard Assessment Protocol (SAP) is a government rating system to measure the energy efficiency of housing, where 100 is excellent.
In 2010 the Private Sector Stock Condition Survey found that owner occupied, private rented and housing association owned properties in Hackney had an average SAP rating of 57. Hackney Homes' properties have an average rating of 76. In 2013 the average SAP rating of all homes in England was 59.

Recycling
Just over a quarter of household waste is now recycled in the borough, in 2001 only 1% of waste was recycled. Households in London recycle just over a third of their waste on average, compared to nearly 44% in England. Hackney Council aims to help residents recycle more of their rubbish, for example by collecting all recyclables together, so that residents no longer have to sort their rubbish as much.

Carbon Dioxide emissions
Hackney's per capita carbon dioxide emissions are amongst the lowest in the country and declined from 4.2 tonnes in 2005 to 3.4 tonnes in 2013. Total emissions were also down 2.6% on the previous year. These low emissions may be due to absence of heavy industry in the area, although homes are responsible for almost half of all emissions.

Air quality
Poor Air Quality is associated with a variety of health effects such as reduced lung function, asthma, COPD, lung cancer and heart disease.
The whole of the borough has been declared an Air Quality Management Area for Nitrogen Dioxide and Particular Matter under Part IV of the Environment Act 1995.

Transport

Various methods of transport are used by Hackney residents in employment to get to work. Over 85% of Hackney residents travel to work on foot, by bicycle or using public transport. Hackney has the highest cycling rate in London.

Rail services have improved significantly, since 2012 with the opening of the East London Line Extension linking Dalston Junction to Highbury and Islington and South London and improvements to the North London Line to Stratford and Richmond.

Further improvements have taken place along the West Anglia Rail Corridor, linking Hackney to Liverpool Street and Chingford, Cheshunt and Broxbourne, creating more capacity and an additional station is planned at Lea Bridge in 2016/17. There will also be improved links to Crossrail stations and additional road capacity at key points to support employment and population growth.

Only 36% of Hackney's households own motor vehicles, compared with 54% of households in London. Some areas, particularly in the South of the borough are 70% car free.

Hackney's Transport Strategy 2015-25 sets out the council's vision for improving transport locally. It aims to improve conditions for walking and cycling, strengthen sustainable transport to support local regeneration, advance the case for key public transport infrastructure improvement, enable residents to access work opportunities, enhance accessibility for disabled people, improve air quality and reduce emissions.

Crime and community safety

Crime levels continue to fall in Hackney. Crime fell 34.7% between 2002/03 and 2014/15, over 13,000 fewer victims of crime. This is better than the Metropolitan Police Service (MPS) as a whole, down by 13.4%, and similar to the average for the London MSG, a group of similar London boroughs comprising Islington, Lambeth, Hammersmith & Fulham, Tower Hamlets, Southwark, Brent, Haringey, Greenwich and Hackney, which was down 34.5% during the same period. At the beginning of 2015/16 crime levels in Hackney fell below the London MSG average for the first time since 2011/12.
From January 2013 the National Fraud Intelligence Bureau took over responsibility for recording of fraud offences, through Action Fraud. Consequently police forces no longer record most frauds and local police will only accept reports of fraud when: a crime is in progress, or about to happen; where the person suspected of committing the crime is locally known or can be easily identified; and where the reporting party or the victim is vulnerable and is unable to report by telephone or internet due to a lack of understanding, or because they require additional support from police or a partner organisation. The above crime reduction figures do not take account of changes in the reporting of fraud, but comparing all crime minus fraud since 2002/03 and crime in Hackney has still fallen by 31.6%, which represents over 11,000 fewer victims of crime.

Housing

Tenure

Some 44% of households rent from a social landlord like Hackney Homes or a registered provider such as a housing association, 26% of households are owner occupiers or in shared ownership schemes and 29% rent from a private landlord. The private rented sector more than doubled between 2001 and 2011 rising from 14,760 to 29,449 households and this continues to grow year on year.

Housing growth

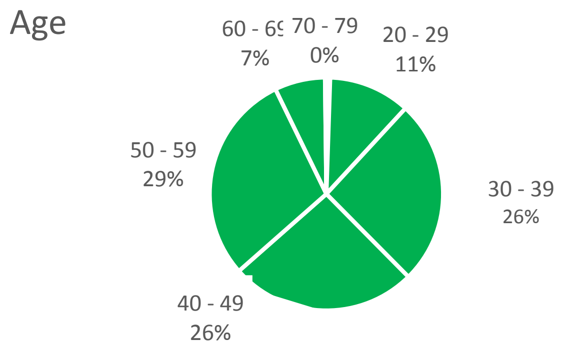
Hackney has grown by around 1,000 homes a year since 1981. This trend is set to continue up to 2031 with estate regeneration and town centre improvement schemes.

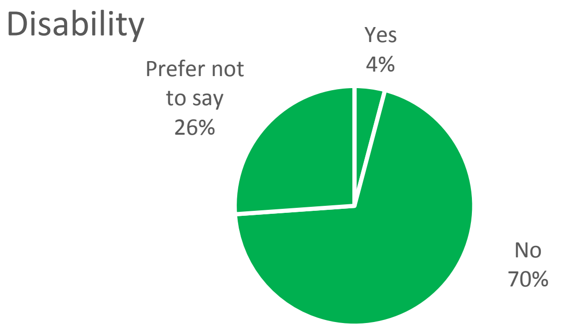
Some 11,305 additional new homes were completed in Hackney between 2008/09 and 2013/14, 41% of which were affordable - social rented and shared ownership housing built by private developers, Registered Providers (RPs) or the Council. The rest, were for private sale.

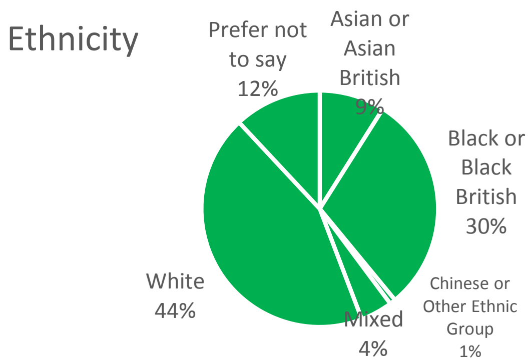
The Greater London Authority, through the London Plan has set a minimum target that an average additional 1,599 new homes will be completed in Hackney each year from 2016/17-2024/25. These homes will be developed on our estates, the largest of which is Woodberry Down in the North West, in town centres; Dalston, Hackney Wick, Hackney Central and Shoreditch and on 'opportunity sites' located throughout the borough.

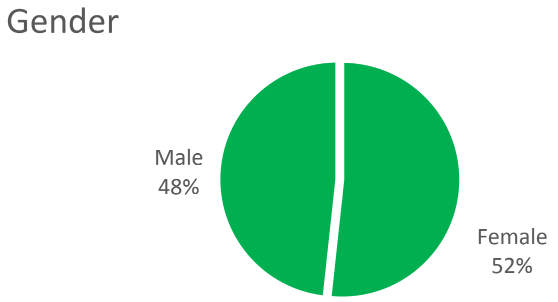
Council Staff

We are committed to supporting and harnessing a diverse and modern workforce for the benefit of service users. There are a wide range of initiatives to support a modern and diverse workforce and bring in young people, for example, apprenticeships. We aim to recruit and retain a diverse workforce that is representative of the communities we serve across all grades. Our annual workforce profile (detailed in charts below) provides an overview of the organisation's employment profile.









Scope of responsibility

Hackney Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It 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.

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, which includes arrangements for the management of risk.

In 2008 the Council approved and adopted a Code of Governance, which is consistent with the principles of governance set out in the CIPFA SOLACE Framework *Delivering Good Governance in Local Government* (2007) (CIPFA SOLACE Framework). This was developed in consultation with Members of the Council's Governance Committee and is available on the Council's website. This will be reviewed again during 2016/17 in line with the new 2016 CIPFA SOLACE guidance 'Delivering Good Governance in Local Government'.

This statement explains how the Council has complied with the Code and also meets the requirements of regulation Part 2 6.1 of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risks to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council's Corporate Risk Register contains the risks perceived to be most serious in terms of the likelihood and potential impact on the Council's overall strategic objectives. One of the key risks pertains to financial matters, and especially the impact that continued austerity cuts might have on service delivery going forward. This risk goes further in analysing the future impact of continuing cuts to budgets across all services. There is also a risk referring to new legislation (such as the Care Act 2014) which is having a dramatic impact on the resources and demands of within Adult Social Care. This risk also looks forward to future legislation that might arise from, for example, the EU Referendum, and the extremely large impact that this could have. Additionally, with the Council involved in complex schemes for the delivery of housing, schools and other infrastructure there are risks relating to the capacity to manage these.

The governance framework has been in place at Hackney Council for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

The governance framework

The key elements of the Council's systems and processes that comprise its governance arrangements are as follows:

- *Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users*

The Council outlined its vision for improving service delivery and efficiency under the banner 'Making Hackney a Better Place'. Its focus has remained: safer and cleaner streets, decent homes, better schools and improved customer services. The Corporate Plan through to 2018 was launched in March 2015 and is entitled "Hackney – A Place for Everyone."

The Mayor's Priorities are a summary of the vision for the authority and are widely communicated throughout the Council. The Council's vision is further developed and communicated in the Corporate Plan which sets out the corporate vision, priorities and values which will guide the Council's work until 2018. The priorities set out in the Plan are a framework for local public services and partners from business, community and voluntary sectors to guide our work over the next decade to improve the quality of life in the borough. The plan has been reviewed and updated for the period up to 2018.

The Council continues to build on the success of hosting the 2012 Olympic & Paralympic Games. Permanent parkland and retained venues, such as the Copper Box, have opened to the public; tenants have moved into the former Press and Broadcast Centres, re-branded Here East, including Loughborough University, BT Sport and Studio Wayne McGregor, with the Canal side restaurants and shops due to open in the of summer 2016. Later arrivals will include entrepreneurs from the creative, digital and tech industries, and artists taking residence in the studios on the Gantry in the Broadcast Centre. In total, there are expected to be over 5,000 people working at Here East by the end of 2018.

A major programme of investment to secure local business, employment and training opportunities is underway; construction has started on a new primary school and redevelopment of Hackney Wick Station has been granted planning permission kick-starting development of a new neighbourhood centre and over 1,000 homes and further business space. The wider neighbourhood development will start in 2016. The Council is working with the London Legacy Development Corporation (LLDC) on a comprehensive development plan for land around the station, working with businesses, landowners and developers. An outline planning application has been submitted for 'Hackney Wick Central' which sets out preferred use class and maximum/minimum parameters for development and promotes affordable work and studio space through the Section 106 process.

The Council has a 10 year Sustainable Community Strategy 2008-2018, developed with many of its key partners, which explains what the Council is setting out to achieve with its key partners which includes targets for delivery agreed with Central Government. This is reviewed and updated as necessary and a three year review of the Strategy was carried out during 2014.

The Council's priorities are communicated to its citizens and stakeholders on street posters, in public offices, in newsletters and on the Council's website.

All documents referred to are included on the Council's website: http://hackney.gov.uk/corporate-plan

- *Reviewing the authority's vision and its implications for the authority's governance arrangements*

The Authority's vision is incorporated within the Sustainable Community Strategy. The Strategy is not a static document, it is a means by which we achieve our ends. This includes focusing on the six priorities in our work, learning more about how we address them and inviting residents and organisations to engage in the decisions that affect the area.

The Council's governance arrangements are under continuous review for appropriateness and effectiveness. The Council is committed to the ongoing strengthening of its governance arrangements and will consider other new initiatives that will impact on its governance arrangements in future reviews.

In November 2014 the Council approved the latest Local Development Scheme which outlined a three year work programme for updating Hackney's Local Plan including: renewing housing estates; sustainability and affordability of new development; protecting and expanding job opportunities and protecting existing open space. The Local Development Scheme is now in the process of being reviewed and updated and is due to be considered by Cabinet in July 2016.

- *Translating the vision into objectives for the authority and its partnerships*

A new structure for the local strategic partnership was launched in 2013/14, with a flexible new arrangement which is as light as possible in terms of bureaucracy. The purpose of the partnership is:

- To maintain and review our strategic vision for Hackney (as articulated in the Sustainable Community Strategy)
- To take a problem solving approach to tackling cross cutting issues and priorities
- To promote and encourage a collaborative approach to policy and service delivery that takes account of partners' perspectives and builds trust between different partners

The partnership has a Leadership Board which met twice in 2015/16, in June 2015 and in December 2015. In June 2015 they considered the implications of continued growth and change in Hackney and identified key issues which need to be further considered through a scenario planning process. In December 2015 they ratified the theory of change for a major partnership programme Improving Outcomes for Young Black Men. There is also a Community Safety Partnership (CSP) which is a statutory partnership bringing together lead agencies responsible for the Community Safety Plan, and chaired by either the Police Borough Commander or the Chief Executive of the Council. The CSP also engages with a wider stakeholder group of statutory partners and the voluntary and community sector.

The partnership is informed by a consideration of evidence, trends and local community insight which is kept under review. This is articulated in a full State of the Borough report and the work programme which was published in January 2014 on new partnership pages hosted by the Council.

- *Measuring the quality of service for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money*

Service plans are developed with consideration of the Council's priorities and in alignment with financial and resource planning. Service plans include: service activity plans; service area budgets; growth proposals and business plans. All activities included in service plans are aligned with the Council priorities. This joined-up approach is assisting the Council to provide value for money for service users and at the same time meeting the required savings target.

There are comprehensive budgeting systems in place and a robust system of budgetary control, including monthly reporting of the Council's financial position to Cabinet, formal quarterly performance reporting which includes financial performance and annual financial reports which indicate financial performance against forecasts.

- *Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements*

The roles and responsibilities of the executive, non executive, scrutiny and officer functions are clearly stated in the Council's Constitution which is regularly reviewed and updated. Updates are approved by the Full Council. It was reviewed at the end of the year for April 2016.

Delegation arrangements are also included in the Constitution. Financial schemes of delegation are updated annually. The Scheme of Delegation sets out where responsibility for executive functions lies within the Council. They can be found at the following link:
http://mginternet.hackney.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12659&path=0

Communication of these arrangements primarily takes place through the induction process, team briefings including cascading information from Directorate Management Teams and information available on the Council's intranet and internet. Staff are also made aware of changes such as these through training identified for them through the appraisal process.

The Sustainable Community Strategy Review identifies key recommendations for all local partners.

- *Developing, communication and embedding codes of conduct, defining the standards of behaviour for members and staff*

Part 5 of the Constitution includes Codes and Protocols.

The Council adopted a revised Code of Conduct for Members in May 2011. Following its adoption all Members signed a formal undertaking to comply with the Code. This is included within the revised Constitution as is a Member – officer protocol which sets out the responsibilities of Members and officers. This was revised in May 2013 in accordance with the Localism Act 2011.

High standards of conduct and behaviour are expected in all aspects of the Council's work, including working with partnerships. The Council's Human Resource policies, which include an employee Code of Conduct, promote high standards of behaviour and are re-enforced by appropriate training programmes. In addition a Register of Interests is in place. During 2015 procedures relating to Gifts and Hospitalities were reviewed and a refreshed policy was launched in April 2016.

The Executive, the Standards Committee, the Overview and Scrutiny Board and Scrutiny Commissions are responsible for overseeing the activities of the authority and challenging standards of conduct and behaviour which do not meet expected standards. The role and responsibilities of these bodies are set out in Part 2 of the Constitution.

- *Reviewing the effectiveness of the authorities decision-making framework including delegation arrangements, decision making in partnerships and robustness of data quality*

The Council's Financial Procedure Rules are reviewed as required to ensure that they remain relevant to the operations of the Council. The procedures are continuously reviewed on an on-going basis, the last review and redraft was carried out in 2014.

Financial Schemes of Delegation are loaded into the financial system, so that authorisation levels are automatically linked to user profiles and are automatically updated following revisions to the scheme. Supporting financial procedural notes are available. Directorates are required to hold a hard copy of the Financial Procedure Rules and ensure all officers are aware of them.

In addition to the above, the Council has in place Contract Standing Orders and a Treasury Management Strategy. Each of these is updated regularly to ensure compliance with best practice and the statutory framework. The Treasury Management Strategy was reviewed and presented to Audit Sub Committee in January 2016, and adopted by Council in March 2016.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Financial Officer in Local Government (2010) and the CIPFA Statement on the role of the Head of Internal Audit (2010).

Director of Legal fulfils the role of the monitoring officer and the Chief Executive fulfils the role of the Head of Paid Services. Effective arrangements are in place for the discharge of these functions.

- *Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability*

There is a Corporate Risk Strategy which is reviewed biennially and presented to the Audit Sub Committee along with a Risk Policy. The Strategy was reviewed in September 2014 and will be reviewed again in 2016. A Risk Management toolkit is also available to all staff on the Intranet. Each directorate has an appointed Risk Champion.

A corporate risk register is in place along with directorate risk registers. These are regularly reviewed identifying responsible officers and appropriate actions. Corporate and directorate risk registers are presented to the Corporate Committee annually for comment and review on a rolling basis.

- *Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained*

The Council has an Anti-Fraud & Corruption Policy which was ratified by Cabinet and has been publicised to all staff. This was updated in 2012/13 to include an Anti-Bribery Policy which was signed off by the Audit Sub-Committee in July 2013. A corporate Anti-Money Laundering Policy outlining the Council's approach to money laundering which was ratified by Hackney's Management Team is available on the Council's intranet.

The Regulation of Investigatory Powers Act 2000 (RIPA) policy, guidance and procedures was reviewed and updated and presented to the Audit Sub Committee in April 2016. Monitoring information is reported quarterly throughout the year to the Audit Sub Committee and a review is undertaken annually. During 2015/16 RIPA training was provided to 75 officers, from across the Council, whose duties might involve the use of RIPA powers.
The Council's approach to counter-fraud and corruption work is well resourced and appropriately skilled. The Council has been proactive in identifying and tackling new fraud threats as they emerge, and also reviews the output from the National Fraud Initiative (NFI) in which it participates, work continued on this throughout 2015/16.

- *Ensuring effective management of change and transformation*

The Council has a clear policy and procedural framework in place for the undertaking of the review or redesign of services and for when these changes have implications such as redundancy or contractual change for its workforce. The policy and procedural framework commits the Council to consult affected employees and their union representatives and ensures that the Council meets its statutory obligations.

During 2015/16 consultation was undertaking on a Delegated Powers Report from the Chief Executive that streamlined the Council by reducing the number of Directorates and senior management posts. The restructure was implemented on 1 April 2016. This restructure will help save significant sums from management costs, but it also represents an opportunity to transform the way Hackney works as an organisation. Fewer senior managers, with broader spans of control means bringing together teams to work together more effectively for the benefit of residents. It also means huge opportunities for staff at all levels to take on more responsibility, and to develop their skills and their careers.

Change management has continued to form part of the Council's leadership development programme and has increasingly become embedded in the Hackney Manager Programme during 2015/16 and is raising management capacity to deliver services differently.

In March 2016 Hackney Council was awarded 'Council of the Last 20 Years' at the prestigious Local Government Chronicle (LGC) Awards. Hackney Council demonstrated that they met the criteria of sustained excellence and innovation, from which other councils have sought inspiration. We also demonstrated increasingly strong performance, which has been to the benefit of its residents and brought about higher quality, more efficient services. The judges said: "A compelling story on innovation and exceptional transformation across the whole range of services with a clear focus on delivering leading services for residents.

Hackney has led the sector in showing that areas of high deprivation can also be areas of high achievement. It is a real game changer."

- *Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities*

During 2014/15 the Corporate Committee was formed and took over the duties of the Audit Sub-committee in June 2014. However, following a further review of the Constitution it was decided to re-establish the Audit Sub Committee in September 2015. The terms of reference of the Corporate Committee and Audit Sub Committee is included in the Constitution and it includes what are widely considered core functions of an audit committee.

- *Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful*

The Annual Internal Audit Plan is risk based and is developed to provide assurance regarding compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful.

The Council's Monitoring Officer reviews all Cabinet reports to ensure legality.

Chief Officers are responsible for ensuring that all staff in their Directorates are aware of the existence and content of the authority's Financial Procedure Rules and other internal regulatory documents and that they comply with them. The Financial Procedural Rules are available on the Council's intranet and Chief Officers must also ensure that an adequate number of copies of the Financial Procedure Rules are available for reference within their Directorate.

- *Whistleblowing and for receiving and investigating complaints from the public*

The Council is committed to operating transparently, with high standards of conduct and integrity. The Council maintains a contract with an external provider, Expolink, to provide a 24/7 hotline and this has continued throughout 2015/16. This has been publicised to staff within the Council and Hackney Homes and is incorporated within the revised Anti-Fraud & Corruption Policy available from the intranet. During 2013/14 the policy was reviewed and has been extended to Hackney Learning Trust staff (including teachers). The revised policy was presented to the Audit Sub Committee in April 2014, and performance in this area continues to be reported to Committee annually. The policy provides contact details for individuals internal to the organisation and bodies external to the organisation through which concerned staff and stakeholders can report issues. The Audit Sub Committee received monitoring information throughout the year on whistleblowing activities as part of its quarterly monitoring information.

The Council has a process for receiving and handling complaints from the public. It is a two stage process, designed to ensure that complaints are handled at the most appropriate level.

The complaints procedure is set out in full on the Council's website: http://hackney.gov.uk/complaints

- *Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training*

The Council is committed to the development of its Members and officers for the achievement of the Council's vision, its corporate plan and the community strategy, all of which have been developed in consultation with the local community. Hackney has embraced the government's 21st Century Councillor Programme which focuses on the way the Council operates to maximise the potential for Members' contributions.

Member Services has a training programme to support member development. The programme is geared towards ensuring that it meets the training needs of individual members and the needs of the Council as a corporate entity.

Additionally, Members can request a personal development plan and ensure they receive regular training which is specific to their needs and all Members receive formal induction when elected.

Cabinet Members are appraised on their performance by the Mayor.

All officers are invited to attend corporate induction training when they join the Council and are provided with local, role specific induction by their directorate. Also, as part of the annual appraisal process officers are required to create personal development plans setting out their objectives and training needs to help achieve those objectives. Officers must agree their personal development plans with their line-managers.

A formal performance management framework is in place for officers through the Appraisal Process and through this they receive regular performance feedback and identify training needs. Corporate Directors are appointed by the Chief Executive and are appraised by the Chief Executive annually on their performance against the objectives set the previous year.

- *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*

The Council has a number of communication channels with all sections of the community to ensure accountability and encourage open consultation. It communicates with local people and stakeholders in a number of ways such as through public consultation, hosting open meetings and feedback activities. The Council regularly seeks feedback from its Citizens E-Panel, a panel of over 2,500 people who are surveyed online to inform policy decisions and often form the basis of reports to Cabinet.

Ward Forum meetings were held in each Ward on a regular basis over the year. An evaluation of public engagement with Ward Forums was undertaken which has informed arrangements during 2015/16.

The Government's Code of Recommended Practice on Publicity states that councils should not publish a newspaper or magazine more frequently than quarterly. Hackney Council has made the decision to continue publishing fortnightly on the grounds of reach, equalities and value for money. Whilst the Codes not legally binding The Audit and Accountability Act 2014 gave the Secretary of State discretionary powers to issue directions against councils who are acting in breach of the Code. In April 2014, the Secretary of State issued Hackney Council with a notice of intent to issue directions and invited the Council to make representations within 14 days, which it duly did. The Secretary of State has not yet issued directions. He wrote to the Council in March 2015 to say that he did not anticipate making a decision on this issue with relation to Hackney in the near future, and that the authority should draw no inference from this. Since then, a new Secretary of State has been appointed and the Council received no further correspondence on the matter until April 2016, when a letter to the Mayor from the new Secretary of State was received. This reiterated the government's position and asked for a response outlining the Council's current position, which has not changed. The Mayor has responded appropriately.

More information on consultation is available from the Council's website: http://www.hackney.gov.uk/consultation.htm

- *Enhancing the accountability for service delivery and effectiveness of other public service providers*

Good governance arrangements in respect of partnerships are in place to jointly deliver services across health and social care. We have built on the learning from managing the Better Care Fund throughout 2015/16 and with the CCG, have worked together through our joint governance arrangements to develop joint commissioning intentions for 16/17. Robust agreements are in place to ensure accountability for local services and to drive through service improvements for our residents.

The Council, working with partners, developed the Integrated Gangs Unit (IGU), the first fully co-located team in the UK dedicated to tackling gang violence. The IGU has staff from the Metropolitan Police, Probation, Community Safety, Young Hackney, Department of Work and Pensions and the Safer London Foundation and more recently Victim Support. The unit undertakes prevention, diversion and where necessary enforcement activity to divert young people away from gangs.
Partnership Tasking Meetings take place every four weeks and bring together the police, fire service and all council services engaged in enforcement and support activity to share information and work together in partnership to solve crime and ASB related problems.

"Prevent" is an initiative that aims to stop people becoming terrorists or supporting any form of terrorism. This includes challenging ideologies, supporting vulnerable people and working with key sectors.To understand the impact of the Prevent duty locally a Prevent Engagement Event has been arranged to bring discuss the Prevent agenda and its impact locally. The learning gained from this event will inform Hackney's Prevent Strategy and devise an interactive and agreed action plan for local delivery.

Through the Voluntary and Community Sector Grant programme the Council helps facilitate strong service delivery partnerships with the voluntary sector and this included community chest grants, small grants and medium size grants so that a diverse range of local groups can access funding for their communities.

- *Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report Governing Partnerships: Bridging the Accountability Gap, and reflecting these in the Council's overall governance arrangements*

Creating awareness of and generating engagement with the Code of Governance and ensuring partnerships are appropriately governed remain a priority for the Council for 2015/16.

Review of effectiveness

Hackney Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of committees and management within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by work undertaken by the external auditors and other review agencies and inspectorates.
Throughout 2015/16 the following activities contributed to the Council's review of its governance framework:

- Corporate directorate reviews of governance arrangements
  In 2008/09 the Council introduced 'local' annual governance statements for each of its corporate directorates and Hackney Homes and this process has been continued in 2015/16 Following the completion of the local statement these were reviewed by Internal Audit. The 2015/16 local statements are to be signed off by the Corporate Director and responsible Cabinet Member.

- Chief Financial Officer
  The role of the Group Director, Finance and Corporate Resources (the Section 151 Officer) is compliant with the principles of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

- Review and update of the Constitution
  A review of the Constitution was completed in 2012/13 and an updated Constitution was adopted by the Council in May 2013. This reflects changes brought into force by the Localism Act 2011. The Constitution is continually reviewed and the latest was published in April 2016.

- Audit Sub Committee self-assessment review
  During 2014/15 the Audit Sub Committee was disbanded and the work of this committee was transferred to a newly formed Corporate Committee. However during the course of 2015/16 the Audit Sub Committee was reformed and commenced meeting in September 2015. An ongoing development programme is being provided to Committee Members to further assist them in executing their responsibilities and ensuring the committee is effective.

- Report by the Standards Committee on its activities
  During the year the Standards Committee considered reports on: -
  - Member Training
  - Review of Registers of Members and Co-optees Declaration of Interests Terms of reference for the Committee
  - Annual report on compliance with Guidance on Members use of ICT

We have been advised on the implications of the result of the reviews listed above, in which no significant governance issues were identified. Plans are in place to address weaknesses and ensure continuous improvement of the system.

Internal Audit

The Council annually reviews the effectiveness of Internal Audit. During 2015/16 the service was provided by an in-house team. Following its own review of Internal Audit, the Council believes it has demonstrated its commitment to: improving system and process controls; general risk management awareness and effectiveness of governance arrangements. Management have accepted and implemented a number of key Internal Audit recommendations and engaged in open and challenging discussions about points raised in Internal Audit reports. In April 2013 new Public Sector Internal Audit Standards (PSIAS) came into force and Hackney's Internal Audit Service has been externally assessed by The London Borough of Hillingdon to ensure adherence to these new standards. Results of this review are imminent and will be reported to the Audit Sub Committee.

Internal Audit continues to deliver value for money. The audit plan for 2015/16 consisted of 1466 days and was delivered by the in-house team. Regular progress reports on Internal Audit work were presented to the Corporate Committee and Audit Sub Committee throughout 2015/16.

During 2015/16 Internal Audit issued post audit questionnaires to clients to elicit their opinion on a range of areas related to the way the audit was conducted. The results of these questionnaires showed that overall performance was excellent, or exceeded expectations for 58% of audits with 37% 'meeting expectations'.

During the course of 2015/16 there were 76 internal audit reviews completed and internal control issues were identified for which 37 high priority recommendations were made. There were also 254 medium priority recommendations made. We have worked to address the majority of these during the year, and continue to monitor implementation of management action for those where the target dates for completion fall within 2015/16. In particular, audit work will continue to provide assurance regarding the security of information for both customers and employees.

During 2015/16 only one internal audit report was issued with a 'No' assurance rating and this related to a school.

Good progress has been made with implementing the recommendations from the 2014/15 ICT audits that received a 'No' assurance rating in 2014/15. Where there remains any concerns these will be discussed with relevant officers and the new Director of ICT and a way forward agreed upon.

In relation to the schools that received a 'No' assurance rating during 2014/15, good progress has been made in implementing recommendations at two of the schools and these were re-audited during 2015/16 and have now been awarded 'Significant ' and 'Reasonable' assurance ratings.

Aside from some of the ICT and school issues no significant weaknesses were identified in the overall system of internal control. Controls are generally in place and operating effectively, however, in the areas identified where improvements are required the Council is committed to delivering these improvements over the coming year.

Significant governance issues

During 2015/16 the review of the directorate governance arrangements identified no significant governance issues.

We are satisfied that the steps set out above have addressed the need for improvements that were identified in the review of effectiveness. We will continue to monitor their implementation and operation as part of our next annual review.

Signed:

Jules Pipe
Mayor

Tim Shields
Chief Executive

Ian Williams
Group Director, Finance and Corporate Resources

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that Chief Financial Officer is the Group Director of Finance and Corporate Resources.
- 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 Council's Statement of Accounts in accordance with proper practices as set out in the *CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the 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.

Certification by Chief Financial Officer

I certify that the accounts give a true and fair view of the financial position of the Council at 31st March 2016 and its income and expenditure for the year then ended.

Ian Williams

Ian Williams CPFA
Group Director, Finance and Corporate Resources
12th September 2016

Chair of Approving Committee's Certificate:

I certify that the accounts have been considered by the Council's Audit-Sub Committee held on the 21st September 2016 and have been approved by a resolution of the Committee.

Councillor Nick Sharman
Chair of Audit-Sub Committee
21st September 2016

Movement in Reserves

	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves** £'000	Unusable Reserves £'000	**Total Reserves** £'000
Balance as at 31/03/2015	(14,998)	(192,772)	(10,200)	(13,122)	(88,802)	0	(39,289)	(359,183)	(2,271,725)	(2,630,908)
Movement in reserves during 2015/16										
(Surplus) or deficit on the provision of services	(14,865)	0	(223,846)	0	0	0	0	(238,711)	0	(238,711)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(420,425)	(420,425)
Total Comprehensive Income and Expenditure	(14,865)	0	(223,846)	0	0	0	0	(238,711)	(420,425)	(659,136)
Adjustments between accounting basis and funding basis under regulations (Note 7)	45,546	0	234,471	0	(16,253)	0	9,691	273,455	(273,871)	(416)
Net Increase / Decrease before Transfers to Earmarked Reserves	30,681	0	10,625	0	(16,253)	0	9,691	34,744	(694,296)	(659,552)
Transfers (to) / from Earmarked Reserves (Note 8)	(30,640)	30,640	(10,625)	10,625	0	0	0	0	0	0
(Increase) / Decrease in 2015/16	41	30,640	(0)	10,625	(16,253)	0	9,691	34,744	(694,296)	(659,552)
Balance as at 31/03/2016	(14,957)	(162,132)	(10,200)	(2,497)	(105,055)	0	(29,598)	(324,439)	(2,966,021)	(3,290,460)
Of which;										
Schools Balances	0	(12,888)	0	0	0	0	(220)	(13,108)	0	(13,108)
LB Hackney Revenue	(14,957)	(162,132)	(10,200)	(2,497)	0	0	0	(189,786)	570,137	380,351
LB Hackney Capital	0	0	0	0	(105,055)	0	(29,598)	(134,653)	(3,536,158)	(3,670,811)

	General Fund Balance £'000	Earmarked GF Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves** £'000	Unusable Reserves £'000	**Total Reserves** £'000
Balance as at 31/03/2014	(15,005)	(205,497)	(10,200)	(18,837)	(75,726)	0	(25,101)	(350,366)	(1,977,073)	(2,327,439)
Movement in reserves during 2014/15										
Surplus or (deficit) on the provision of services	(49,079)	0	(221,893)	0	0	0	0	(270,972)	0	(270,972)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(32,388)	(32,388)
Total Comprehensive Income and Expenditure	(49,079)	0	(221,893)	0	0	0	0	(270,972)	(32,388)	(303,360)
Adjustments between accounting basis and funding basis under regulations (Note 7)	61,811	0	227,605	0	(13,076)	0	(14,188)	262,152	(262,264)	(112)
Net Increase / Decrease before Transfers to Earmarked Reserves	12,732	0	5,712	0	(13,076)	0	(14,188)	(8,820)	(294,652)	(303,472)
Transfers (to) / from Earmarked Reserves (Note 8)	(12,725)	12,725	(5,712)	5,715	0	0	0	3	0	3
Increase / Decrease in 2014/15	7	12,725	0	5,715	(13,076)	0	(14,188)	(8,817)	(294,652)	(303,469)
Balance as at 31/03/2015	(14,998)	(192,772)	(10,200)	(13,122)	(88,802)	0	(39,289)	(359,183)	(2,271,725)	(2,630,908)
Of which;										
Schools Balances	0	(17,774)	0	0	0	0	(220)	(17,994)	0	(17,994)
LB Hackney Revenue	(14,998)	(192,772)	(10,200)	(13,122)	0	0	0	(231,092)	716,849	485,757
LB Hackney Capital	0	0	0	0	(88,802)	0	(39,289)	(128,091)	(2,988,574)	(3,116,665)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. 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.

	Notes	2015/16			2014/15		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Adult social care		98,679	(45,982)	52,697	95,693	(40,419)	55,274
Central services to the public		334,376	(325,537)	8,839	340,481	(335,355)	5,127
Children's and education services		380,735	(300,477)	80,259	349,514	(269,728)	79,786
Corporate and democratic core		7,941	(6,151)	1,790	10,768	(6,448)	4,320
Cultural and related services		31,351	(12,616)	18,735	14,934	(4,856)	10,078
Environmental and regulatory services		42,284	(16,008)	26,276	40,157	(16,482)	23,675
Highways and transport services		50,474	(31,962)	18,512	45,524	(28,381)	17,143
Local authority housing (HRA)		(60,284)	(141,356)	(201,640)	(53,548)	(139,480)	(193,028)
Other housing services		74,378	(47,271)	27,107	64,289	(39,372)	24,917
Planning services		13,387	(8,077)	5,310	15,088	(7,369)	7,719
Public Health		33,713	(33,277)	436	30,961	(30,961)	()
Non distributed costs		24,413	(437)	23,976	24,015	1	24,014
Cost of Services		**1,031,447**	**(969,151)**	**62,297**	**977,877**	**(918,852)**	**59,025**
Other operating expenditure	9	11,844	(27,881)	(16,037)	16,805	(36,269)	(19,464)
Financing and investment income and expenditure	10	57,687	(41,566)	16,121	62,841	(39,170)	23,671
Taxation and Non-Specific Grant Income and expenditure	11	1,929	(303,021)	(301,092)	2,660	(336,864)	(334,204)
(Surplus) or Deficit on Provision of Services				**(238,711)**			**(270,972)**
(Surplus) or deficit on revaluation of fixed assets				(291,098)			(142,134)
Remeasurement of net defined benefit liabilty (asset)				(129,327)			109,746
Other Comprehensive Income and Expenditure				**(420,425)**			**(32,388)**
Total Comprehensive Income and Expenditure				**(659,136)**			**(303,360)**

Balance Sheet

	Notes	31st March 2016 £'000	31st March 2015 £'000
Property, Plant and Equipment	13	3,615,389	3,076,184
Heritage Assets	12	1,916	1,867
Investment Property	14	135,660	124,262
Intangible Assets	15	5,705	3,810
Assets Held for Sale		0	0
Long Term Investments		29,643	29,852
Long Term Debtors		5,392	5,732
Long Term Assets		**3,793,705**	**3,241,707**
Assets Held for Sale	20	103	88
Short Term Investments		102,106	71,706
Inventories	16	847	874
Short Term Debtors (incl PIA)	18	98,870	94,781
Cash and Cash Equivalents	19	87,842	122,778
Current Assets		**289,768**	**290,227**
Bank Overdrafts		(44,337)	(21,466)
Short Term Borrowing		(419)	(447)
Short Term Creditors (incl RIA)	22	(102,439)	(82,123)
Revenue Grants Receipts in Advance	37	(2,073)	(3,086)
Capital Grants Receipts in Advance	37	(2,414)	(7,422)
Provisions	21	(11,530)	(6,734)
Current Liabilities		**(163,212)**	**(121,278)**
Long Term Creditors		(33,711)	(32,370)
Provisions	21	(9,394)	(12,420)
Long Term Borrowing		(3,355)	(3,687)
Donated Assets Account	37	(638)	(586)
Other Long Term Liabilities		(581,610)	(728,270)
Capital Grants Receipts in Advance	37	(1,093)	(2,415)
Long Term Liabilities		**(629,801)**	**(779,748)**
Net Assets		**3,290,460**	**2,630,908**
Usable Reserves	23	(324,439)	(359,183)
Unusable Reserves	24	(2,966,021)	(2,271,725)
Total Reserves		**(3,290,460)**	**(2,630,908)**

Cash Flow Statement

	Notes	31st March 2016 £'000	31st March 2015 £'000
Net (surplus) / deficit on the provision of services		(238,711)	(270,972)
Adjustments to net surplus or deficit on the provision of services for non-cash movements		144,622	116,317
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(34,537)	(40,733)
Net cash flows from Operating Activities		**(128,626)**	**(195,388)**
Investing Activities	26	223,211	206,035
Financing Activities	27	(36,778)	(26,869)
Net (increase) or decrease in cash and cash equivalents		**57,807**	**(16,222)**
Cash and cash equivalents at the beginning of the reporting period		101,312	85,090
Cash and cash equivalents at the end of the reporting period		**43,505**	**101,312**

1. Accounting Policies

(i) General principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at 31st March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Council makes use of estimation techniques as deemed appropriate to specific circumstances and these are disclosed in the accounts where material.

(ii) Accruals of expenditure and income

Sums due to or from the Council during the year are included in the accounts irrespective of whether the cash has actually been received or paid in the year, unless immaterial. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Council's Balance Sheet. Where it is doubtful that debts (Receivables) will be settled, the balance of debtors is written down by setting up a provision for bad debt and a charge made to revenue for the income that might not be collected.

Interest payable on borrowings and receivable on investments is accounted for on an accruals basis, in the year to which it relates. As transaction costs are deemed to be immaterial, a formal effective interest rate calculation has not been performed.

Employee costs earned but unpaid at the year-end will be accrued in accordance with this accounting policy.

Income and expenditure are credited and debited to the relevant service revenue account in the Comprehensive Income and Expenditure Statement, unless they properly represent capital receipts or capital expenditure. Where income is defined in statute as a capital receipt but does not arise from the disposal of an interest in a non-current asset (e.g. repayment of a grant awarded by the Council for the recipient to acquire a non-current asset) then it will be credited to the Comprehensive Income and Expenditure Statement.

(iii) Carbon Reduction Commitment

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase and surrender allowances, on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

The CRC scheme is now in its second phase which commenced in April 2014 and runs until March 2019. Each phase is divided into compliance years which run from 1 April to 31 March. In phase 2, participants have a choice about whether to order and buy allowances at the start of the compliance year ('prospectively') or after the end of the compliance year ('buy to comply'). For 2015/16 the Council has chosen to purchase allowances prospectively to benefit from the reduced unit cost. These are accounted for as Intangible Assets (Note 15), with the charge being accounted for within the CIES.

By 31 October 2016, participating local authorities are required to surrender purchased allowances to the CRC Registry in accordance with their liabilities in relation to CO2 emissions reported for the financial year 2015/16. The provision in the balance sheet does not include any allowances purchased prospectively. There was an under provision of £81k in the 2014/15 accounts with the final provision increased to £480k.

(iv) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions which are repayable without penalty on notice. Cash equivalents are investments with a maturity date of three months or less from acquisition date and that are readily convertible to known amounts of cash with an insignificant risk of change in value.

(v) Charges to revenue for non-current assets

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

- Depreciation or amortisation attributable to the assets used by the relevant service
- Impairment losses (fall in price specific to an asset) and revaluation losses (general fall in prices across the board) on tangible non current assets used by the service, where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- Any revaluation losses relating to Investment Properties are charged directly to the Comprehensive Income and Expenditure Statement

The depreciation charge is based upon the opening book value of assets as at 1st April, adjusted by any revaluation that has taken place in the year. No account of expenditure incurred is taken until the following financial year, as the effect of this is immaterial to the Council's financial position over the life of the asset.

The Council is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. No provision is required in respect of supported borrowing for HRA related assets. The Minimum Revenue Provision (MRP) relating to non-housing assets has been calculated for 2015/16 in accordance with Option 1 (the Regulatory Method) set out in the statutory guidance on MRP. The costs of depreciation, revaluation losses, impairment losses or amortisation are not required to be met from Council Tax. These are therefore replaced by the MRP in the Movement in Reserves Statement by way of an adjusting transaction between the Capital Adjustment Account for the difference between the two.

(vi) Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Council's Balance Sheet but are disclosed as a note to the accounts. They arise as a result of past events but are only confirmed by the occurrence of one or more uncertain future events which are not entirely within the Council's control.

Contingent liabilities arise from a present obligation arising from past events but only where it is not probable that a transfer of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured with sufficient reliability.

(vii) Council Tax income

The Council is required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). Since 1st April 2009 the amount to be included in the Comprehensive Income and Expenditure Statement is the accrued income for the year.

The amount included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. The difference between accrued income and income under regulation (authority's demand for the year plus/minus share of estimated surplus/deficit for previous year) is adjusted for via the Movement in Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable net of impairment of debts.

The collection of Council Tax is in substance an agency arrangement and the cash collected by the Council from Council Tax debtors belongs proportionately to the Council and its' major preceptor i.e. Greater London Authority (GLA). There is therefore a debtor / creditor position recognised on the Balance Sheet since the net cash paid to the GLA in the year will not be its share of cash collected from Council Taxpayers.

(viii) Employee benefits

Those benefits settled within 12 months of the year-end. They include such benefits as salaries and wages, paid annual leave and paid sick leave, and are recognised as an expense for services in the year in which employees provide their service.

Disclosures in respect of employee exit packages following termination of contract are disclosed in the year paid rather than date notified.

Under IAS19 an accrual is recognised for short term compensated absences (annual leave / flexi leave) that are rolled forward to the following financial year. No impact is made on general fund balances as an unusable employee benefit reserve is created on the Balance Sheet.

The Council participates in two different Pension Schemes which are both classified as multi-employer, defined benefit schemes. Each scheme provides defined benefits (retirement lump sum and pensions) based on pay and length of service within the schemes. The basis of the pension costs charged in the accounts for each of these schemes is set out below.

Teachers Pension Scheme: This is an unfunded pension scheme for teachers, administered by Capita Teachers' Pensions on behalf of the Department for Education (DFE). The arrangements for the Teachers' scheme mean that liabilities cannot be identified to the Council and it is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet and service revenue accounts are charged with the employer's contributions payable to the teachers' pensions in the year.

Local Government Pension Scheme (LGPS): This is a funded pension scheme for other local government employees. Most of the Scheme members are in the Council's Pension Fund but former employees of the Greater London Authority, London Residuary Body and the Inner London Education Authority, who were transferred to the Borough on the abolition of these bodies, are members of the London Pension Fund Authority (LPFA) Pension Fund.

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

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

- Liabilities for the Council's scheme are discounted to their value at current prices using a discount rate of 3.5% actual (3.2% in 2014/15). The discount rate used for 2015/16:
    - Was determined by reference to market yields on high quality corporate bonds at the reporting date
    - Reflects the term of the benefit obligation.
    - Uses a corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index
- The approach adopted for 2014/15 was a Corporate Bond yield curve constructed in the following manner:
    - Use the UBS corporate bond curve (derived by applying the UBS delta curve fitting methodology
    - to the constituents of the iBoxx £ Corporates AA index) for durations up to 8 years;
    - From 12 years onwards use a gilts curve plus a long term average credit spread of 0.9% p.a.;
    - Interpolate between the two approaches for durations between 8 and 12 years.

- The assets of both the Council's and the LPFA's pension fund attributable to the Council are included in the Balance Sheet at their fair value:
    i. Quoted securities – bid or last traded price
    ii. Unquoted securities – professional estimate
    iii. Unitised securities –bid or the latest single market price
    iv. Property – market value.

- The change in the net pensions liability is analysed into six components:
    i. Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked

ii. Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the surplus / deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs
iii. Net Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. Now combined with expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement
iv. Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs
v. Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserves
vi. Contributions paid to the Council's and LPFA's pension funds – cash paid as employer's contributions to the pension funds.

Contributions to the LGPS scheme for pension strain (which arises from an employee retiring early, without the actuarial reduction of the pension) are fully charged in the year they are incurred.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension funds in the year. This means that appropriations to and from the Pensions Reserve are made in the Movement in Reserves Statement to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Employees of Hackney Homes Limited are members of a company occupational pension scheme, which is a defined benefit scheme and is part of the Local Government Pension Scheme administered by the London Borough of Hackney. The Council had indemnified Hackney Homes Limited against any under-funding of its pension scheme relating to transferred employees up to 31st March 2006. This liability has been included within the Council's accounts at the full value as at 31st March 2016 to reflect the Council's constructive liability should the company be wound up.

(ix) Events after the Balance Sheet date

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. There are two types of post Balance Sheet event: adjusting and non-adjusting.

An adjusting event occurs where there is an event after the Balance Sheet date that provides evidence of conditions that actually existed at the Balance Sheet date. In such circumstances, the Statement of Accounts will be adjusted as if the event had actually occurred at the Balance Sheet date. Events that are not recognised in currently issued financial statements, but are rather accounted for in the next year financial statements, are called non-adjusting events.

(x) Exceptional items, prior period adjustments, estimates and errors

The majority of prior period items arise from adjustments that are the natural result of estimates inherent in the accounting process and are accounted for in the year in which they are identified. Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding year in the Statement of Accounts and notes and adjusting the opening balance of reserves for the cumulative effect.

In circumstances when a change of accounting practice is required, the change will be applied retrospectively (unless stated otherwise or not material) by adjusting the opening balances and comparative amounts for the prior period as if the policy had always been applied.

(xi) Financial instruments

Financial assets are classified into three types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments
- unquoted equity investments held at cost because it is impracticable to determine fair value.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the interest credited to the Income and Expenditure Statement is the amount receivable for the year under the loan agreement and the amount presented in the Balance Sheet is the outstanding principal receivable, plus the interest receivable for the year which has not been paid to the Council. As at 31st March 2016 the balance on this account was zero.

When soft loans (loans to external organisations at less than market rates) are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the external organisation, with the difference serving to increase the amortised cost in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement. The net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account (FIAA) in the Movement in Reserves Statement.

When soft loans (loans at less than market value) are received by the Council, a grant receivable is recognised in the Comprehensive Income and Expenditure Statement for the differential between market rate and the actual interest rate charged. The market (amortised) value of the loan is calculated based on the net present value of the future cash payments discounted using the market rate of interest which would be charged on a similar loan. On recognition of the soft loan the fair value of the loan is written down by the same amount. Interest charged on the amortised value of the loan and is debited to the Comprehensive Income and Expenditure Statement at the higher market rate of interest over the life of the loan. The difference between the interest charged on the actual loan, which is debited to the Comprehensive Income and Expenditure Statement and the interest charged based on the amortised value of the loan is reversed out to the Financial Instruments Adjustment Account (FIAA) in the Movement in Reserves Statement. The value of the loan in the Balance Sheet is written up by this amount over the life of the loan, to the amount that it would have been if it had not been accounted for as a soft loan. During 2014/15 the Council took out a loan for £4.6million at less than market value from Amber Green LEEF 2 LLP, this has been recognised as a soft loan.

Where assets are identified as impaired because of a likelihood arising from past events that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on de-recognition of the asset are credited or debited to the Comprehensive Income and Expenditure Statement, as appropriate.

The London Borough of Hackney has adopted a two pooled approach following the self-financing settlement in March 2012. As and when new borrowing is required, new loans can then be allocated directly to each pool (HRA or General Fund) and interest apportioned accordingly.

Internal borrowing between the HRA and General Fund can be undertaken to optimise treasury management, where appropriate. In cases where internal borrowing is undertaken interest will be apportioned as though external borrowing has been undertaken. The interest rate applied will be based on an assessment of what the appropriate loan period and borrowing would have been.

(xii) Grants and Contributions

Under IAS 20 the Council is required to disclose the nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited.

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that must be met by the recipient as specified, or the grant must be repaid.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Capital Grants Received In Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (as revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

The Council brought forward capital grants of £62.470 million and received additional capital grant income of £35.236 million in 2015/16 (B/F of £48.626 million plus £48.154 million capital grant cash received in 2014/15), of which £33.843 million was used to finance capital expenditure in 2015/16 (£37.755 million in 2014/15), and the balance of which has been carried forward in the Balance Sheet to finance capital expenditure in future years.

(xiii) Heritage Assets

International Financial Reporting Standards contain no provision, standard or guidance relating to heritage assets and therefore the requirements of Financial Reporting Standard 30 (FRS 30) has been adhered to. FRS 30 is issued as part of UK Generally Accepted Accounting Principles. FRS 30 and the Code state that a heritage asset is an asset:

"...with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture."

Heritage assets can be both tangible and intangible. It is implicit that a heritage asset is intended to be preserved in trust for future generations. Whereas the Council holds its parks in trust for future generations and manages these assets accordingly, the Code precludes such community assets being classified as heritage assets because these are deemed by the Code to be primarily for "current use" irrespective of the Council's intent. Heritage assets therefore comprise assets such as civic regalia, works of art and museum collections.

FRS 30 permits any "reasonable" valuation method to be adopted for heritage assets.
The assets are held in trust either in form or substance and cannot be sold. Therefore, they have no realisable value. The Council has therefore adopted an accounting policy of holding these assets on Balance Sheet at the insurance valuations, which are updated annually. These heritage assets have indeterminate lives; therefore no depreciation has occurred due to reclassification as heritage assets.

(xiv) Insurance provision and reserve

The Council makes provision to cover certain losses on a self-insurance basis. Service revenue accounts are charged a premium during the year and these are used to meet claims and other expected liabilities. The Council has retained external insurance cover for property, liability and officers' indemnity claims above an agreed excess.

The Council has an Insurance Reserve to provide contingency cover for uninsured losses and potential future claims. It is reviewed annually to ensure it is maintained at the appropriate level.

(xv) Intangible assets

Intangible non current assets are those that do not have physical substance but which are identifiable and controlled by the Council, with this control being secured by legal rights giving access to benefits for a fixed period. The Council capitalises purchased intangible assets in the form of software licences. The balance is amortised to the relevant service revenue account on a straight-line basis over an expected economic life of 5 years in line with the usual contract length associated with the software purchase.

(xvi) Interest in companies and other entities

The Council has interests in companies and other entities that have the nature of subsidiaries (Hackney Homes 100% wholly owned), associates and joint ventures (Hackney Schools for the Future 20% owned).

(xvii) Inventories

Inventory is included in the balance sheet at cost and, where applicable, issued on a First In, First Out basis. This represents a departure from the Code but is considered immaterial, given the low level of inventory carried by the Council.

(xviii) Leases (operating)

All non-finance leases are accounted for as operating leases. Rentals payable for leases where the Council is lessee are charged to the relevant service revenue account as they become payable. This is a departure from the Code, which states that the rentals should be charged to revenue on a straight-line basis over the term of the lease. However, the impact of this departure from the Code is not material due to the low level of leasing costs incurred. This is clearly demonstrated within Note 41 to the core financial statements.

Where the Council is lessor, rentals receivable are credited to the relevant service revenue account as they become receivable. This is a departure from the Code, which states that the rentals should be credited to revenue on a straight-line basis over the term of the lease. However, the impact of this departure from the Code is not material due to the low level of leasing income received. This is clearly demonstrated within Note 41 to the core financial statements.

(xix) Leases (finance)

The Council accounts for its leases as finance leases where the substance of the transaction rather than the form of the contract mean that substantially all the risks and rewards incidental to ownership of the asset have been transferred to the Council. All other leases and those which are not considered material are accounted for as operating leases as detailed in Note 41.

The Council also accounts for its leases in this way where it has entered into an arrangement, comprising a transaction or series of transactions, that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant or equipment) in return for a payment or series of payments.

Leases of land and buildings are classified as finance leases in the same way as leases of other assets. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. When land has an indefinite economic life, the land element is normally classified as an operating lease.

The Council as lessee:

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). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.
Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible non-current asset – the liability is written down as the rent becomes payable by the principal element of the rental charge), and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the rent becomes payable).

Non-current assets recognised under finance leases are accounted for using the policies applied generally to tangible non-current assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council as lessor:

The only finance leases which the Council has as lessor relate to properties. These properties have been written out of the Balance Sheet as disposals. At the commencement of the leases, the carrying amount of the assets in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Again, an amount representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a long term debtor in the Balance Sheet at the start of the lease, matched with the de-recognition of the asset – the long term debtor is written down as the rent becomes receivable by the principal element of the rental income), and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as the rent becomes receivable).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the 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 government has issued regulations and statutory guidance in relation to accounting for leases. These allow the Council to continue to treat income from leases in place as at 31st March 2010 in the same way as it treated income prior to introduction of the Code.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

(xx) National Non-Domestic Rates (NNDR)

On 1st April 2013 Business Rates Retention was introduced replacing the previous system of business rates collected by the Council and paid into the NNDR pool. NNDR is operated on an agency basis. NNDR income and balances are now shared proportionately with Central Government (50%), London Borough of Hackney (30%) and Greater London Authority (20%). Income credited to Comprehensive Income and Expenditure Statement is accrued income for the year. The difference between accrued income and income under regulation (authority's share of NNDR1 income for the year plus/minus share of estimated surplus/deficit for previous year) is adjusted for via the Movement in Reserves Statement. Revenue relating to NNDR shall be measured at the full amount receivable net of impairment of debts.

The Council is also responsible for any refunds relating to back dated business rate appeals. In accordance with accounting practice any such back dated appeals relating to periods prior to 2015/16 would be formally recognised in the 2015/16 accounts. A total provision of £9.889 million has been created to cover outstanding business rate appeals of which the Council's share is 30% (£2.967 million).

(xxi) Non-current assets

Non-Current assets are those that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. Those shown in the Balance Sheet are:

- Property, Plant & Equipment Assets - used by the Council to provide services, e.g. council dwellings, offices and libraries, vehicles, plant and equipment, community assets such as parks, heritage assets such as civic regalia, assets under construction and former investment properties and surplus assets reclassified under the IFRS Code as corporate assets held for service delivery purposes, e.g. regeneration.

- Investment Properties - owned by the Council but not directly used to provide services, e.g. land held for future development. These assets are held to earn market rents or for capital appreciation. Refer to Policy xxix. Fair Value Measurement.

Recognition: expenditure on the acquisition, creation or enhancement of tangible non-current assets is capitalised on an accruals basis, provided that it increases the value of the asset and that it yields benefits to the Council and the services it provides for more than one financial year. Expenditure that simply secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. Capital expenditure on non-current assets of less than £50k (except where justification can be identified) is treated as de minimis and written off to revenue. All capital expenditure over £50k is reviewed by programme managers to assess how much of the cost is an enhancement to the non-current asset, and the balance written off to revenue. All capital expenditure over £2.5 million is reviewed by qualified valuers to assess how much of the cost is an enhancement to the non-current asset and the balance written off to revenue.

Measurement: assets are initially valued in the Council's Balance Sheet at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use and which would increase the value of the asset by the equivalent amount of the capital expenditure. Such expenditure includes salaries which are attributable to capital schemes and which have therefore been capitalised on the basis of a percentage of estimated staff time, allocated between projects within the capital programme. Any capital expenditure on an asset, where it is assessed that no increase in the valuation has taken place, is written off to revenue as an impairment loss. Such write-offs are subsequently reversed via the Movement in Reserves Statement in order that no charge is made to Council Tax.

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

- Infrastructure, community assets and assets under construction (excluding investment property) – Depreciated Historic Cost
- Heritage assets – Sum Insured Valuation
- Assets that have short useful lives and / or low values such as vehicles, plant and equipment – Depreciated Historic Cost (used as a proxy for Fair Value)
- Council dwellings – Fair Value (Existing Use – Social Housing)
- Specialist property assets, e.g. schools - Depreciated Replacement Cost
- All other property assets shall be valued at Fair Value (Existing Use)
- Investment Property - Fair Value (Market Value)
- Investment Property held on a lease - Fair Value (Lease Interest)

If there is no market based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, the estimate for Fair Value may be depreciated replacement cost (DRC). The valuer will use his/her professional judgement to assess, where no market exists, a DRC value based on a Modern Equivalent Asset valuation.

Property assets included in the Balance Sheet at current value are revalued at least once every five years. Increases in valuations will be credited to the Comprehensive Income and Expenditure Statement where they reverse previous revaluation losses on the same assets charged to revenue, otherwise increases are credited to the Revaluation Reserve. The

Revaluation Reserve contains revaluation gains recognised since 1st April 2007. Property assets which have been sold are subject to disclosure of any profit or loss on disposals within the Comprehensive Income and Expenditure Statement.

Impairment and revaluation losses/gains: all assets are considered at the end of each year for evidence of fluctuations in value. If an impairment loss (specific to an asset) or revaluation loss (general fall in prices across the board) is identified as part of the review, where there are accumulated revaluation gains attributable to the asset in the Revaluation Reserve, an amount up to the value of the loss is charged and any balance is charged to the Comprehensive Income and Expenditure Statement.

Revaluation gains are used to reverse any previous revaluation losses on the same assets charged to the Comprehensive Income and Expenditure Statement, and any remaining balance is then credited to the Revaluation Reserve.
Any gains or losses relating to investment properties are credited or charged directly to the Comprehensive Income and Expenditure Statement.

An analysis of the revaluations carried out during the last five financial years is set out in the Valuations of non-current assets statement in Note 13. The result of the latest revaluations and other changes to the Council's non-current assets during the year are also set out in this note.

Disposals: upon disposal, the net book value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement. Receipts from the disposal are also credited to the Comprehensive Income and Expenditure Statement. Revaluation of assets at point of disposal is no longer permitted. As a result, the calculated gain or loss on disposal is accounted for through the Movement in Reserves Statement. Any revaluation gains in the Revaluation Reserve attributable to the disposed asset are transferred to the Capital Adjustment Account. In order that the profit or loss on disposal of an asset does not become a charge against Council Tax or rents, appropriations equal to the profit or loss are made to/from the Capital Adjustment Account from the Movement in Reserves Statement. For HRA dwelling disposals, in addition to sales of dwellings, this also includes demolitions of defunct assets arising from the Estate Renewals capital programme.

Proceeds in excess of £10,000 from the disposal of non-current assets are treated as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of reductions and allowances) is payable into a Government Pool. The balance is credited to the Usable Capital Receipts Reserve to be used for new capital investment or set-aside to reduce the Council's borrowing requirement.

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

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties and community assets), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. The depreciation of operational non-current assets is calculated in the following way for each category of asset:

- Council Dwellings – the Council depreciates council dwellings on a straight line basis over the useful economic life of the property.

- Other buildings - based on current valuations; lives of assets are individually assessed and depreciation calculated on a straight-line basis. In accordance with accounting standards, land is not depreciated.
- Vehicles, Plant and Equipment - based on acquisition costs, lives of assets are individually assessed and depreciation calculated on a straight-line basis.
- Infrastructure Assets - calculated on a straight-line basis over 25 years.
- Community Assets - depreciation is not required on land, such as parks and open spaces.
- Heritage Assets - the Council's civic regalia and works of art have very long useful economic lives and depreciation would therefore be immaterial.

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 historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Any building assets with a value below £1 million are not considered material for recording separate components. Separate components will be considered in a building asset with a value greater than £1 million if the component has a value of greater than 25% of the asset and the life of the component is materially different from life of the host asset. All credit balances on the revaluation reserve relating to an asset are deemed to relate to the host asset and not to individual components.

(xxii) Non-current assets held for sale

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. Such an asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

(xxiii) Overheads

The costs of overheads and support services are charged to areas that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). Elements of support costs remaining within core unit budgets at year-end are, where material, fully allocated to services on the same basis as those used throughout the year. The exceptions to this are:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation; and
- Non-distributed costs – the costs of discretionary benefits awarded to employees retiring early, past service costs, corporate bank charges and loss on impairment of non-operational assets.

These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of net cost of services, in accordance with SeRCOP.

(xxiv) PFI schemes and similar contracts

PFI contracts are agreements to receive services, where the responsibility for making available the non current assets needed to provide the services passes to the PFI contractor. The Council has one PFI scheme for the Technology and Learning Centre (TLC). As the Council is deemed to control the services that are provided under its PFI scheme and as ownership of the TLC building will pass to the Council at the end of the contract for no additional charge, the Council carries the non current asset used under the contract on the Balance Sheet as part of Property, Plant and Equipment. This is in accordance with International Financial Reporting Interpretations Committee (IFRIC) Standard 12 on Service Concession Agreements contained in the government's Financial Reporting Manual (FReM).

The original recognition of the non current asset at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Technology and Learning Centre (TLC), there was no initial capital contribution.

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Account.
- Finance cost – an interest charge of 7.5% on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

(xxv) Provisions

Where events have occurred that result in an obligation for the Council to make settlement by a transfer of economic benefits, but the timing or the amount of the transfer is uncertain, the Council sets aside specific provisions. These are charged direct to the appropriate service revenue account in the year in which the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When actual payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, and if it becomes probable that a transfer of economic benefits will not be required, or a lower settlement than was anticipated is made, the related provision is reversed and credited back to the relevant service revenue account. Details of the provisions made in the Council's accounts are set out in Note 21. Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

The Council undertakes a full analysis of debtors taking into account age, likelihood of settlement and other relevant factors to determine the bad debt provision. To perform this analysis the debt may be aggregated by category (e.g. credit worthiness, industry, geographical location).

(xxvi) Reserves

Reserves are set-aside for future policy purposes that are likely to result in future liabilities or commitments. They however fall outside the definition of a provision. Such reserves are shown in Note 8 and are created by appropriating amounts in the Movement in Reserves Statement on the General Fund Balance (or Housing Revenue Account Balance, as appropriate). When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement and scores against the net cost of services. The financing from the reserve is reflected through a credit to the Movement in Reserves Statement on the General Fund Balance so that there is no charge against Council Tax or rents for the year in respect of that expenditure.

Some reserves, such as the Revaluation Reserve, Capital Adjustment Account, Collection Fund Adjustment Account, Financial Instruments Adjustment Accounts, Employee Benefit Reserve and Pensions Reserve are maintained for purely accounting purposes and do not represent usable resources available to the Council. Their use is governed by statutory and/or CIPFA guidance and are explained in the relevant policies. These unusable reserves are shown in Note 24.

(xxvii) Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute, previously referred to as “deferred charges” represents expenditure that may be capitalised but does not result in the creation of tangible non current assets. Expenditure of this nature is written off to the relevant service revenue accounts in the year in which the expenditure is incurred. Examples include capital grants to voluntary groups and expenditure on assets that do not belong to the Council. Such expenditure is charged to the Comprehensive Income and Expenditure Statement and credited to the General Fund Balance.

(xxviii) Value Added Tax

Income and expenditure in the Statement of Accounts is net of VAT, where recoverable. Claims to HM Revenues and Customs for the net VAT incurred are made on a monthly basis.

(xxix) 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 such as equity shareholdings 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 participant's 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

2. Accounting Standards Issued, Not Adopted

The Code of Practice requires local authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The Council already incorporates the IFRS 13 Fair Value Measurement for the transactions requiring such method of measurement (e.g. investment properties).

There are no changes of significance to be included from the Annual Improvements to IFRS's (2011 – 2013 cycle). In several instances such changes do not apply to this authority.

IFRIC 21 Levies clarifies the point of recognition for payment of levies. This is not expected to have any impact on this authority.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

- Community and Voluntary Controlled schools are recognised on the Council's Balance Sheet as the Council manages these schools, employs the staff and sets the admissions policy. Only the land value for Academies are held on the balance sheet as the buildings are leased on a long lease. The Council does not include Foundation or Voluntary Aided schools within its asset register because the Governing Body is responsible for running the school and setting the admissions policy rather than the Council.

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

Assets and liabilities that are carried at fair value based on a recently observed market price are not included in this note. There are no items in the Council's Balance Sheet as at 31st March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year, except for the below.

The Business Rates retention scheme which came into existence on 1st April 2013 whereby Local Authorities became liable for their proportionate share of successful rateable value appeals. In 2014/15 accounts a large number of back dated appeals were made in the months leading up to 31st March 2015 before the regulations changed on 1st April 2015 restricting back dating of claims. The appeals are still being provided for within the Council's SOA and have been reflected in the Provisions as at 31st March 2016. The provision has been based on available information including the Valuation Office's (VO) ratings list of appeals, and an analysis of the successful appeals to date.

Uncertainties: The estimation of the net liability to pay pensions depends on a number of complex assumptions used in the calculation of the liabilities. These include the discount rate used, the rate at which salaries are projected to increase, changes to retirement ages, mortality rates and expected returns on pension fund assets. Where the outcome is different to the assumptions this will impact on the pension liability. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions: The effects on the net pension liability of changes to individual assumptions can be measured. For example a 0.5% decrease in the Real Discount Rate in the Local Government Pension Scheme would result in a 10% increase in the liabilities or £152.172 million. A one year increase in life expectancy would result in a 3% increase in liabilities or £45.868 million. However the assumptions interact in complex ways.

5. Material Items of Income and Expense

All material items of income and expenditure are disclosed in their respective notes throughout the Statement of Accounts.

6. Events After the Balance Sheet Date

This version of the Statement of Accounts was authorised for issue by the Group Director of Finance and Corporate Resources on 1st June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

Major Repairs Reserve
The Council is required to maintain the Major Repairs Reserve, which controls the application of the resource arising from depreciation on HRA assets. The balance shows the resource that has yet to be applied at the year-end.

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

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

Movement during 2015/16	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive I&E Statement						
- Charges for depreciation and impairment of non-current assets	(20,351)	(33,794)	0	0	0	54,146
- Revaluation losses on Property, Plant and Equipment	26,241	186,741	0	0	0	(212,975)
- Movement in the market value of Investment Properties	3,641	140	0	0	0	(3,781)
- Amortisation of intangible assets	(219)	0	0	0	0	219
- Other Amortisation & Adjustments	0	0	0	0	0	
- Capital grants and contributions applied	18,555	3,805	0	0	0	(22,360)
- Revenue expenditure funded from capital under statute	(832)	(2,431)	0	0	0	3,263
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E Statement	(919)	(14,365)	0	0	0	15,285
Insertion of items not debited or credited to the Comprehensive I&E Statement					0	
- Statutory provision for the financing of capital investment	4,695		0	0	0	(4,695)
- Capital expenditure charged against the General Fund and HRA balances	32,093	24,597	0	0	0	(56,690)
Adjustments primarily involving the Capital Grants Unapplied Account:						
- Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	5,917	395	0	0	(6,312)	0
- Application of grants to the capital financing transferred to the capital Adjustment Account	0	0	0	0	16,150	(16,150)
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
- Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	(90)	0	0	0	0	90
Adjustments primarily involving the Capital Receipts Reserve:						
- Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
- Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	1,397	40,527	(41,924)	0	0	0
- Use of the Capital Receipts Reserve to finance new capital expenditure			23,179	0	0	(23,179)
	70,128	205,615	(18,745)	0	9,838	(266,827)

Movement during 2015/16	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Carried forward from above table:	70,128	205,615	(18,745)	0	9,838	(266,827)
- Contribution from the Capital Receipts Reserve towards administration costs of non-current asset disposals	(11)	(604)	616	0	0	0
- Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(3,323)	0	3,323	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
- Reversal of Major Repairs Allowance credited to the HRA	0	29,603	0	(29,603)	0	
- Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	29,603	0	(29,603)
Adjustments primarily involving the Financial Instruments Adjustment Account:			0			
- Amount by which finance costs charged to the Comprehensive I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	(47)	0	0	0	47
Adjustments primarily involving the Pensions Reserve:						
- Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Statement	(23,017)	(256)	0			23,273
- Employers' pension contributions and direct payments to pensioners payable in the year	0	0	0	0	0	0
Adjustments primarily involving the Collection Fund Adjustment Account:						
- Amount by which council tax income credited to the Comprehensive I&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	187	0	0	0	0	(187)
Adjustments primarily involving the Accumulated Absences Account:						
- Amount by which officer remuneration charged to the Comprehensive I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	531	43	0	0	0	(574)
Other adjustments	1,051	117	(1,447)		(147)	
Total Adjustments	**45,546**	**234,471**	**(16,253)**	**0**	**9,691**	**(273,871)**

Movement during 2014/15	Usable Reserves: General Fund Balance	Usable Reserves: Housing Revenue Account	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Major Repairs Reserve	Usable Reserves: Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive I&E Statement						
- Charges for depreciation and impairment of non-current assets	(16,868)	(28,533)	0	0	0	45,401
- Revaluation losses on Property, Plant and Equipment	23,466	173,990	0	0	0	(197,456)
- Movement in the market value of Investment Properties	0	976	0	0	0	(976)
- Amortisation of intangible assets	(317)	0	0	0	0	317
- Other Amortisation & Adjustments	0	0	0	0	0	
- Capital grants and contributions applied	14,661	11,186	0	0	0	(25,847)
- Revenue expenditure funded from capital under statute	(12,706)	(2,615)	0	0	0	15,321
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E Statement	0	(6,243)	0	0	0	6,243
Insertion of items not debited or credited to the Comprehensive I&E Statement						
- Statutory provision for the financing of capital investment	5,214	66	0	0	0	(5,280)
- Capital expenditure charged against the General Fund and HRA balances	55,815	19,302	0	0	(13,000)	(62,117)
Adjustments primarily involving the Capital Grants Unapplied Account:						
- Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	8,228	754	0	0	(8,982)	0
- Capital expenditure charged against the General Fund and HRA balances	0	0	0	0	7,794	(7,795)
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
- Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	(97)	0	0	0	0	97
Transfers in respect of Community Infrastructure Levy Receipts						
Adjustments primarily involving the Capital Receipts Reserve:						
- Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
- Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	6,807	29,541	(36,348)	0	0	0
- Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	20,392	0	0	(20,392)
	84,203	198,424	(15,956)	0	(14,188)	(252,483)

Movement during 2014/15	Usable Reserves: General Fund Balance	Usable Reserves: Housing Revenue Account	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Major Repairs Reserve	Usable Reserves: Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Carried forward from above table:	84,203	198,424	(15,956)	0	(14,188)	(252,483)
- Contribution from the Capital Receipts Reserve towards administration costs of non-current asset disposals	(81)		81	0	0	0
- Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,906)	0	2,906	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
- Reversal of Major Repairs Allowance credited to the HRA	0	28,881	0	(28,881)	0	0
- Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	28,881	0	(28,881)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
- Amount by which finance costs charged to the Comprehensive I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	293	0	0	0	(293)
Adjustments primarily involving the Pensions Reserve:						
- Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Statement	(20,404)	40	0	0	0	20,364
- Employers' pension contributions and direct payments to pensioners payable in the year	0	0	0	0	0	0
Adjustments primarily involving the Collection Fund Adjustment Account:						
- Amount by which council tax income credited to the Comprehensive I&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(666)	0	0	0	0	666
Adjustments primarily involving the Accumulated Absences Account:						
- Amount by which officer remuneration charged to the Comprehensive I&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,667	(33)	0	0	0	(1,634)
Other adjustments	(2)	0	(107)	0	0	(3)
Total Adjustments	**61,811**	**227,605**	**(13,076)**	**0**	**(14,188)**	**(262,264)**

8. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16.

	Balance at 31/03/14	Transfer Out 2014/15	Transfer In 2014/15	Balance at 31/03/15	Transfer Out 2015/16	Transfer In 2015/16	Balance at 31/03/16
General Fund:							
Balances held by schools under scheme of delegation	(20,450)	2,677	0	**(17,773)**	4,886	0	**(12,887)**
Replacement and development of financial systems	(2,890)	425	(153)	**(2,618)**	274	(61)	**(2,405)**
Rising energy costs	(2,732)	1,000	(268)	**(2,000)**	282	0	**(1,718)**
Future increases in NLWA levy	(1,518)	1,018	0	**(500)**	0	0	**(500)**
Unspent contingencies	(5,690)	3,450	(225)	**(2,465)**	1,458	(560)	**(1,567)**
Pensions Backfunding	(10,441)	1,206	(985)	**(10,220)**	500	0	**(9,720)**
Revenue contributions to capital programme	(46,134)	40,136	(28,765)	**(34,763)**	26,721	(10,399)	**(18,441)**
Council contribution to Building School for Future programme	(4,501)	4,000	0	**(501)**	0	0	**(501)**
Children's Services Transformation	(1,832)	109	0	**(1,723)**	325	0	**(1,398)**
Homelessness	(2,000)	3,209	(3,209)	**(2,000)**	4,989	(4,989)	**(2,000)**
Revenue contribution to primary school building programme	(6,182)	593	0	**(5,589)**	346	0	**(5,243)**
General Legal Costs	(1,155)	0	0	**(1,155)**	0	0	**(1,155)**
Insurance	(4,878)	12	(60)	**(4,926)**	13	0	**(4,913)**
Fleet Replacement	(3,496)		(651)	**(4,147)**	326	(1,303)	**(5,124)**
CYP Commissioning Activity / Looked After Children	(2,427)	732	(805)	**(2,500)**	1,000	(1,000)	**(2,500)**
Adult Social Care Reserve	(4,539)	1,308	(7,000)	**(10,231)**	2,914	(9,750)	**(17,067)**
PFI grant to apply over life of contract	(5,529)	0	(103)	**(5,632)**	0	(289)	**(5,921)**
Revenue contribution to Youth Service Accommodation Strategy	(700)	0	0	**(700)**	0	0	**(700)**
Hardship Fund	0	0	(500)	**(500)**	0	(100)	**(600)**
Review Commercial Property Mgmt	(600)	0	0	**(600)**	790	(190)	**0**
Impact on referrals of high profile cases in neighbourhood	(500)	0	0	**(500)**	0	0	**(500)**
Revs & Bens Transitional costs and loss of subsidy	(929)	0	(1,855)	**(2,784)**	2,071	(1,562)	**(2,275)**
Food Waste Recycling Programme	(441)	0	(148)	**(589)**	0	0	**(589)**
Mitigation of impact of Central Government funding reductions	(14,677)	12,929	(12,065)	**(13,813)**	9,980	(7,766)	**(11,599)**
Revenue Grants received in advance of expenditure being incurred	(10,913)	2,203	(12,209)	**(20,919)**	8,925	(2,237)	**(14,231)**
Sub-Total	**(155,154)**	**75,007**	**(69,001)**	**(149,148)**	**65,800**	**(40,206)**	**(123,554)**

	Balance at 31/03/14	Transfer Out 2014/15	Transfer In 2014/15	Balance at 31/03/15	Transfer Out 2015/16	Transfer In 2015/16	Balance at 31/03/16
	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Sub-Total B/Fwd from above table	(155,154)	75,007	(69,001)	**(149,148)**	65,800	(40,206)	**(123,554)**
Young Hackney Custodial Placement	(500)	0	0	**(500)**	500	(500)	**(500)**
Family Learning Intervention Programme	0	0	(429)	**(429)**	0	(1,123)	**(1,552)**
Hackney Learning Trust	(13,978)	110	(1,291)	**(15,159)**	5,087	0	**(10,072)**
Whole Life Costings and repairs to Civic Estate	(12,562)	4,885	(555)	**(8,232)**	8,880	(5,481)	**(4,833)**
Ways Into Work	0	0	(323)	**(323)**	74	(500)	**(749)**
Costs	(358)	332	(1,224)	**(1,250)**	456	(206)	**(1,000)**
Leisure Centre Management	(2,548)	524	(1,355)	**(3,379)**	97	(407)	**(3,689)**
Carbon Trading	(1,290)	0	(450)	**(1,740)**	0	(250)	**(1,990)**
Depot Upgrade	(901)	0	(176)	**(1,077)**	0	(193)	**(1,270)**
Community Wardens	(863)	0	0	**(863)**	0	0	**(863)**
Mitigation against shortfall in budgeted regulary income	(650)	28	0	**(622)**	163	0	**(459)**
Other miscellaneous reserves	(16,693)	10,330	(3,685)	**(10,048)**	4,815	(6,366)	**(11,599)**
Total GF Earmarked Reserves	**(205,497)**	**91,214**	**(78,489)**	**(192,772)**	**85,872**	**(55,232)**	**(162,130)**

HRA:							
Tenants Levy Reserve	(172)	80	(111)	**(203)**	0	(31)	**(234)**
Aerial mast income	(767)	182	(168)	**(753)**	0	(132)	**(885)**
Capital Works	(4,000)	4,000	0	**0**	0	0	**0**
Utilities	(1,000)	0	0	**(1,000)**	1,000	(783)	**(783)**
HRA Insurance	(340)	0	(228)	**(568)**	0	(26)	**(594)**
HRA Rightsizing Reserve	(12,558)	2,302	(342)	**(10,598)**	10,597	0	**(1)**
Total HRA Earmarked Reserves	**(18,837)**	**6,564**	**(849)**	**(13,122)**	**11,597**	**(972)**	**(2,497)**

9. Other Operating Expenditure

This note provides an analysis of Other Operating Expenditure disclosed in the Comprehensive Income and Expenditure Statement.

	2015/16	2014/15
	£'000	£'000
Levies	7,523	7,629
Payments to the Government Housing Capital Receipts Pool	3,323	2,933
(Gains) / Losses on the disposal of non-current assets	(26,883)	(30,026)
	(16,037)	**(19,464)**

10. Financing and Investment Income and Expenditure

This note provides an analysis of Financing and Investment Income and Expenditure disclosed in the Comprehensive Income and Expenditure Statement.

	2015/16	2014/15
	£'000	£'000
Interest payable and similar charges	1,546	1,352
Pensions interest cost and expected return on pensions	21,490	24,130
Interest receivable and similar income	(2,120)	(1,707)
Income and expenditure in relation to investment properties and changes in their fair value	(4,795)	(104)
	16,121	**23,671**

11. Taxation and Non-Specific Grant Income

This note provides an analysis of Taxation and Non-Specific Grant Income disclosed in the Comprehensive Income and Expenditure Statement.

	2015/16	2014/15
	£'000	£'000
Council tax income	(67,841)	(64,491)
Non domestic rates	(102,871)	(100,890)
Non-ringfenced government grants	(101,708)	(133,993)
Capital grants and contributions	(28,672)	(34,830)
	(301,092)	**(334,204)**

12. Heritage Assets

A selection of the Council's heritage assets is reported in the Balance Sheet at the insurance valuation which is based on market values. These insurance valuations are updated annually. The heritage assets include Civic Regalia, Artworks and Artefacts (further details contained in Note 50). The following is a reconciliation of the carrying value of heritage assets held by the Council recorded on the Balance Sheet.

	Civic Regalia	Artwork	Artefacts	Total Assets
	£'000	£'000	£'000	**£'000**
Cost or Valuation				
Balance as at 1 April 2015	482	815	570	**1,867**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations	2	30	17	**49**
Impairment Losses/(reversals) recognised in the	0	0	0	**0**
Impairment Losses/(reversals) recognised in	0	0	0	**0**
Balance as at 31 March 2016	**484**	**845**	**587**	**1,916**
Cost or Valuation	0	0	0	**0**
Balance as at 1 April 2014	350	1,096	375	**1,821**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations	132	(281)	195	**46**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	0	**0**
Impairment Losses/(reversals) recognised in CIES	0	0	0	**0**
Balance as at 31 March 2015	**482**	**815**	**570**	**1,867**

13. Property, Plant and Equipment

Movements in 2015/16	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Cost or Valuation								
At 1st April 2015	1,770,000	1,162,505	41,522	223,753	28,348	0	**3,226,128**	19,817
Additions	76,255	57,050	3,265	15,979	644	0	**153,193**	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	49,733	191,566	0	0	0	0	**241,299**	3,157
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	162,274	21,834	(1,441)	(328)	3,044	0	**185,383**	0
Derecognition - disposals	(15,296)	(8,313)	(79)	0	0	0	**(23,688)**	0
At 31st March 2016	**2,042,966**	**1,424,642**	**43,267**	**239,404**	**32,036**	**0**	**3,782,315**	**22,974**
Accumulated Depreciation and Impairment								
At 1st April 2015	(23,639)	(13,291)	(36,224)	(76,790)	0	0	**(149,944)**	(296)
Depreciation charge	(31,132)	(14,278)	(370)	(8,249)	0	0	**(54,029)**	(350)
Depreciation written out to the Surplus/Deficit on the Provision of Services	23,639	13,062	0	0	0	0	**36,701**	297
Derecognition - disposals	344	0	0	0	0	0	**344**	0
Other movements in depreciation and impairment	0	65	(62)	0	0	0	**3**	0
At 31st March 2016	**(30,788)**	**(14,442)**	**(36,656)**	**(85,039)**	**0**	**0**	**(166,926)**	**(349)**
Net Book Value at 31st March 2016	**2,012,178**	**1,410,200**	**6,611**	**154,365**	**32,036**	**0**	**3,615,389**	**22,625**

Movements in 2014/15	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Cost or Valuation								
At 1st April 2014	1,563,371	991,173	40,759	212,619	28,349	0	**2,836,271**	17,650
Additions	61,723	32,688	2,075	11,368	1,605		**109,459**	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	6,746	128,435	0	0	0		**135,181**	0
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	147,556	10,209	(1,312)	(234)	(1,606)		**154,613**	2,167
Derecognition - disposals	(9,396)	0	0	0	0		**(9,396)**	0
At 31st March 2015	**1,770,000**	**1,162,505**	**41,522**	**223,753**	**28,348**	**0**	**3,226,128**	**19,817**
Accumulated Depreciation and Impairment								
At 1st April 2014	(23,312)	(24,665)	(35,898)	(69,101)	0	0	**(152,976)**	(1,217)
Depreciation charge	(26,707)	(10,676)	(326)	(7,690)	0	0	**(45,399)**	(297)
Depreciation written out to the Surplus/Deficit on the Provision of Services	23,228	22,050	0	0	0	0	**45,278**	1,218
Derecognition - disposals	3,152	0	0	0	0	0	**3,152**	0
Other movements in depreciation and impairment	0	0	0	1	0	0	**1**	0
At 31st March 2015	**(23,639)**	**(13,291)**	**(36,224)**	**(76,790)**	**0**	**0**	**(149,944)**	**(296)**
Net Book Value at 31st March 2015	**1,746,361**	**1,149,214**	**5,298**	**146,963**	**28,348**	**0**	**3,076,184**	**19,521**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – 50 year life depreciated on a straight line basis
- Other Land and Buildings – lives of assets and any material components are individually assessed (by valuers and engineers) and depreciated on a straight line basis
- Vehicles, Plant, Furniture and Equipment – asset lives are individually assessed and depreciated on a straight line basis
- Infrastructure Assets – calculated on a straight line basis over 25 years.

Capital Commitments

At 31st March 2016 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment into 2015/16 and future years, budgeted to cost £50,168 million. Similar commitments as at 31st March 2015 were £92.487 million. The major commitments are as follows.

- Estate Regeneration of Kings Crescent Housing Estate, £28.082 million (£52.522 million as at 31st March 2015)
- Hackney Planned Maintenance - Hackney Improvement Programme, £4.656 million (£7.442 million as at 31st March 2015)
- ECO Project - District Heating Project on 10 blocks, £1.610 million (£5.931 million as at 31st March 2015)
- Estate Regeneration of Great Eastern Building and King Edwards Road, £7.140 million (£0.000 million as at 31st March 2015)
- East Wick and Woodberry Down development; New Build School, £5.678 million (£8.458 million as at 31st March 2015)
- Hackney Town Hall; Carrying out essential Health and Safety works, £3.002 million (£0.000 million as at 31st March 2015)

Effects of Changes in Estimates

In 2015/16 the Council made no material changes to its accounting estimates in respect of property, plant or equipment.

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years with desktop exercise carried out in-between valuation years. All valuations were carried out internally. 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, furniture and equipment are based on current prices where there is an active second-hand market or latest prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are as follows:

- Properties classified as occupied by the Council for the purpose of its business have been valued on the basis of Fair Value (Existing Use Value), assuming vacant possession of all parts occupied by the Council
- Properties classified as investments or surplus to requirements have been valued on the basis of Fair Value (Market Value)
- In the case of specialised properties (where valuation methods such as market comparison or an income (profit) test cannot be applied reliably), we have used Depreciated Replacement Cost as a method of estimating Fair Value (Market Value)
- For HRA dwellings, the valuation report provides valuations of the housing stock on the basis of Fair Value (Existing Use Value) for Social Housing (EUV-SH) and the adjustment factor used for social housing is 25% of the EUV.
- For the 80% desktop exercises the relevant beacon valuations set out in the previous revaluation report and desktop index revaluation have been indexed to reflect an estimation of changes in values over the period 1st April 2015 to 31st March 2016. In assessing the levels of indexation, regard has been given to evidence from;

  - Right To Buy valuations undertaken in the borough during this period, data supplied by the Land Registry on house prices for completed sales within Hackney over the period
  - Data on house prices in Greater London published by building societies and banks
  - Non-dwellings, the indices and information from Independent Property Databank Limited.

Voluntary aided and faith schools are not included on the Council's Balance Sheet as they are not owned by the Council. Any capital expenditure incurred on these schools is treated as revenue expenditure funded from capital under statute.

14. Investment Properties

The fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2015/16	2014/15
	£'000	£'000
Rental income from investment property	(1,353)	(558)
Direct operating expenses arising from investment property	53	321
Net (gain) / loss	**(1,300)**	**(237)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and proceeds of disposal. The

Council has no mandatory obligations to purchase, construct or develop, maintain or enhance investment property.

The following table summarises the movements in fair value of investment properties over the year.

	2015/16	2014/15
	£'000	£'000
Balance at start of the year	124,262	104,753
Additions - Purchases	7,838	19,535
Disposals	0	0
Net (gain)/losses from FV adjustments	3,560	(26)
Balance at the end of the year	**135,660**	**124,262**

Fair Value Measurement - Property Type

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

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 investment properties for which fair value is measured based on Level 2 inputs. These are observable for the asset, either directly or indirectly, through assessing income generated by the asset and benchmarked against other indirectly observable data.

15. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include only purchased licenses as the Council has no internally generated software.

Subsequent expenditure where it meets the recognition criteria in the Code will be recognised in the carrying amount of the intangible asset or, if the subsequent expenditure does not relate to software, be written out to revenue as an impairment charge.

All software is given a finite useful life, based on assessment of the period that the software is expected to be of use to the Council. The useful life assigned to the major software suites used by the Council is 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.219 million charged to revenue in 2015/16 is shown across various headings in the Net Expenditure of Services.

There are no changes in accounting estimates which have had an effect on the current period or are expected to have an effect in subsequent periods.

There are no assets assessed as having an indefinite useful life and no items of capitalised software that are individually material to the financial statements. The Council does not revalue its software assets as these are below the de minimis levels of £50,000 for individual assets. These are instead held at acquisition cost.

The movement on Intangible Asset balances during the year is as follows.

	2015/16	2014/15
	£'000	£'000
Balance at start of the year		
- Gross carrying amount	26,310	22,606
- Accumulated amortisation	(22,500)	(22,183)
Net carrying amount at start of the year	3,810	423
Additions - Purchases	5,453	5,081
Impairment losses, recognised in the Surplus/Deficit on the Provision of Services	(3,339)	(1,377)
Amortisation for the period	(219)	(317)
Net carrying amount at the end of year	**5,705**	**3,810**
Comprising:		
- Gross carrying amounts	28,424	26,310
- Accumulated amortisation	(22,719)	(22,500)
	5,705	**3,810**

16. Inventories

The following table shows inventory balances held as at 31st March 2016.

2015/16	Repairs and Maintenance Materials	Waste Management	Other Consumable Stores	Total
	£'000	£'000	£'000	**£'000**
Balance carried at start of year	670	111	93	**874**
Purchases	271	771	1,111	**2,153**
Recognised as an expense	(222)	(812)	(1,144)	**(2,178)**
Written off	0	1	(3)	**(2)**
Balance carried at end of year	**719**	**71**	**57**	**847**

2014/15	Repairs and Maintenance Materials	Waste Management	Other Consumable Stores	Total
	£'000	£'000	£'000	**£'000**
Balance carried at start of year	659	104	75	**838**
Purchases	1,498	703	1,307	**3,508**
Recognised as an expense	(1,467)	(677)	(1,289)	**(3,433)**
Written off	(20)	(19)	0	**(39)**
Balance carried at end of year	**670**	**111**	**93**	**874**

There were no reversals of write-offs made in respect of previous years.

17. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet in the tables below:

- Loans and receivables
- Available for sale financial asset
- Unquoted equity investments

	Long-term		Current	
	31/03/2016 £'000	31/03/2015 £'000	31/03/2016 £'000	31/03/2015 £'000
Investments				
- Loans and receivables	23,135	25,000	128,043	129,423
- Available-for-sale assets	6,309	4,619	45,374	43,906
- Unquoted equity investments at cost	200	100		
Total Investments	**29,644**	**29,719**	**173,417**	**173,329**
Debtors				
- Finance lease assets	5,294	5,378	84	90
Total debtors	**5,294**	**5,378**	**84**	**90**
Borrowings				
- Liabilities at amortised cost	3,600	4,000	5,419	427
Total borrowings	**3,600**	**4,000**	**5,419**	**427**
Other Long-term Liabilities				
- PFI liabilities	(15,482)	(16,097)	(660)	(615)
- Finance lease liabilities	(125)	(304)	(288)	(449)
Total other LT liabilities	**(15,607)**	**(16,401)**	**(948)**	**(1,064)**

The Council has undertaken a full analysis of debtors and creditors against the definition of trade receivables and trade payables. Only two debtor balances were identified as trade; Commercial Waste and Hygiene Services. As the balances on these accounts are considered to be immaterial they have not been included in the below tables.

Material soft loans made by the Council

There have been no material soft loans granted in 2015/16.

Reclassifications

There have been no reclassifications of financial instruments in 2015/16.

Offsetting Financial Assets and liabilities

Financial Assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The only item offset on the balance sheet is bank overdraft, which is shown in cash and cash equivalents. The council has no other financial assets or liabilities subject to enforceable master netting arrangement or similar agreement.

Income, Expense, Gains and Losses

	Liabilities measured at amortised cost	Assets, Loans and receivables	Assets Available for sale	Assets and Liabilities at FV through P&L	Total	Liabilities measured at amortised cost	Assets, Loans and receivables	Assets Available for sale	Assets and Liabilities at FV through P&L	Total
	2015/16					2014/15				
	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000	£'000	£'000	**£'000**
Interest expense	1,340				**1,340**	1,304	0	0	0	**1,304**
Losses on derecognition	0	0	0	0	**0**	0	0	0	0	**0**
Impairment losses	0	0	0	0	**0**	0	0	0	0	**0**
Fee expense	0	0	0	0	**0**	0	0	0	0	**0**
Total expense in Surplus/Deficit on the Provision of Services	1,340	0	0	0	**1,340**	1,304	0	0	0	**1,304**
Interest and investment income		(1,660)	(75)		**(1,735)**		(936)	(165)		**(1,101)**
Interest income accrued on impaired financial assets	0	0	0	0	**0**	0	0	0	0	**0**
Total income in Surplus/Deficit on the Provision of Services	0	(1,660)	(75)	0	**(1,735)**	0	(936)	(165)	0	**(1,101)**
Gains / Losses on revaluation	0	0	0	0	**0**	0	0	0	0	**0**
Amounts recycled to the Surplus/Deficit on the Provision of Services after	0	0	0	0	**0**	0	0	0	0	**0**
Total income in Surplus/Deficit on the Provision of Services	0	0	0	0	**0**	0	0	0	0	**0**
Net gain / (loss) for the year	**1,340**	**(1,660)**	**(75)**	**0**	**(395)**	**1,304**	**(936)**	**(165)**	**0**	**203**

Fair Value of Assets and Liabilities

The 2015/16 Code of Practice requires the fair values of these assets and liabilities to be disclosed for comparison purposes. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Available for sale assets and liabilities are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The exceptions to this treatment include the Council's shareholding in Hackney Homes Limited (100% share) and Hackney Schools for the Future Limited (10% share).

Financial assets classified as loans and receivables and fixed deposit long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2016, using the following methods:

- Loans borrowed by the Council have been valued by discounting the contractual cash flow over the whole life of the instrument at the appropriate market rate for local authority loans.
- Long term investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity
- The fair value of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting contractual cash flows at the appropriate AA-rated corporate bond yield.
- Fair value of short term (less than year to maturity) instruments is assumed to approximate to the carrying value

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

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

	Fair Value level	**Balance Sheet 31.03.16 £'000s**	**Fair Value 31.03.2016 £000s**	**Balance Sheet 31.03.15 £'000s**	**Fair Value 31.03.2015 £000s**
Financial assets held at amortised cost:					
Lease payables and PFI liabilities	3	15,904	13,181	16,702	
Long Term loan	2	4,019	4,124	4,427	4,600
Total		**19,923**	**17,305**	**21,129**	**4,600**
Assets for which fair value is not disclosed*		5,000		-	
Total Financial Assets		**24,923**		**21,129**	
Recorded on balance sheet as:					
Long term Borrowing		3,600		4,000	
Short term Borrowing		5,419		427	
Other Long term liabilities		15,904		15,482	
Total Financial Assets		**24,923**		**19,909**	

*The fair value of short-term financial liabilities is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher that their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the balance sheet date.

The Council has one long term loan during as at the end of the financial year, a ring fenced London Energy Efficient Fund loan from the European Investment Bank. The Fair value of the loan has been discounted at the market rates for similar instruments with similar remaining terms to maturity.

	Fair Value level	Balance Sheet 31.03.16 £'000s	Fair Value 31.03.16 £000s	Balance Sheet 31.03.15 £'000s	Fair Value 31.03.15 £000s
Financial Assets held a fair value:					
Money Market Funds	1	18,627		43,906	
Corporate and covered bonds	2	6,334		4,619	
Shares in unlisted companies	3	200		100	
Financial assets held at amortised cost:					
Long-term loans to local authorities	2	23,152	23,258	25,174	25,594
Total		**48,313**	**48,419**	**73,799**	**74,219**
Assets for which fair value is not disclosed*		154,747		129,249	
Total Financial Assets		**203,060**		**203,048**	
Recorded on balance sheet as:					
Long term investments		29,643		29,852	
Short term investments		102,106		71,706	
Cash and cash equivalents		71,311		101,490	
Total Financial Assets		**203,060**		**203,048**	

*The fair value of short-term financial liabilities is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher that their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the balance sheet date.

The Council's investments consisted of deposits with banks, building societies and Local Authorities, notice account deposits and Money Market Fund (MMF) investments, corporate and covered bonds. Of the long term cash deposits the council holds, all are with other Local Authorities. None of the investments were impaired i.e. at risk of default.

18. Debtors

The following is an analysis of the debtors balance carried on the Balance Sheet.

	31/03/2016	31/03/2015
	£000	£000
Central Govt bodies	62,069	38,709
Other local authorities	4,036	6,600
NHS bodies	14,430	3,668
Public corporations and trading funds	386	132
Other entities and individuals	17,949	45,672
Total	**98,870**	**94,781**

19. Cash and Cash Equivalents

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

	31/03/2016	31/03/2015
	£'000	£'000
Cash held by the Council	156	166
Bank current accounts	16,375	21,123
Short-term investments	71,311	101,489
Total	**87,842**	**122,778**

20. Assets Held for Sale

All assets held for sale are classed as current assets.

	2015/16	2014/15
	£000	£000
Balance at start of year	88	89
Assets newly classified as held for sale:		
- Property, Plant and Equipment	0	0
Revaluation gains	16	
Revaluation losses	0	(1)
Depreciation	(1)	
Balance at end of year	**103**	**88**

21. Provisions

Provisions are analysed on the face of the Balance Sheet as either short term or long term. The following table details total provisions held.

	Insurance	Housing Benefit (Govt. Grants)	HRA Legal Disrepair	NNDR Appeals	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2015	(9,690)	(3,347)	(1,272)	(2,743)	(2,102)	(19,154)
Provisions made in 2015/16	(1,555)	0	(1,294)	(224)	(3,302)	(6,375)
Amounts used in 2015/16	0	691	896	0	368	1,955
Unused amounts reversed	1,562	222	377	0	489	2,650
Balance at 31st March 2016	**(9,683)**	**(2,434)**	**(1,293)**	**(2,967)**	**(4,547)**	**(20,924)**

Insurance Claims

The Council maintains an insurance provision as a risk management fund covering anticipated liabilities for employers' public liability, officers' indemnity, property damage and other risks. This provision is based on an annual review using actuarial methods. The provision as at 31st March 2016 was £9.683 million (£9.690 million as at 31st March 2015). Of this total, £0.368 million represents the provision made for the Housing Revenue Account. In addition to the total provision, there is a sum of £0.250 million held in client accounts by the Council's claim handlers.

The insurance risks are annually reviewed and any new or emerging risks are managed or insured, as appropriate. There is no unfunded material risk to the Council.

Government Grants

Provision has been made on a prudent basis for potential reductions in Housing Benefit grant income following audit of the related grant claims and resolution of outstanding issues.

HRA Legal Disrepair

The HRA legal disrepair provision is for potential payouts on claims received by the Council from tenants concerning HRA properties which have fallen into disrepair. During 2015/16 the total provision increased from the £1.272 million held as at 1st April 2015 to £1.293 million as at 31st March 2016. The increase was a result of a larger number of outstanding cases at the Balance Sheet date in 2015/16 than in 2014/15.

NNDR Appeals

Since the introduction of Business Rates Localisation on 1st April 2013 the Authority has been responsible for the refunds on successful back dated business rate appeals. The provision as at 31st March 2016 is £2.967 million (£2.743 million at 31st March 2014/15).

2015/16 Voluntary Redundancies Provisions

The Council went through a corporate wide restructure in 2015/16, with the new structure coming into force from 1st April 2016. As part of the restructure several officers had their VR applications accepted however had not left the Council by 31st March 2016. As a result, the Council has made a total provision of £2.894m to cover for redundancy and pension strain costs.

Other Provisions

Provision for dilapidations is also included within other provisions. The provision as at 31st March 2016 was £0.385 million.

All other provisions are individually insignificant.

22. Creditors

The following is an analysis of the creditors balance carried on the Balance Sheet.

	31/03/2016	31/03/2015
	£'000	£'000
Central Govt bodies	(7,478)	(7,209)
Other local authorities	(10,828)	(3,370)
NHS bodies	(5,296)	(3,450)
Public corporations / trading funds	(13)	(227)
Other entities & individuals	(78,824)	(67,867)
Total	**(102,439)**	**(82,123)**

23. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in Notes 7 and 8.

24. Unusable Reserves

	31/03/2016	31/03/2015
	£'000	£'000
Revaluation Reserve	(701,257)	(466,649)
Available for Sale Financial Instrument Reserve	(21)	128
Capital Adjustment Account	(2,829,440)	(2,516,504)
Financial Instruments Adjustment Account	(246)	(293)
Deferred Capital Receipts	(5,440)	(5,549)
Pensions Reserve	566,789	712,788
Collection Fund Adjustment	465	651
Accumulated Absences	3,129	3,703
Total	**(2,966,021)**	**(2,271,725)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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 reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Revaluation Reserve was created. Accumulated gains arising before that date are consolidated into the balance in the Capital Adjustment Account.

	2015/16	2014/15
	£'000	£'000
Balance as at 1st April	**(466,649)**	**(334,254)**
Upward revaluation of assets	(256,609)	(156,828)
Downward revaluation of assets	15,311	21,383
Difference between fair value depreciation and historical cost depreciation	6,690	3,050
Finance lease adjustment	0	0
Accumulated gains on disposed assets	0	0
Balance as at 31st March	**(701,257)**	**(466,649)**
Amount written off to the Capital Adjustment Account	6,690	3,050

Financial Instruments Adjustment Account

This 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 Council uses the account to manage the 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 through the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case this period is the unexpired term that was outstanding on various loans when they were redeemed.

The Council used the Financial Instrument Adjustment Account to account for a new soft loan received on 29th September 2014 at lower than market interest rate from Amber Green LEEF 2 LLP. The account has been credited with the realisation of the benefit of obtaining this loan at below market interest rate which has already been credited to the Comprehensive Income and Expenditure Statement. The account is debited each year of the 12 year loan with the excess of interest at the market rate over the actual interest charged on the loan.

	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Balance as at 1st April		**(293)**		**0**
Interest at Market Rate on New Soft Loan Received in Year	0		(339)	
		0		(339)
Amounts by which finance costs charged to CI&ES are different from finance costs chargeable in year in accordance with statutory requirements		47		46
Balance as at 31st March		**(246)**		**(293)**

Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instrument reserve contains the gains/losses from a change in value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued or impaired
- Disposed of and the gains or loss is realised

	2015/16	2014/15
	£'000	£'000
Balance as at 1st April	**128**	**0**
Upward revaluation of Investments	(164)	(2)
Downward revaluation of investments not charged to the surplus/deficit on the Provision of services	15	130
Balance as at 31st March	**(21)**	**128**

Collection Fund Adjustment Account

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

	2015/16	2014/15
	£'000	£'000
Balance as at 1st April	**651**	**0**
Movement in year	(186)	651
Balance as at 31st March	**465**	**651**

Pensions Reserve

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

	2015/16	2014/15
	£'000	£'000
Balance as at 1st April	**712,788**	**585,800**
Remeasurements of net defined liability / (asset)	(140,691)	109,746
Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on Provision of Services	61,054	58,284
Employer's pension contributions and direct payments to pensioners payable in the year	(55,566)	(55,667)
Inclusion of total pension HHL liability	(10,796)	14,625
Balance as at 31st March	**566,789**	**712,788**

Deferred Capital Receipts Reserve

This 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 Council 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.

	2015/16	2014/15
	£'000	£'000
Balance as at 1st April	**(5,549)**	**(5,664)**
Long term operating leases reclassified as finance leases	**90**	97
Transfer to the Capital Receipts Reserve upon receipt of cash	**19**	**18**
Balance as at 31st March	**(5,440)**	**(5,549)**

Accumulated Absences Account

This account absorbs the timing differences that would otherwise arise on the General Fund and HRA balances from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund and HRA balances be neutralised by transfers to or from the Accumulated Absences Account.

	General Fund		HRA	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Balance as at 1st April	**3,630**	**5,297**	**73**	**40**
Settlement / cancellation of accrual made at the end of the preceding year	(3,630)	(5,297)	(73)	(40)
Amounts accrued at the end of the current year	3,099	3,630	30	73
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from charges in accordance with statutory requirements	(531)	(1,667)	(43)	33
Balance at 31st March	**3,099**	**3,630**	**30**	**73**

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 historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Balance as at 1st April		**(2,516,504)**		**(2,228,025)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement				
- charges for depreciation and impairment of non-current assets	50,027		41,150	
- revaluation losses (and reversals) on Property, Plant and Equipment	(212,983)		(197,456)	
- amortisation of intangible assets	219		317	
- other amortisations	0		0	
- revenue expenditure funded from capital under statute	2,758		15,321	
- amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	14,951		6,243	
		(145,028)		(134,425)
	(6,690)		(3,050)	
Adjusting amounts written out of the Revaluation Reserve		(6,690)		(3,050)
Net written out amount of the cost of non-current assets consumed in the year		(151,718)		(137,475)
Capital financing applied in the year				
- cap receipts applied to HRA debt				
- use of the Capital Receipts Reserve to finance new capital expenditure	(23,179)		(20,392)	
- use of the Major Repaiirs Reserve to finance new capital expenditure	(29,603)		(28,881)	
- capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(22,360)		(25,847)	
- capital grants and contributions other that have been applied to capital financing	(11,483)		(11,734)	
- capital expenditure charged against the General Fund and HRA balances	(69,903)		(62,117)	
		(156,528)		(148,971)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,781)		(976)	
Finance Lease & PFI Movements	(909)	(4,690)	(1,057)	(2,033)
Balance as at 31st March		**(2,829,440)**		**(2,516,504)**

25. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items.

	2015/16	2014/15
	£'000	£'000
Interest received	(1,758)	(229)
Interest paid	1,441	124
Total	**(317)**	**(105)**

26. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items.

	2015/16	2014/15
	£'000	£'000
Purchase of PPE, investment property and intangible assets	166,220	149,000
Purchase of investments	295,749	249,842
Proceeds from the sale of Non Current Assets	(39,945)	(36,348)
Proceeds from investments	(197,360)	(155,500)
Other receipts from investing activities	(1,453)	(959)
Total	**223,211**	**206,035**

27. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items.

	2015/16	2014/15
	£'000	£'000
Other receipts from financing activities	(63,718)	(64,503)
Cash Payments for the reduction of the outstanding liabilities relating to the finance leases and on Balance Sheet PFI contracts	915	962
Repayments of short and long term borrowing	400	10,200
Other payments for financing activities	25,625	26,472
Net Cash flows from financing activities	**(36,778)**	**(26,869)**

28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by SeRCOP. However decisions about resource allocation are taken by the Council's Chief Executive on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure which is assumed to be at budgeted levels
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to directorates

The Council reports income and expenditure for each directorate as a separate operating segment, regardless of its' actual level of income or expenditure. This is to reflect each type of service provided by that directorate. Full details of services provided by each directorate are shown in the 2015/16 Budget Book, available on the Councils website – http://www.hackney.gov.uk/finances. The subjective analysis reconciliation of directorates' income and expenditure to cost of services gives a clear indication of where each directorate derives its revenue.

Hackney reports on the following segments:

- Children Services (which includes Education services)
- Legal HR & Regulatory Services
- Health & Community Services (which includes Public Health)
- Housing
- Chief Executive
- Finance & Resources
- Housing Revenue Account

Reconciliation of Directorate Income and Expenditure to Cost of Service in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure, shown further below, relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2015/16	2014/15
	£'000	£'000
Net expenditure in directorate analysis	63,952	66,654
Amounts included in the analysis not included in the Comprehensive I&E Statement	(1,655)	(7,629)
Cost of Services	**62,297**	**59,025**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement. The income and expenditure of the Council's principal directorates recorded in the budget report for the year is as follows.

2015/16	Children Services	Legal HR & Regulatory Services	Health & Community Services	Housing	Chief Executive	Finance & Resources	General Finance Account	HRA	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Directorate Income and Expenditure									
Fees, charges & other service income	(12,273)	(15,919)	(46,097)	(338)	(6,861)	(81,978)	(1,881)	(168,270)	**(333,617)**
Government Grants & Contributions	(238,233)	(85)	(64,148)	(36)	(1,492)	(314,327)	(2,821)	(5)	**(621,147)**
Total Income	(250,506)	(16,004)	(110,245)	(374)	(8,353)	(396,305)	(4,702)	(168,275)	**(954,764)**
Employee Expenses	58,410	15,881	68,034	1,185	9,291	42,090	21,358	4,120	**220,369**
Other Service Expenses	277,155	4,363	138,076	261	5,973	377,639	(884)	107,836	**910,419**
Precepts & Levies	0	192	0	0	421	1,042	0	0	**1,655**
Capital & Financing Charges	(2,800)	7	12,514	88	195	(16,269)	1,549	(150,929)	**(155,645)**
Interest Payable	0	0	0	0	0	0	0	0	**0**
Support Service Recharges	9,392	1,462	14,316	271	5,405	5,367	97	5,608	**41,918**
Total Expenditure	342,157	21,905	232,940	1,805	21,285	409,869	22,120	(33,365)	**1,018,716**
Net Expenditure	**91,651**	**5,901**	**122,695**	**1,431**	**12,932**	**13,564**	**17,418**	**(201,640)**	**63,952**

The HRA analysis shows the same net position as the HRA statement (page 102). The presentation requirement of the HRA statement will show different gross income and expenditure totals

2015/16 Reconciliation to Subjective Analysis	Service Analysis	Not included in I&E	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	**£'000**
Fees, charges & other service income	(333,617)		(333,617)	(40,687)	**(374,304)**
Interest and investment income	0		0	(2,986)	**(2,986)**
Income from council tax	0		0	(67,841)	**(67,841)**
Income from NNDR	0		0	(24,989)	**(24,989)**
Pension Related	0		0	(30,965)	**(30,965)**
Government grants and contributions	(621,147)		(621,147)	(204,063)	**(825,210)**
Total Income	(954,764)	0	(954,764)	(371,531)	**(1,326,295)**
Employee expenses	220,369		220,369	0	**220,369**
Other service expenses	910,419		910,419	249	**910,668**
Support Service recharges	41,918		41,918	0	**41,918**
Depreciation, amortisation and impairment	(155,645)		(155,645)	11,124	**(144,521)**
Interest Payments	0		0	239	**239**
Precepts & Levies	1,655	(1,655)	0	7,523	**7,523**
Pension Related	0		0	52,093	**52,093**
Payments to Housing Capital Receipts Pool	0		0	3,323	**3,323**
Gain or Loss on Disposal of Fixed Assets	0		0	(4,028)	**(4,028)**
Total Expenditure	1,018,716	(1,655)	1,017,061	70,523	**1,087,584**
Surplus or deficit on the provision of services	**63,952**	**(1,655)**	**62,297**	**(301,008)**	**(238,711)**

29. Trading Operations

The Council operates five main street markets within the borough, for which income is received from both temporary and permanent traders. In 2015/16, these street markets generated £0.795 million turnover and incurred £ 1.127 million expenditure, with a deficit of £0.332 million. The amounts for 2014/15 were £0.785 million turnover, £1.099 million expenditure and £0.313 million deficit.

Businesses based within the borough are charged for commercial waste collection and disposal services. These businesses have a statutory duty of care with regard to how their waste is disposed of. The Council provides this service, which includes recycling, bin rental and skip collection, to 4,100 sites across the borough. In 2015/16, this service generated £4.970 million turnover and incurred £3.365 million expenditure, with a surplus of £1.605 million. The amounts for 2014/15 were £4.526 million turnover, £4.336 million expenditure and £0.160 million surplus.

The Council's Hackney Learning Trust Department provides other internal departments and external organisations with a number of services, including ICT, pupil behaviour management, school improvements, music, HR and school finance. In 2015/16 this generated a turnover of £6.475 million and with costs incurred of £6.475 million, the Department broke even on its' traded services. The amounts for 2014/15 were £5.997 million turnover with costs incurred of £5.997 million.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of the Council's services to the public whilst others are support services to the Council's own services to the public. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations.

30. Agency Services

The Council carries out income collection services on behalf of Thames Water and Jardine Lloyd Thompson whereby it collects (from tenants) water standing charges and contents insurance premiums respectively. The amount of water rates collected by the Council for Thames Water was £8.137 million in 2015/16 (£8.126 million in 2014/15). Insurance premiums collected on behalf of Jardine Lloyd Thompson amounted to £0.180 million in 2015/16 (£0.188 million in 2014/15).

There was no cost to the Council in providing either of these services. The commission received for the Thames Water arrangement for 2015/16 was £0.666 million (£0.666 million in 2014/15). Income received from the Jardine Lloyd Thompson arrangement was £0.038 million for 2015/16 (£0.045 million in 2014/15).

31. Members' Allowances

The Council paid £1.164 million in allowances to Members of the Council during 2015/16 (£1.146 million in 2014/15).

32. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors.

	2015/16	2014/15
	£'000	£'000
Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	226	302
Fees payable to KPMG for the certification of grant claims and returns for the year	45	46
Fees payable to Baker Tilly for the certification of grant claim for the year	0	6
Fees payable to KPMG with regard to external audit services carried out on the London Borough of Hackney Pension Fund	21	21
Fees payable in respect of other services provided by KPMG during the year	5	18
Fees payable to KPMG for NNDR return for prior year	0	3
Fees payable to KPMG for BEN01 DWP claim for prior year	0	2
Additional fees payable to KPMG with regard to objections	0	13
Total	**297**	**411**

33. Pooled Budgets

The Council is involved in a number of pooled budget arrangements with NHS City and Hackney Clinical Commissioning Group (CCG), working collaboratively to address specific local health issues. The Council also works with the East London Foundation Trust for the provision of mental health services for residents of the borough. Any under or over spend on these arrangements in respect of social care is held by the Council and the partner body keeps the health element of any under or over spend.

The Better Care Fund was introduced nationally in 2015/16 to ensure a transformation in integrated health and social care, operating within existing legislation.

The Council has entered into a partnership agreement under Section 75 of the Health Act 2006 with the City and Hackney Clinical Commissioning Group (CCG). The CCG, as the host Authority, held the revenue element whilst the Council held the capital element of pooled budget.

	Mental Health		Learning Difficulties		Hackney Better Care/First Duty Response Team		
	2015/16		2015/16		2015/16		
	£'000	£'000	£'000	£'000	£'000	£'000	
Funding provided to pooled budget							
- by the Council	(7,540)	(7,511)	(16,296)	(17,934)	(2,447)	(1,221)	*
- by other Partners	(12,400)	(12,445)	(4,767)	(3,578)	(18,649)	(913)	*
Expenditure met from pooled budget							
- by the Council	6,928	7,470	17,632	19,234	11,245	1,164	*
- by other Partners	12,415	12,435	4,767	3,578	9,019	913	*
Net (surplus) / deficit arising on pooled budget during the year	(597)	(51)	1,336	1,300	(832)	(57)	
Council's share of the net (surplus) / deficit arising on the pooled budget	(613)	(41)	1,336	1,300	8,798	(57)	

* First Duty Response Team showing last year's figure and has now been integrated into Hackney Better Care

34. Officers' Remuneration

The following are senior officers whose salary is less than £150,000 but equal to or more than £50,000 per annum.

Post Holder Details	Note	Salary, Fees and Allowances		Compensation for Loss of Office		Remuneration (excluding employer pension contribution)		Employer Pension Contribution		Total Remuneration	
		2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
		£	£			£	£	£	£	£	£
Assistant Chief Executive of Programmes, Projects and Performance	i	97,954	96,244	0	0	**97,954**	**96,244**	19,315	18,602	**117,269**	**114,846**
Corporate Director of Health and Community Services		139,428	139,428	0	0	**139,428**	**139,428**	27,049	27,049	**166,477**	**166,477**
Corporate Director of Finance and Resources	ii	151,425	136,420	0	0	**151,425**	**136,420**	29,400	26,459	**180,825**	**162,879**
Corporate Director of Legal, HR and Regulatory Services	iii	143,996	144,925	175,617	0	**319,613**	**144,925**	25,782	28,126	**345,395**	**173,051**
Education Director - Head of Hackney Learning Trust	iv	119,715	0	0	0	**119,715**	**0**	23,189	0	**142,904**	**0**
Head of Regeneration	v	0	0	0	0	**0**	**0**	0	0	**0**	**0**
Head of Safer Communities	vi	70,504		0	0	**70,504**	**0**	13,819	0	**84,323**	**0**

Notes

(i) Annualised salary was £99,971 for 2015/16 and £96,333 for 2014/15
(ii) Annualised salary was £136,420 for 2015/16 and 2014/15
(ii) Left the Council on 29th February 2016; annualised salary was £144,925 for 2015/16 and 2014/15
(iv) Education Director - Head of Hackney Learning Trust - started this position on 1st January 2016
(v) Head of Regeneration - started this position on an interim basis on 1st April 2015 and is not paid through the councils payroll system
(vi) Head of Safer Communities - started this position on 1st April 2015; annualised salary was £59,952 for 2015/16

** No Bonuses or expenses allowances was awarded in 2015/16 and 2014/15

The following table sets out the remuneration disclosures for senior officers whose salary is £150,000 or more per annum.

Post Holder Details	Note	Salary, Fees and Allowances		Compensation for Loss of Office		Remuneration (excluding employer pension contribution)		Employer Pension Contribution		Total Remuneration	
		2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
		£	£			£	£	£	£	£	£
Chief Executive - T Shields	i	177,725	177,956	0	0	**177,725**	**177,956**	34,600	34,600	**212,325**	**212,556**
Corporate Director of Children and Young People's Services - A Wood	ii	119,546	227,240	163,925	0	**283,471**	**227,240**	2,538	23,464	**286,009**	**250,704**

(i) Annualised salary was £177,956 for 2015/16 and 2014/15
(ii) Left the Council on 31st December 2015; annualised salary was £155,410 for 2015/16 and £159,999 for 2014/15

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

Exit Package Cost Band (including special payments)	Number of compulsory redundancies				Number of other agreed departures				Total number of exit packages by cost band				Total cost of exit packages in each band			
	2015/16		2014/15		2015/16		2014/15		2015/16		2014/15		2015/16		2014/15	
	Council	Schools	Council	Schools	Council	Schools	Council	Schools	Council	Schools	Council	Schools	**Council** £	**Schools**	**Council** £	**Schools**
£0 - £20,000	95	39	46	48	105	12	13	0	200	51	59	48	2,000,699	310,500	542,283	429,629
£20,001 - £40,000	22	5	26	8	83	1	5	1	105	6	31	9	3,183,222	180,181	900,443	237,292
£40,001 - £60,000	6	0	8	0	18	0	1	0	24	0	9	0	1,137,236	0	464,829	0
£60,001 - £80,000	1	0	3	0	6	0	1	0	7	0	4	0	480,514	0	264,893	0
£80,001 - £100,000	1	0	2	0	5	0	0	0	6	0	2	0	554,603	0	179,172	0
£100,001 - £150,000	1	0	1	0	1	0	0	0	2	0	1	0	240,306	0	136,896	0
£150,001 - £200,000	1	0	0	0	1	0	0	0	2	0	0	0	339,542	0	0	0
Total	**127**	**44**	**86**	**56**	**219**	**13**	**20**	**1**	**346**	**57**	**106**	**57**	**7,936,122**	**490,681**	**2,488,516**	**666,921**

The number of employees including senior officers whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 is shown below.

	2015/16		**2014/15**	
	No. of employees		No. of employees	
	Council	Schools	Council	Schools
£50,000 - £54,999	141	89	125	81
£55,000 - £59,999	72	47	59	39
£60,000 - £64,999	43	25	33	20
£65,000 - £69,999	38	14	27	20
£70,000 - £74,999	17	14	14	10
£75,000 - £79,999	3	9	8	9
£80,000 - £84,999	15	2	3	5
£85,000 - £89,999	8	7	5	2
£90,000 - £94,999	6	2	6	4
£95,000 - £99,999	13	1	11	2
£100,000 - £104,999	3	2	0	0
£105,000 - £109,999	0	1	1	0
£110,000 - £114,999	1	1	1	2
£115,000 - £119,999	1	1	0	1
£120,000 - £124,999	0	1	0	2
£125,000 - £129,999	1	1	0	1
£130,000 - £134,999	0	1	0	0
£135,000 - £139,999	1	0	2	0
£140,000 - £144,999	0	0	1	0
£150,000 - £154,999	1	0	0	0
£155,000 - £159,999	0	0	0	0
£175,000 - £179,999	1	0	1	0
£210,000 - £299,999	0	0	1	0
£280,000 - £284,999	1	0	0	0
£315,000 - £319,999	1	0	0	0
Total	**367**	**218**	**298**	**198**

35. Termination Benefits

The Council terminated the contracts of 403 employees in 2015/16, incurring liabilities of £8.427 million (£3.155 million in 2014/15) in the form of compensation for loss of office and Payment in Lieu of Notice. Officers were made redundant on a voluntary basis as part of the Council's cost-cutting and service rationalisation measures. These disclosures rely on information obtained from payroll providers and other third parties.

36. Dedicated Schools Grant

The Council expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2011. The expenditure detailed below meets the grant conditions required in the DSG determination letter. The Schools Budget includes elements for a range of education services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2015/16 are as follows.

	Central Expenditure	ISB	Total
	£'000	£'000	**£'000**
Final DSG for 2015/16 before academy recoupment			**261,747**
Academy figure recouped for 2015/16			**53,282**
Total DSG after academy recoupment for 2015/16			**208,465**
Brought forward from 2014/15			**902**
Carry forward to 2015/16 agreed in advance			**0**
Agreed initial budget distribution in 2015/16	36,215	173,152	**209,367**
In year adjustment	1,215	(1,215)	**0**
Final budgeted distribution for 2015/16	**37,430**	**171,937**	**209,367**
Less actual central expenditure	(39,026)		(39,026)
Less actual ISB deployed to schools		(170,341)	(170,341)
Plus Council contribution for 2015/16	0	0	0
Carry forward to 2016/17	**(1,596)**	**1,596**	**0**

37. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16. No donations were received during the year.

	2015/16	2014/15
	£'000	£'000
Credited To Taxation and Non-Specific Income		
Revenue Support Grant	(84,257)	(118,197)
PFI Grant	(1,387)	(1,387)
Local Services Support	(53)	(84)
New Homes Bonus	(15,144)	(13,473)
Council Tax Freeze	(867)	(852)
Total	**(101,708)**	**(133,993)**
Credited to Services		
Department for Work and Pensions	(312,611)	(324,252)
Department for Education	(235,805)	(240,703)
Communities and Local Government	(3,170)	(1,796)
Department of Health	(39,660)	(34,614)
Other grants	(6,613)	(6,732)
Contribution from Health Authorities	(11,036)	(16,550)
Contribution from other partners	(9,732)	(724)
Other contributions	(2,519)	(1,863)
Total	**(621,146)**	**(627,234)**

The Council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the money or property to be returned. The balances at the year-end are as follows.

Current liabilities

	31/03/2016	31/03/2015
	£'000	£'000
Capital Grants Receipt in Advance		
Department for Education	(12)	(5,884)
Other central government grants	0	(41)
Other grants	(2,402)	(1,497)
Total	(2,414)	(7,422)

The Council has a number of donated heritage assets which consist of artworks and artefacts within the Chalmers bequest. The balance at the year-end is as follows.

	2015/16	2014/15
Donated Assets Account (Non-Current Assets)		
Chalmers Bequest Artworks	(466)	(436)
Chalmers Bequest Artefacts	(172)	(150)
Total	(638)	(586)

The balances held in respect of revenue grants received in advance at the year-end are as follows.

	31/03/2016	31/03/2015
	£'000	£'000
Revenue Grants Receipt in Advance		
Department for Work and Pensions	(108)	0
Communities and Local Government	(100)	(63)
Greater London Authority	(19)	0
Department for Education	(1,840)	(2,455)
London Legacy Development Corporation	0	(520)
Other Grants	(6)	(48)
Total	**(2,073)**	**(3,086)**

Long term liabilities

	31/03/2016	31/03/2015
	£'000	£'000
Capital Grants Receipt in Advance		
Department for Education school grants	0	0
Other grants	(1,093)	(2,415)
Total	**(1,093)**	**(2,415)**

Following the annual review of grant conditions in 2015/16, it has been determined that the majority of unspent grant income (capital and revenue) satisfied the criteria to be recognised in the Comprehensive Income and Expenditure Statement.

38. Related Parties

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

The following financial disclosures are mostly made on a cash rather than accruals basis.

Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, it provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with the other parties.

During the financial year, service specific grants of £598 million (£608 million in 2014/15), were recorded in the Comprehensive Income & Expenditure account. In addition to this amount other grants were received for capital purposes from government departments such as Department of Health. Both Revenue and Capital Grants are disclosed in detail in Note 37.

Members

Members of the Council, which includes the Mayor, have direct control over the Council's financial and operating policies and procedures. By virtue of their office, through their residence in the Borough and/or as active members of the community, Members of the Council participate and hold membership in a variety of other organisations. Details of these interests are recorded in the Register of Members' Interests which is open to public inspection and available on the Hackney Council website. The transactions that occurred with those organisations in 2015/16 are summarised in the paragraphs below.

The Council made payments totalling £4.658 million (£4.783 million in 2014/15) to thirteen voluntary organisations in which there are seventeen declared interests by Members. Payments of £4.978 million (£3.763 million in 2014/15) were made to four Housing Associations and Tenant Management Organisations in which eight controlling interests were declared by Members. In addition, payments totalling £1.200 million (£1.366 million in 2014/15) were made to five public-related organisations in which there are nine declared interests by Members.

The Mayor of the Council, Jules Pipe, is Chair of Team Hackney, a Non-Executive Director of London Legacy Development Corporation, Chair of London Councils, Deputy Chair of the London Enterprise Board, a Member of the Local Government Association City Regions Board, and was a Director of the London Pension Collective Investment Vehicle Ltd up until September 2015.

Officers

The Chief Executive of the Council, Tim Shields, is Chair of Hackney Crime and Disorder Partnership and a Member of Team Hackney board.
The Corporate Director of Housing, Charlotte Graves, is also the Chief Executive of Hackney Homes.
The Group Director, Finance and Corporate Resources, Ian Williams, was the Interim Director of the London Pension Collective Investment Vehicle up until September 2015

Entities Controlled or Significantly Influenced by the Council

Hackney Homes Limited
The Council formed an Arm's Length Management Organisation (ALMO), effective from April 2006, known as Hackney Homes Limited (HHL). HHL was responsible for managing Council homes in Hackney. This included managing Council housing, collecting council housing rents, repairing and maintaining council homes. HHL was a not-for-profit organisation that is 100% owned and controlled by Hackney Council. Hackney Homes' contract ended on 31st March 2016 and the delivery of the housing service reverted to the Council. In 2015/16, the management fee payable to Hackney Homes was £45.536 million (£42.594 million in 2014/15). HHL currently owes the London Borough of Hackney £1.574 million (£0.687 million in 2014/15) and London Borough of Hackney owes HHL £2.270 million (£1.716 million in 2014/15). Three Members were on the Hackney Homes board as at 31st March 2016.

Hackney Schools for the Future Limited
Hackney Schools for the Future Limited (HSFL) is the Local Education Partnership (LEP) for Hackney. HSFL was created primarily to deliver the Building Schools for the Future (BSF)

programme in Hackney, but the agreement has the flexibility to allow HSFL to deliver other education related capital projects. Consequently, apart from the BSF programme, HSFL was commissioned to rebuild Thomas Fairchild Primary School and currently commissioned to work on batched expansion schemes at Harrington Hill and Orchard primary Schools; HSFL will also be delivering the Mixed Used Development Schemes at Nile Street and Tiger Way. HSFL is a public private partnership between the Council and Mouchel Babcock (a private sector partner), each holding an equity investment of £50,000 nominal £1 share capital at 20% and 80% respectively. The board has one Council appointee. The value of the contract for delivering the BSF construction programme awarded in November 2008, totalled £195 million, over a five year period. The BSF programme was in 3 phases. The construction of the PRUs started as planned in previous years. In addition to BSF construction, rebuilding of Thomas Fairchild School, the Expansion Schemes and the construction of the mixed used development, HSFL currently delivers FM and ICT managed services for BSF schools. The total amount spent on BSF related schemes was £12.951million (including fees) (£15.506 million in 2014/15) of which LEP costs for design costs, build costs, ICT and FM service provision, paid to the LEP on behalf of the Council was approximately £10.712million. One Member and one Chief Officer were on the HSFL board during 2015/16.

Other

The Health and Wellbeing Board is a statutory requirement from 1st April 2013 under the Health and Social Care Act 2012. The purpose of this board is to bring together senior leaders from Hackney Council, the NHS, Healthwatch and Voluntary and Community sector partners to improve the health and wellbeing of people in Hackney. During 2015/16, 3 Members and 2 Chief Officers were on the Health and Wellbeing Board. The Chief Executive of Homerton University Hospital NHS Foundation Trust and the Chair of the City and Hackney Clinical Commissioning Group (CCG) are Co-opted members of the Health and Wellbeing Board.

The principal activity of Hackney Empire Limited, a registered charity, is the operation of a theatre within the London Borough of Hackney. In 2009/10, the Council granted a long term loan of £0.230 million to Hackney Empire Ltd of which £0.050 million was repaid in 2015/16 leaving a balance of £0.050 million. The remaining balance will be paid in full in 2016/17. Separately, Hackney Empire received a grant of £0.100 million per year from the Council.

The City and Hackney Safeguarding Children Board (CHSCB) is the key statutory body for agreeing how organisations co-operate to safeguard and promote the welfare of children and young people in City and Hackney, and for ensuring the effectiveness of what they do. Staff in the LBH CHSCB team work for the CHSCB and play an important role in coordinating Board and sub-committee meetings, managing safeguarding projects for the Board, organising multi-agency training and building relationships with local community groups. The Council contributed £0.114 million to the CHSCB (£0.118 million in 2014/15).

During the financial year 2015/16, the Council charged the Pension Fund £0.278 million (£0.292 million in 2014/15) for expenses incurred in administering the fund during the year. As the Pension Fund has a separate bank account, it invests surplus cash on its own behalf with interest going straight to the Fund. Six Members belong to the Pensions Committee.

As part of the North London Waste Authority (NLWA), Hackney is one of seven constituent boroughs where the Council has two elected Members who were on the board. NLWA is a two-tier authority and Hackney is a waste collection authority and under direction from NLWA regarding disposal of residual municipal waste. This is a levy arrangement where the Council contributed £5.868 million (£6.027 million in 2014/15). The council also incurred charges of £1.923 million (£1.845 million in 2014/15) towards non-household waste and £0.545 (£0.596 million in 2014/15) towards household chargeable waste.

The Hackney Ark is a NHS Local Improvement Finance Trust (LIFT) scheme, which is occupied by Homerton University Hospital Trust (HUHT), The Whittington Hospital and the Council's Disabled Children's Service (DCS). The occupying parties of the Hackney Ark work in a partnership framework in delivering integrated services under the Hackney Wellbeing Model. In 2015/16, the DCS contribution to the LIFT was £0.073million (£0.063 million for 2014/15). Hackney Councils Disabled Children Service moved out of the building in October 2015. Additionally, the Council paid £0.088 million for an occupational worker at the HUHT, £0.045 million to fund the Disability Register at the HUHT and £0.018 million in other contributions, including for staffing and home care.

Team Hackney is a local strategic partnership and the Council operates under this banner along with other local public partners, including Homerton University Hospital NHS Foundation Trust, Hackney Metropolitan Police, City & Hackney CCG, Hackney Community College and Job Centre Plus. Team Hackney's core purposes are to maintain and review the strategic vision for Hackney, take a problem solving approach to tackling cross cutting issues and priorities, and to promote and encourage a collaborative approach to policy and service delivery. Five members and three Chief Officers were on the Team Hackney Board during 2015/16.

Kench Hill became a registered charity in 2008. It provides outdoor education programmes to young people and adults. Grants totalling £0.045 million (£0.638 million in 2014/15) were awarded to the charity by the Council during 2015/16. Kench Hill also derived £0.143 million (£0.145 million in 2014/15) of its income from providing services to schools in Hackney. As at 31st March 2016, twelve members of staff employed by the Council are seconded to Kench Hill and their costs are fully reimbursed. One of these staff holds a position on the Kench Hill Board of Trustees.

The Council has invested a total of £200,000 of equity in the Municipal Bond Agency over the last 2 years. The Council has a vested interest in the success of the Municipal Bond agency as its goal is to reduce borrowing costs for Local Authorities. The Council has no members or officers sitting on the board.

The London CIV is a collective vehicle established by London Councils on behalf of LB Hackney and the City of London Corporation. It consists of an ACS (authorised Contractual Scheme) Operator which, is a limited company wholly owned by the 32 participating authorities and the ACS fund itself.

The Council itself is a shareholder in the operating company. Additionally, the Mayor and the Councils Group Director of Finance and Corporate Resources held positions on the interim Board of the CIV prior to the establishment of the current Board on 8th September 2015. LB Hackney paid a £0.025 million Annual Services charge for CIV in 2015/16 (identical payments were made by participating authorities) and £0.150 million to provide regulatory capital to operating company (treated as an investment of the Hackney Pension Fund). Again, identical payments were made by other participating authorities.

39. Impairment Losses

During 2015/16, the Council has recognised a net impairment/revaluation loss reversal (relating to losses recognised in prior years) of £216,318 million (£198,434 million in 2014/15) in relation to Property, Plant and Equipment and Investment Assets. Of this total net impairment/revaluation loss reversal, the following amounts were charged/credited to the Comprehensive Income and Expenditure Statement.

	2015/16	2014/15
	£'000	£'000
Adult Social Care	188	(264)
Corporate & Democratic Core	(3,762)	2,855
Cultural and Related Services	729	(1,852)
Planning Services	(3)	(7)
Environmental & Regulatory	82	(221)
Education and children's services	(25,456)	(16,940)
Highways and Transport Service	(200)	(2,261)
Housing Services	(127)	1,749
NDC	5,068	1,927
HRA	(192,836)	(183,420)
Total	**(216,317)**	**(198,434)**

40. Capital Expenditure and Capital Financing

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

	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement		222,373		227,653
Capital investment				
- Property, Plant and Equipment	157,005		128,995	
- Intangible Assets	5,914		4,684	
- Revenue Expenditure Funded from Capital under Statute	3,302		15,321	
- Assets acquired under finance leases	0	166,221	0	149,000
Sources of finance				
- Capital receipts	(10,331)		(20,392)	
- Government grants and other contributions	(33,843)		(37,599)	
- Direct revenue contributions	(87,128)		(67,408)	
- Major Repairs Allowance	(29,603)	(160,905)	(28,881)	(154,280)
Closing Capital Financing Requirement		**227,689**		**222,373**
Explanation of movements in year				
Decrease in underlying need to borrow (supported by government financial assistance)				(5,280)
Assets acquired under finance leases		5,316		0
Increase / (decrease) in Capital Financing Requirement		**5,316**		**(5,280)**

41. Leases

Authority as Lessee

Finance Leases

The Council has reclassified two properties as finance leases following the introduction of the IFRS Code. As at 31st March 2015 the Council leased 30 non-property assets which have been reclassified as finance leases, this decreased to 18 assets at 31st March 2016. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31/03/16	31/03/15
	£'000	£'000
Other Land and Buildings	766	797
Vehicles, Plant, Furniture and Equipment	344	609
Total	**1,110**	**1,406**

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

	Minimum Lease Payments	
	2015/16	2014/15
	£'000	£'000
Less than one year	296	295
Between one and five years	100	283
Later than five years	26	27
Total	**422**	**605**

These minimum lease payments will be payable over the following periods.

	Minimum Lease Payments		Finance Lease Liabilities	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Less than one year	296	295	288	233
Between one and five years	100	283	94	278
Later than five years	26	27	50	26
Total	**422**	**605**	**432**	**537**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents are payable on either of the leased properties and the rents for vehicles, plant and equipment have not changed from the original agreements. There were no subleases in relation to these finance leases at the Balance Sheet date.

Operating Leases

The Council has acquired its fleet of sweeper vehicles by entering into operating leases, with lease lives of 5 years. The Council has excluded leases where the cost to purchase the asset outright was less than £50,000.

The future minimum lease payments due under non-cancellable leases in future years are as follows.

	2015/16	2014/15
	£'000	£'000
Not later than one year	870	1,113
Later than one year and not later than five years	2,287	2,289
Later than five years	428,275	428,022
Total	**431,432**	**431,424**

The Council terminated the lease for 21-23 Hackney Grove/Vernon Hall and a provision of £100k has been provided as at 31st March 2016.

There are no material contingent rents or sub-leases in relation to these operating leases.

The expenditure on the minimum lease payments charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was made under the following cost of services lines.

	2015/16	2014/15
	£'000	£'000
Central Services to the public	0	340
Education and Children's Services	54	197
Public Health	0	45
Housing Revenue Account	0	450
Housing Services (not HRA)	0	176
Environmental and Regulatory Services	159	0
Corporate and Democratic Core	1	0
Highway and Transport Services	166	0
Total	**380**	**1,208**

Authority as Lessor

Finance Leases

The Council has leased out a number of its commercial properties where the building element has been reclassified as a finance lease following the introduction of the Code. The most significant leases in terms of their remaining term include the following: 5 blocks at Dalston Lane South Regeneration with a remaining term of 118 years, 18/20 Ashwin Street with a remaining term of 85 years, Sylvester House with a remaining term of 58 years and 243 Old Street with a remaining term of 47 years.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the properties when the lease comes to an end. The Council's policy is that capital assets have zero residual values. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

The gross investment is made up of the following amounts.

	31/03/16	31/03/15
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments)		
- current	84	90
- non-current	5,294	5,378
Unearned finance income	16,377	16,601
Unguaranteed residual value of property	0	0
Gross investment in the lease	**21,755**	**22,069**

The gross investment in the lease and the minimum lease payments will be received over the following periods.

	Minimum Lease Payments		Gross Investment in the Lease	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Less than one year	84	90	303	314
Between one and five years	258	278	1,083	1,123
Later than five years	5,036	5,100	20,369	20,632
Total	**5,378**	**5,468**	**21,755**	**22,069**

The Council regularly reviews the need for additional provision for uncollectible debts and the impact of the current financial climate on the ability of debtors to meet their lease obligations will be subject to review on an annual basis. There is no material allowance for uncollectible minimum lease payments receivable.

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

In 2015/16 contingent rents of £18k (£20k in 2014/15) were receivable by the Council.

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes.

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

The future minimum lease payments receivable under non-cancellable leases in future years are as follows.

	2015/16	2014/15
	£'000	£'000
Not later than one year	7,709	549
Later than one year and not later than five years	5,656	1,690
Later than five years	485	4,780
Total	**13,850**	**7,019**

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

In 2015/16 contingent rents of £5k (£139k in 2014/15) were receivable by the Council.

42. PFI and Similar Contracts

The Council has one PFI scheme for the Technology and Learning Centre (TLC). 2015/16 was the fifteenth year of a thirty-one year PFI contract for the design, build and financing of the TLC, which Hackney Learning Trust (formerly The Learning Trust), Hackney Library and Hackney Museum occupy. The PFI contract is with Investors in the Community (Hackney) Limited. Under the terms of the contract the Council determines what services must be provided and the standards expected for those services. The Council monitors these standards and the contract allows for deductions to be made from the fees payable should performance be below standard or if the facilities are unavailable.

The Council has leased the land which forms the site of the TLC to Investors in the Community (Hackney) Limited for an annual rent of £0.222 million.

The TLC continues to be included on the Council's Balance Sheet as the Council is deemed to control and regulate the services provided under the PFI scheme and ownership of the TLC building will pass to the Council at the end of the contract for no additional charge. Movements in the value of the TLC building are detailed in the analysis in Note 12.

Lifecycle costs have not been included in the model used to determine the principle and interest elements of the unitary payments made. There have been no changes to the scheme or refinancing in 2015/16.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, otherwise it is fixed. Payments remaining to be made under the PFI contract for the TLC as at 31st March 2016 (excluding any estimation of inflation and availability/performance deductions) are as follows.

	Payment for Services	Reimbursement of Capital Exp	Interest	Total
	£'000	£'000	£'000	**£'000**
Payable in 2016/17	1,352	660	1,161	**3,173**
Payable within 2 to 5 years	6,216	3,176	4,109	**13,501**
Payable within 6 to 10 years	9,760	5,511	3,593	**18,864**
Payable within 11 to 15 years	14,023	6,134	1,187	**21,344**
Payable within 16 to 20 years	4,595	0	0	**4,595**
Total	**35,946**	**15,481**	**10,050**	**61,477**

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 pay the contractor for capital expenditure incurred is as follows.

	2015/16	2014/15
		£'000
Balance at start of year	**(16,097)**	**(16,668)**
Payments during the year	615	571
Balance at end of year	**(15,482)**	**(16,097)**

43. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council 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 Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, it 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 Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. It is therefore accounted for on the same basis as a defined contribution scheme for the purposes of these financial statements.

In 2015/16 the Council paid £9.580 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.10% from 01/04/2015 – 31/08/2015 and 16.48% from 01/09/2015 – 31/03/2016 of pensionable pay. The figures for 2014/15 were £8.623 million and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and are detailed in Note 44.

44. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post-employment schemes.

- London Pension Fund Authority (LPFA) – for those employees who, in previous years, were transferred to the Council on the abolition of the Greater London Council, the London Residuary Body and the Inner London Education Authority.
- London Borough of Hackney (LBH) Pension Fund, where the Council is the Administering Authority – the Council is the largest employer in the Fund and makes contributions to fund the pension benefits of Council staff including school support staff, along with employees also paying contributions at rates determined by statute.

Following an assessment of the impact of producing group accounts on the Council's financial statements, group accounts were deemed immaterial and no longer included in the Statement of Accounts. Until 2012/13 however the Council recognised on its Balance Sheet a liability of £8.809 million, representing the Hackney Homes Limited pension deficit at 1st April 2006 i.e. the point at which Council staff were transferred to the ALMO. The liability disclosed on the Balance Sheet as at 31st March 2016 is the full liability (£17.165 million) for Hackney Homes Limited. This is to reflect the potential constructive obligation resting with the Council to meet any deficit recognised in the accounts of Hackney Homes Limited.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year.

	LBH		LPFA	
	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000
Cost of Services				
- current service cost (incl.admin)	41,886	33,502	261	250
- settlement and curtailments	(2,583)	402		0
Total	**39,303**	**33,904**	**261**	**250**
Financing and Investment Income and Expenditure				
- Net interest cost	21,283	23,871	207	259
Total	**21,283**	**23,871**	**207**	**259**
Re-measurements of net defined benefit liability				
- Return on plan assets	(38,657)	82,979	(1,828)	1,203
- actuarial (gains) and losses arising in changes in demographic assumptions				
- actuarial (gains) and losses arising on changes in financial assumptions	146,154	(203,825)	3,573	(5,915)
Other	27,512	15,826	3,937	(14)
Total	**135,009**	**(105,020)**	**5,682**	**(4,726)**

The following transactions have been made in the Comprehensive Income and Expenditure Statement and General Fund / HRA balances via the Movement in Reserves Statements during the year.

	LBH		LPFA	
	2015/16 £'000	2014/15 £'000	2014/15 £'000	2014/15 £'000
Reversal of net charges made to the Surplus/Deficit for the Provision of Services in accordance with the Code	(60,586)	(57,775)	(468)	(509)
Actual amount charged for pensions in the year	37,781	37,921	0	0

Assets and Liabilities in Relation to Post-employment Benefits

The Council is responsible for the cost of unfunded pension payments relating to compensatory added years benefits to former employees who were in the LPFA scheme. In 2015/16 this amounted to £0.285 million (£0.287 million in 2014/15).

In addition, the Council is responsible for the ongoing cost of unfunded pension payments relating to compensatory added years benefits paid to former employees who left the Council's service prior to April 1999. Since April 1999, the Council's accounting policy requires service revenue accounts to bear the capitalised cost of any new compensatory benefit decisions by payment of a lump sum into the Pension Fund in the year of account or by instalments within five years of the employment termination date. From 2001/02, the Council no longer awarded added years compensatory benefits. The total cost borne in the 2015/16 accounts in respect of the above commitments was £5.540 million (£5.630 million in 2014/15).

The following is a reconciliation of fair value of employer assets.

	LBH		LPFA	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Balance as at 1st April	**1,134,921**	**977,354**	**49,565**	**48,739**
Interest Income	31,500	36,532	1,452	1,999
Remeasurement gain/loss				
- Return on assets	(38,657)	82,979	(1,828)	1,203
- Other Actuarial gains/losses				
Employer contributions	51,010	50,782	453	742
Contributions by scheme participants	9,575	9,488	32	36
Unfunded benefit contributions	4,103	4,143	285	287
Unfunded benefit payments	(4,103)	(4,143)	(285)	(287)
Benefits paid	(45,808)	(45,685)	(2,802)	(3,081)
Other			(74)	(73)
Inclusion of HHL liability	3,466	23,471		
Balance as at 31st March	**1,146,007**	**1,134,921**	**46,798**	**49,565**

The following is a reconciliation of present value of the scheme liabilities.

	LBH		LPFA	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Balance as at 1st April	**(1,836,678)**	**(1,556,616)**	**(60,597)**	**(55,278)**
Current service cost	(41,886)	(33,502)	(187)	(177)
Interest cost	(52,783)	(60,403)	(1,659)	(2,258)
Contributions by scheme participants	(9,575)	(9,488)	(32)	(36)
Remeasurement (gains) and losses				
- actuarial (gains) and losses arising in changes in demographic assumptions	0	0	0	0
- actuarial (gains) and losses arising on changes in financial assumptions	146,154	(203,825)	3,573	(5,915)
- Other	27,512	15,826	3,937	(14)
Past service cost (including Curtailments	(204)	(402)	0	0
Effects of settlements	2,787	0	0	0
Unfunded benefit payments	4,103	4,143	0	287
Benefits paid	45,808	45,685	2,802	2,794
Inclusion of HHL liability	7,330	(38,096)	0	0
Balance as at 31st March	**(1,707,432)**	**(1,836,678)**	**(52,163)**	**(60,597)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	2015/16	2014/15
	£'000	£'000
Present value of liabilities		
- LBH	(1,707,432)	(1,836,678)
- LPFA	(52,163)	(60,597)
Fair value of assets		
- LBH	1,146,007	1,134,921
- LPFA	46,798	49,565
Surplus / (deficit)		
- LBH	**(561,425)**	**(701,757)**
- LPFA	**(5,365)**	**(11,032)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £1,759.595 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £566.789 million, which includes the Hackney Homes Ltd liability. 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 a prudent financial timeframe as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contribution expected to be made to the London Borough of Hackney Pension Scheme by the Council in the year to 31st March 2017 is £48.476 million. Expected contributions for the London Pension Fund Authority scheme in the year to 31st March 2017 are £0.471 million.

Scheme assets consist of the following categories, by proportion of the total assets held.

	LBH		LPFA	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Cash and cash equivalents:	20,098	20,172	5,917	5,691
Equity instruments				
- Consumer	55,916	62,965	0	0
- Manufacturing	37,895	40,504	0	0
- Energy and Utilities	38,172	50,710	0	0
- Financial institutions	73,285	83,781	0	0
- Health and care	51,821	59,680	0	0
- Information technology	46,548	0	0	0
- Other	44,443	59,256	0	0
	348,080	**356,896**	**0**	**0**
Debt Securities:				
- Corporate Bonds	59,170	56,376	0	0
- Government Bonds	79,314	93,101	0	0
- Other	6,703	641	0	0
	145,187	**150,118**	**0**	**0**
Property:				
- UK Property	105,207	0	0	0
	105,207	**0**	**0**	**0**
Other investment funds and Unit Trusts:				
- Equities	235,780	263,401	21,739	21,504
- Bonds	13,790	15,751	0	0
- Commodities	1,256	1,545	209	461
- Infrastructure	0	0	2,564	2,456
- Property	0	0	1,670	1,405
- Other	118,168	169,732	0	0
	368,994	**450,429**	**26,182**	**25,826**
Derivatives:				
- Foreign Exchange	(2,892)	(561)	0	0
Other				
- LDI/Cashflow matching	0	0	4,744	3,720
Target Return Portfolio	0	0	9,955	14,328
	0	**0**	**14,699**	**18,048**
Balance as at 31st March	**984,674**	**977,054**	**46,798**	**49,565**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Liabilities of the LBH fund have been assessed by Hymans Robertson LLP and those of the LPFA fund by Barnett Waddingham, both being independent firms of actuaries.

The significant assumptions used by the actuary have been as follows.

	LBH		LPFA	
	2015/16	2014/15	2015/16	2014/15
Mortality assumptions				
Longevitiy at 65 for current pensioners (years)				
- male	21.5	21.5	21.4	21.4
- female	23.7	23.7	24.2	24.1
Longevitiy at 65 for future pensioners (years)				
- male	23.6	23.6	23.9	23.7
- female	25.8	25.8	26.5	26.4
Financial assumptions				
- Retail Price Index increase	3.2%	3.3%	2.9%	3.0%
- Consumer Price Index increase	2.2%	2.4%	2.0%	2.2%
- Rate of increase in salaries	4.2%	4.3%	3.8%	4.0%
- Rate of increase in pensions	2.2%	2.4%	2.0%	2.2%
- Rate for discounting scheme liabilities	3.5%	3.2%	3.3%	3.0%

The LPFA Scheme assumes 50% take-up of commutation of pension for cash at retirement whilst the LBH Scheme assumes 50% of the maximum tax-free cash up to HMRC limits for pre-April 2008 service and 75% for post-April 2008 service.

The following table sets out the impact of a small change in the discount rates on the LPFA pension obligation and projected service cost as well as a +/- 1 year age rating adjustment to the mortality assumptions.

	£'000	£'000	£'000
Adjustment to discount rate	0.1%	0.0%	-0.1%
- PV of total obligation	51,457	52,163	52,879
- Projected service cost	165	168	171
Adjustment to long term salary increase	0.1%	0.0%	-0.1%
- PV of total obligation	52,182	52,163	52,144
- Projected service cost	168	168	168
Adjustment to pension increases and deferred revaluation	0.1%	0.0%	-0.1%
- PV of total obligation	52,868	52,163	51,457
- Projected service cost	171	168	165
Adjustment to mortality age	+1 year	None	-1 year
- PV of total obligation	53,912	52,163	50,472
- Projected service cost	172	168	164

The sensitivities regarding the principal assumptions used to measure the LBH Scheme liabilities are set out below.

	% Increase	£'000
0.5% decrease in Real Discount Rate	10%	152,172
1 year increase in member life expectancy	3%	45,868
0.5% increase in the Salary Increase Rate	2%	31,975
0.5% increase in the Pension Increase Rate	8%	118,818

Investment Strategy

The Pensions Committee of the London Borough of Hackney has reviewed investment strategy and does not believe that it is appropriate at this time to adopt an asset and liability matching strategy (ALM). The Committee considers on an ongoing basis the risk profile of the fund to ensure that its asset allocation strategy remains appropriate in terms of risk and return. As required by the Local Government (Investment and Management of Funds) Regulations 2009, the Pension Fund maintains a policy statement (Statement of Investment Principles) which sets out how assets will be managed and the management and measurement of those risks. The suitability of various types of investment have been considered and the need to diversify investments to reduce the risk of being invested in too narrow a range. A large proportion of the assets relate to equities (57.7%) and bonds (17.3%). The proportion in equities has decreased slightly over the year (previously 63.4%) following a switch into a real return fund, bonds remained unchanged. The Fund also invests in property and multi-asset funds as a part of the diversification of the Fund's investments. The Committee put a de-risking strategy in place to decrease risk exposure at appropriate levels following the actuarial review in 2013, although the levels have not achieved to implement that strategy.

Impact on the Authority's Cash Flows

One of the objectives of the Fund is to keep employers' contributions stable. The London Borough of Hackney has agreed a strategy with the Fund's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on a quarterly basis and reported to the Pensions Committee. The next triennial valuation is currently underway as at 31st March 2016. The Fund has taken account of the national changes to the Local Government Pension Scheme introduced on 1st April 2014, which has seen the basis of the Scheme move from a defined benefit final salary scheme to a defined benefit career average revalued earnings (CARE) basis. Service prior to 1st April 2014 will continue to be calculated on the final salary basis with only service from 1st April 2014 being calculated on the new CARE basis. The Teachers' Pension Scheme changes to a CARE basis took place on 1st April 2015.

45. Contingent Liabilities

At 31st March 2016, the Council had the following material contingent liabilities.

- Sections 149 – 171 of the Town and Country Planning Act 1990 enable owner-occupiers or mortgagees of certain properties under special circumstances to issue a Blight Notice that require the relevant authority to purchase their interests. It is currently estimated that claims of up to £18.5 million could be made.

Future service restructures are planned throughout the Council. Such restructures may involve incurring redundancy costs. The value of these cannot be determined until the individual reviews are completed. However, the Council factors these potential costs into its financial planning.

46. Contingent Assets

The Council does not have any contingent assets or gains to disclose.

47. Nature and Extent of Risks Arising from Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

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

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the CLG Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity of invested capital, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The Council's activities expose it to a variety of financial risks:

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

Credit Risk

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy.

The Council maintains a counterparty list based on its criteria and monitors and updates the credit standing of the institutions on a regular basis. The Council also sets limits on principal amounts invested and the duration of those investments, dependant on the financial standing of institutions and applied sector and country limits in line with their financial strength.

The credit quality of £8.8M of the Council's investments is enhanced by collateral held in the form of covered bonds collateralised by UK residential mortgages. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

The Council sets a total group investment limit for institutions that are part of the same banking group. No more than £50m in total can be invested for a period longer than 364 days. The Council has no historical experience of counterparty default.

All investments have been made in line with the Council's Treasury Management Strategy Statement for to 2015/16, approved by Full Council on 25th February 2015. The 2015/16 Treasury Strategy can be found via the following web link:

http://mginternet.hackney.gov.uk/documents/s41488/Appendix4%20TreasuryManagementStrategy.pdf

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence, for example statements of potential government support. The Council also takes into account information on the following in relation to counterparties:

- Credit Ratings (minimum long-term A- for counterparties and AA+ for countries)
- Credit Default Swaps (where quoted)
- GDP; Net Debt as a Percentage of GDP
- Sovereign support mechanisms or potential support from a well-resourced parent institution
- Share Prices (where quoted)
- Macro-economic indicators
- Corporate developments, news and articles and market sentiment

The table below summarises the value of the Council's 2015/16 investment portfolio at 31st March 2016.

Counterparty	Credit Rating met when YES/NO	Balance Invested as at 31/03/2016 Up to 1 month £000s	≥1 and <3 months £000s	≥3 and <12 months £000s	Long Term £000s	Total £000s
Banks - UK	YES		10,027	23,883	4,091	**38,001**
Banks - non UK	YES	12,026		40,111		**52,137**
Total Banks		**12,026**	**10,027**	**63,994**	**4,091**	**90,138**
Building Societies - UK	YES	10,028		1,008	2,217	**13,253**
Local Authorities - UK	YES	3,059	17,524	31,250	23,135	**74,968**
Corporate Bonds				5,874		**5,874**
Money Market Funds	YES	18,627				**18,627**
Call Accounts	YES					**0**
Total		**43,740**	**27,551**	**102,126**	**29,443**	**202,860**

The above analysis shows deposits outstanding as at 31st March 2016 met the Council's credit rating criteria at that date.

In addition, the Council holds £200K of equity in the Local Government Bond agency.

Liquidity Risk

The Council ensures it has adequate though not excessive cash resources, borrowing arrangements, overdraft and standby facilities to enable it, at all times, to have the level of funds available which are necessary for the achievement of its business / service objectives.

The Council has access to the following to assist with liquidity as at 1st April 2016.

- An overdraft facility of £250k overnight for the Lloyds PLC, (£0m for Royal Bank of Scotland); this is used for unforeseen expenditure and if borrowing funds from the money market proves too expensive.
- Daylight exposure of £60million for the Lloyds PC Bank up to the 31st March, £70million for Royal Bank of Scotland; this enables the Authority to make the necessary daily CHAPS payments to Counterparties up to the specified limits
- Call Accounts and Money Market Fund Accounts from which monies can be 'called back' daily
- Access to the London Money Market
- Borrowing facilities via Public Works Loan Board (PWLB), the money market and other sources.

As the Council has ready access to borrowings from the PWLB, there is not thought to be a significant risk that it will be unable to raise finance to meet its commitments under financial instruments. However, there is a risk that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates, although such risks are managed as far as possible through prudent treasury management.

The strategy is to ensure that not more than 40% of loans are due to mature within any rolling three-year period through a combination of careful planning of when, and for how long, any new borrowing is undertaken and by either rescheduling or making arrangements for the early redemption of debt. A debt rescheduling exercise, or early redemption of debt, is only undertaken if there are interest cost savings, with minimal risk, to the Council, or it is done in order to rebalance the portfolio to mitigate refinancing costs and the associated risks.

The maturity analysis of financial liabilities at nominal value is as follows:

Maturing within (years)	2015/16	%	2014/15	%	2013/14	%
	£'000		£'000		£'000	
Short Term Borrowing						
Less than 1 year	5,400	10%	400	10%	0	0%
Long Term Borrowing						
Over 1 but not over 2	400	10%	400	10%	0	100%
Over 2 but not over 5	1,200	30%	1,200	30%	0	0%
Over 5 but not over 10	2,400	50%	2,000	50%	0	0%
Over 10 but not over 15	0	10%	400	10%	0	0%
Over 15 but not over 20	0	0%	0	0%	0	0%
Over 20 but not over 25	0	0%	0	0%	0	0%
Over 25 but not over 30	0	0%	0	0%	0	0%
Over 30	0	0%	0	0%	0	0%
Total Long Term Borrowing	4,000		4,000		0	

In March 2016, the Council undertook a short term (1 month) loan for £5m from London Borough of Kensington and Chelsea to help manage cash flow over.

Market Risk

The Council seeks to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek protection from the effects of such fluctuations.

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposures to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates: the interest rate expense charge to the Income and Expenditure Account would rise
- Borrowings at fixed rate: the fair value of the liabilities borrowings would fall
- Investments at variable rate: the interest income credited to the Income and Expenditure Account would rise
- Investments at fixed rates: the fair value of the assets would fall.

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

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

	£'000
Increase in interest recievable on variable rate investments	(634)
Impact on Other Comprehensive Income and Expenditure	**(634)**
Decrease in fair value of avaliable for sale financial assets	(41)
Impact on Comprehensive Income and Expenditure	**(41)**
Decrease in fair value of fixed rate borrowing liabilties (no impact on Other Comprehensive Income and Expenditure)	(158)

The majority of investments tend to be short term (typically under 12 months), and are therefore naturally more exposed to changes in interest rates.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

The Council has a number of strategies for managing interest rate risk. 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 risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority’s cost of borrowing, and provide compensation for the proportion of any higher costs.

The Council 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 on a regular basis.

Price Risk

The Council does not invest in instruments such as equity shares as part of its Treasury function and thus has no exposure to loss arising from movements in price.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies.

48. Trust Funds

The Council administers, as sole trustee, a number of trust funds which have been excluded from its financial statements on the basis that the funds are not owned by the Council. The governance structure for the trust funds is currently under review.

	Saunders Trust Fund		Other Trust Funds	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Balance as at 1st April	**(291)**	**(291)**	**(57)**	**(58)**
Receipts	0	0		1
Payments	0	0	0	0
Balance as at 31st March	**(291)**	**(291)**	**(57)**	**(57)**

The Saunders Trust was established in 1936 to provide deserving men and women residing in the former Metropolitan Borough of Hackney with benefits and pensions. Other trust funds are held for a variety of purposes, including prize funds and war memorial funds. There were no material liabilities outstanding as at 31st March 2016 in respect of the Trust Funds.

49. Heritage Assets – Five Year Summary

	2015/16	2014/15	2013/14	2012/13	2011/12
	£000	£000	£000	£000	£000
Cost of acquisitions of heritage assets					
Civic Regalia	485	482	350	335	317
Artefacts	415	420	286	272	272
Total cost of purchases	**900**	**902**	**636**	**607**	**589**
Value of heritage assets acquired by donation					
Artworks	845	815	1,096	986	970
Artefacts	172	150	89	85	85
Total donations	**1,017**	**965**	**1,185**	**1,071**	**1,055**
Carrying value of heritage assets					
Total	**1,916**	**1,866**	**1,821**	**1,678**	**1,644**

50. Heritage Assets – Further Information

Civic Regalia

The items of civic regalia owned by the Council are held in secure storage within Hackney Town Hall and consist of items relating to the two former separate boroughs of Stoke Newington and Shoreditch, as well as Hackney. The civic regalia items owned are listed below:

Speaker’s Gold Chain & Gold Badge
Speaker's Escort's Gold Badge
Deputy Speaker's Silver Chain & Silver Badge
Deputy Speaker's Escort's Gold Badge
Speaker & Deputy Speaker's Robes, Hat, Gloves, Wrist & Neck Ruffles
Shoreditch Gold Chain & Gold Badge
Stoke Newington Chain & Badge
Speaker’s Mace
Gilt wood & Mother of Pearl Mace
Silver Gilt Mace
Hackney Badges

Artworks

The collection consists of the Chalmer’s bequest collection of artworks including paintings, sculptures and decorative art objects. It was donated to the Borough of Stoke Newington by Alexander Chalmers in 1927 along with a sum of money, the interest of which was intended for the continued expansion of the collection. Until 1986 the Chalmers Bequest was housed in the Stoke Newington Library, at which point it was moved to the newly instituted Hackney Museum in order to increase access and to provide better security and supervision for the collection. As the artworks are held in trust, they cannot be sold or otherwise disposed of by the Council. The bequeathed artworks valued, for insurance purposes, in excess of £20k are listed below:

A Storm off the coast with Men O War
Rocky Landscape with waterfall & artist
View of London from Denmark Hill
Interior of St Peters with Papal Process
Numerous Animal & Orpheus
Fishing boats & Man O War at river mouth
An Italian Market Scene
The Crucifixion of Christ

The majority of the collection is on display in the Hackney Museum where it can be viewed by the public. The remaining paintings, sketches and sculptures are held in secure storage in the Hackney Archives.

Artefacts

The Council owns one piece of sculpture, a javelin figure sculpted by Constance Freedman, which is situated outside the Britannia Sports Centre and an Anglo-Saxon log boat (unearthed in Springfield Park) and a nineteenth century hand-pumped fire engine which are on display in the Hackney Museum.

Preservation and Management

The artworks collection is managed by the Head of Museum and Culture who reports to the Director of Health and Community Services. The collection is managed in accordance with policies that are approved by the Authority.

2014/15	HRA Income & Expenditure Statement	2015/16	
£'000		£'000	£'000
	Expenditure		
46,421	Repairs and maintenance	44,210	
40,228	Supervision and management	42,928	
2,181	Rents, rates, taxes and other charges	2,288	
(143,819)	Depreciation and impairment of non-current assets	(150,989)	
61	Debt Management Costs	58	
1,380	Movement in the allowance for bad debts	839	
0	Sums directed by the Secretary of State that are expenditure in accordance with the Code	380	
(53,548)	**Total Expenditure**		**(60,284)**
	Income		
(112,020)	Dwelling rents	(113,832)	
(2,970)	Non-dwelling rents	(3,291)	
(15,934)	Charges for services and facilities	(14,822)	
(8,556)	Contributions towards expenditure	(9,411)	
(139,480)	**Total Income**		**(141,356)**
(193,028)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(201,640)**
547	HRA service share of Corporate and Democratic Core		547
5,273	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		6,605
(187,208)	**Net Income / (Cost) for HRA Services**		**(194,488)**
	HRA share of operating income and expenditure included in the Comprehensive I&E Statement		
(23,300)	(Gain) or loss on sale of HRA non-current assets		(26,496)
844	Interest payable and similar charges		1,303
(507)	Interest and investment income		(327)
218	Net Interest on the net defined benefit liability (asset)		362
(11,940)	Capital grants and contributions receivable		(4,200)
(221,893)	**(Surplus) or deficit for the year on HRA services**		**(223,846)**

2014/15	Movement on the HRA Statement	2015/16	
		£'000	£'000
(10,200)	**Balance on the HRA at the end of the previous year**		**(10,200)**
(221,893)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(223,846)	
	Adjustments between accounting basis and funding basis under statute		
(33)	- Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	43	
23,300	- Gain or (loss) on sale of HRA non-current assets	25,892	
40	- HRA share of contributions to or from the Pensions Reserve	(256)	
28,881	- Transfer to/(from) Major Repairs Reserve	29,603	
158,393	- Transfer to/(from) Capital Adjustment Account	157,178	
339	- Transfer to/(from) Financial Instrument Adjustment Account	0	
19,302	- Capital expenditure funded by the HRA	24,596	
(2,614)	- Sums directed by the Secretary of State to be debited or credited to the HRA that are not expenditure or income in accordance with the Code	(2,431)	
0	Other Adjustments	(154)	
5,715	Net increase or (decrease) before transfers to or from reserves	10,625	
	Transfers to or (from) reserves		
(1,960)	- HRA Rightsizing reserve	(10,814)	
31	- Tenants Levy Reserve	31	
(4,000)	- Future Capital Works Reserve	0	
228	- HRA Insurance Reserve	26	
(14)	- Aerial Mast income reserve	132	
0	Increase or (decrease) in year on the HRA		(0)
(10,200)	**Balance on the HRA at the end of the year**		**(10,200)**

1. Capital Expenditure

The following summarises HRA capital expenditure on land, houses and other property during the financial year and the sources of funding used.

	Dwellings		Other Property	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Expenditure	86,188	64,407	4,505	3,940
	86,188	**64,407**	**4,505**	**3,940**
Funded by				
Borrowing	9,692	0	0	
Usable capital receipts	9,228	17,388	781	2,185
Grants and contributions	41,379	19,343	10	550
Major Repairs Reserve	25,889	27,676	3,714	1,205
	86,188	**64,407**	**4,505**	**3,940**

2. Capital Receipts

The following is a summary of capital receipts from disposals of land, dwellings and other property within the HRA during the financial year.

	2015/16	2014/15
	£'000	£'000
Dwellings	37,399	23,034
Other Property	3,128	7,019
	40,527	**30,053**

3. Land, Housing Stock and Other Property

	2015/16	2014/15
Number of dwellings	No.	No.
Hostels	50	54
Houses and bungalows	2,113	2,171
Flats and maisonettes	20,039	20,365
Stock at 31st March	**22,202**	**22,590**
Value of assets	£'000	£'000
Dwellings	1,997,133	1,733,539
Other Property	145,108	123,464
Investment Property	5,545	5,405
Values at 31st March	**2,147,786**	**1,862,408**

4. Major Repairs Reserve

The HRA capital asset charges are based on building values and asset lives of the property held. The voluntary credit is the difference between the notional Major Repairs Allowance (now abolished) calculation and the actual depreciation charge.

	2015/16	2014/15
	£'000	£'000
Balance at 1st April	**0**	**0**
Amount transferred to Major Repairs Reserve during financial year	(30,910)	(26,536)
Transfer to the HRA for amount of depreciation on non-dwellings		
HRA 5 Year Self Financing Adjustment	1,307	0
Voluntary credit	0	(2,345)
Capital expenditure on houses during financial year	29,603	28,881
Balance at 31st March	**0**	**0**

5. Vacant Possession Value

The vacant possession value of dwellings within the HRA as at 1st April 2015 was £7,949 million (£6,826 million as at 1st April 2014). The difference of £5,961 million between vacant possession value and the Balance Sheet value of dwellings within the HRA shows the economic cost to Government of providing council housing at less than open market rents, net of any impairment to the value of the Housing Stock.

6. Depreciation and Impairment Charges

The Item 8 Determination states that the Housing Revenue Account should be charged with depreciation; this has been calculated as follows.

	2015/16	2014/15
	£'000	£'000
Operational assets		
Dwellings	30,910	26,536
Other land and buildings	2,551	1,997
	33,461	**28,533**

There was £186.785 million credited to the HRA for net impairment loss reversals of HRA fixed assets during 2015/16 (£173.964million credited in 2014/15). This was due to an increase in the balance sheet valuation of HRA assets in 2015/16.

7. Revenue Costs funded from Capital

There is an amount of £1.338 million (£2.622 million in 2014/15) in respect of the write down of revenue costs financed from capital resources included within the cost of capital charge, determined in accordance with proper practice, in respect of land, houses or any other property within the Council's Housing Revenue Account.

8. Pension Reserve

The pension reserve was reduced by £0.256 million in 2015/16 (£0.04 million was contributed in 2014/15). This is based on an actuarial valuation of the council's pension liability at the year end.

9. Rent Arrears

During 2015/16 permanent tenants and licence arrears, as a proportion of gross income due is 6.1% (6.2% in 2014/15). The Arrears as at the 31st March 2016 are set out below.

	2015/16	2014/15
	£'000	£'000
Type of tenancy		
Permanent (including licences)	6,831	6,963
Temporary	344	319
Total arrears	7,175	7,282
Less Provision for bad and doubtful debts	(6,830)	(6,931)
Net Arrears	**345**	**351**

The average rent for permanent tenants was £113.89 per week in 2015/16, and increase of £3.1 (2.8%) over the 2014/15 average rent of £110.79 per week.

The total provision included in the Balance Sheet in respect of HRA uncollectible debts is £7.09 million (£7.19 million as at 31st March 2015).

10. Exceptional Items and Prior Period Adjustments

There were no exceptional items or prior period adjustments in respect of the HRA during 2015/16.

2014/15 CTAX £000	2014/15 NNDR £000	The Collection Fund	Note	2015/16 CTAX £000	2015/16 NNDR £000
		Amounts required by statute to be credited to the Collection Fund			
(86,126)		Council Tax (net of discounts for prompt payment and transitional relief)	2	(89,825)	
		Transfers from General Fund			
0		- Council Tax benefits		0	
1		- Transitional relief		1	
	(84,945)	Non-domestic rates	1		(86,468)
	(292)	Transitional protection payments non-domestic rates			0
	(2,044)	Income collectable in respect of Business Rate Supplements (BRS)			(1,938)
0	(4,825)	Contributions towards previous year's estimated Collection Fund deficit			(5,000)
		Amounts required by statute to be debited to the Collection Fund			
		Precepts & demands from GLA & LBH and Shares of non-domestic rates			
60,670	27,682	- London Borough of Hackney	1	63,797	26,917
18,168	18,455	- Greater London Authority	1	18,849	17,945
	46,137	Payment in respect of central share of non-domestic rates to Central Gov	1		44,862
		Transitional protection payments non-domestic rates			602
	2,034	- Payments to levying authority's BRS Revenue Account			1,930
	10	- Administration costs			8
		Impairment of debts and appeals for council tax & non-domestic rates			
2,323	1,321	- Allowance for impairment	3	1,963	2,065
	508	Charge to General Fund for allowable collection costs for non-domestic rates			506
4,428	0	Contributions towards previous year's estimated Collection Fund surplus		4,614	0
(536)	**4,041**	**Movement on fund balance**		**(601)**	**1,429**
(4,703)	10,350	Opening fund Balance at 1st April		(5,239)	14,391
(5,239)	**14,391**	**Closing fund balance at 31st March**	4	**(5,840)**	**15,820**

1. National Non-Domestic Rates

NNDR is organised on a national basis. From 1st April 2013 the Business Rates Retention Scheme came into force, replacing the previous system of business rates collected by the council being paid into the NNDR Pool administered by the Government. Under the new system, the rateable value on the rating list on 31st December 2014 was £236.601 million (31st December 2013 £235.048 million), this value is multiplied by small business non-domestic rating multiplier for 2015-16 of 48.0 pence (47.1 pence for 2014-15) to arrive at the council's gross rates of £113.568 million (£110.708 million in 2014/15) gross of mandatory and discretionary relief's, unoccupied property relief, transitional arrangements/adjustments, estimated losses on collection and allowance for cost of collection. After applying all relief's the net rates payable was £95.337 million (£94.858 million in 2014/15). After the 2015-16 estimated losses and repayments/refunds (NNDR appeals) collectable rates (net rates) payable was £90.230 million (£92.135 million in 2014/15). After factoring in transitional protection payments and cost of collection allowance the resulting 2015-16 non-domestic rating income for sharing between Central Government (50%), Hackney Council (30%) and the Greater London Authority (20%) was £89.724 million (£92.274 million in 2014/15).

Any NNDR (surplus)/deficit is also shared with Central Government, Hackney Council and the Greater London Authority in the same proportions, albeit in the subsequent years.

The aggregate rateable value on the rating list as at 30th March 2016 was £242.175 million (£236.211 million as at 28th March 2015). The small business non domestic rating multiplier for 2015/16 was 48.0 pence (47.1 pence in 2014/15). Net rates payable (before write-offs, allowance for non-collection, losses on appeal was £87.216 million (£91.463 million in 2014/15). Non-Domestic Rating Income for sharing inclusive of transitional protection payments was £83.295 million (£83.408 million 2014/15). The actual 2015/16 deficit for sharing was £15.820 million (£14.391 million in 2014/15) and will be shared with Central Government, Hackney Council and Greater London Authority (GLA).

Revaluations are carried out every 5 years, the last one being in 2010. Rather than 2015, the next one is scheduled for April 2017.

Under the new NNDR arrangements Hackney is also allowed to retain any business rates from enterprise zones, new development deals, and business rates applicable to renewable energy schemes. As Hackney's need under the Business Rates Retention Scheme is greater than its business rates income, it receives Top-up payments from the Government. Top-up payments received during 2015/16 totalled £74.527m (£73.129m in 2014/15) and have been credited to the General Fund.

2. Council Tax Base

Council Tax income was received from the following sources.

	2015/16	2014/15
	£'000	£'000
Gross bills	89,824	86,125
Less Council Tax Benefit	n/a	n/a
Add Transitional relief adjustment	1	1
Income from Council Tax	**89,825**	**86,126**

Council tax benefit and council tax benefits subsidy ended on 31st March 2013. From 1st April 2013 the new Council Tax Reduction Scheme (CTRS) came into force, with each Local Authority operating its own local scheme.

Council Tax income derives from charges raised according to the value of residential properties. These have been classified into eight valuation bands utilising estimated 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Greater London Authority and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band, adjusted by a proportion to convert the number to a Band D equivalent, and adjusted for discounts and non-collection), which is 63,896 for 2015/16 (60,764 for 2014/15). This basic amount of Council Tax for Band D property, £1,293.45 for 2015/16 (£1,297.45 for 2014/15), is multiplied by the proportion specified for the particular band to give an individual amount due.

Band	Ranges from/to		Valuation List	After Discounts and Adjustments	Proportion	No.	
	£	£				2015/16	2014/15
A	up to	40,000	6,610	3,146	0.67	2,096	2,027
B	40,001	52,000	31,510	17,082	0.78	13,286	12,653
C	52,001	68,000	32,970	21,990	0.89	19,546	18,637
D	68,001	88,000	20,952	16,158	1.00	16,158	14,861
E	88,001	120,000	10,723	8,140	1.22	9,949	9,630
F	120,001	160,000	4,090	3,122	1.44	4,509	4,476
G	160,001	320,000	1,113	978	1.67	1,631	1,591
H	320,001	and above	47	42	2.00	85	88
			108,015	70,657		67,259	63,962
Estimated band D equivalent assumed changes							
Band D equivalent for Taxbase calculation						67,259	63,962
Collection rate assumed in the budget setting						95%	95%
Council Tax base						**63,896**	**60,764**

3. Bad Debts

Only the movements on the provision made or released are charged to the Collection Fund directly. For Council Tax and NNDR, this is shown as discrete amounts on the face of the Collection Fund.

	Council Tax	NNDR	Council Tax	NNDR
	2015/16		2014/15	
	£'000	£'000	£'000	£'000
Provision brought forward at 1st April	(19,803)	(12,032)	(23,419)	(10,707)
Provision (made)/released	(1,963)	(2,065)	(2,323)	(1,321)
Write-offs /(write backs) charged directly to the bad debt provision	4,632	0	5,939	(4)
Provision carried forward at 31st March	**(17,134)**	**(14,097)**	**(19,803)**	**(12,032)**

4. Collection Fund (Surplus)/Deficit

Surplus on Council tax

The estimate of the surplus on the Collection Fund as at 31st March 2016, which was made on the 15th January 2016 for the purposes of the 2016/17 budget, was £4.621 million (£4.614 million at 31st March 2015). An element of this surplus amounting to £1.054 million will be paid to the Greater London Authority (GLA) in 2016/17.

The actual overall surplus on the Collection Fund at 31st March 2016 is £5.840 million (£5.239 million at 31st March 2015). The increase in the actual surplus compared with the estimate made in January will be taken into account in the calculation of the surplus or deficit as at 31st March 2017 for the purposes of the 2017/18 budget. The amount of the increase which will be payable to the GLA in 2017/18 is estimated at £0.260 million.

The total actual cumulative surplus to 31st March 2016 was £5.840 million, the amount which will therefore be paid to the GLA is estimated at £1.314 million. This amount has been included in the Council's Balance Sheet as a creditor (GLA). Hackney's Share of £4.526 million at 31st March 2015 (£4.033 million at 31st March 2015) represents the estimated amount available to support the Council's budget in 2016/17 and 2017/18.

Deficit on NNDR

The estimate of the deficit on the Collection Fund as at 31st March 2016, which was made on the 31st January 2016 for the purposes of the 2016/17 budget, was £10.827 million (£5.0 million at 31st March 2015). This will be shared out and recovered in 2016/17 as follows: Central Government (DCLG) £5.414 million, Greater London Authority (GLA) £2.165 million and Hackney Council £3.248 million.

The actual overall deficit on the Collection Fund at 31st March 2016 is £15.820 million (£14.391 million as at 31st March 2015). The increase in actual deficit compared with the estimate made in January will be taken into account in the calculation of the surplus or deficit as at 31st March 2017 for the purposes of the 2017/18 budget. The increase in deficit due for recovery during 2017/18 from Central Government and Greater London Authority is estimated at £2.497m, and £0.999m respectively.

The total actual cumulative deficit to 31st March 2016 was £15.820 million which will be recovered in part from Central Government and Greater London Authority is estimated at £7.910 million and £3.164 million respectively. These amounts have been included in the Council's Balance Sheet as debtors (CLG & GLA). Hackney's share of the closing fund balance of £4.746 million as at 31st March 2016 (£4.317 million as at 31st March 2015) represents the estimated amount to be recovered from the Council's budget in 2016/17 and 2017/18.

2014/15 £'000	The Pension Fund Account	Notes	2015/16 £'000
	Dealings with members, employers and others directly involved in the Scheme		
(72,210)	Contributions	7	(74,421)
(4,937)	Transfers in from other pension funds	8	(5,917)
(77,147)			(80,338)
47,292	Benefits	9	52,494
5,074	Payments to and on account of leavers	10	5,164
52,366			57,658
(24,781)	**Net (additions)/withdrawals from dealings with members**		**(22,680)**
4,407	**Management Expenses**	**11**	**5,256**
	Returns on investments		
(14,867)	Investment income	12	(14,751)
(110,208)	(Profit) and losses on disposal of investments and changes in the market value of investments	13c	34,576
0	Taxes on Income		117
(125,075)	**Net returns on investments**		**19,942**
(145,449)	**Net (increase)/decrease in the Fund during the year**		**2,518**
1,029,352	**Opening net assets of the Scheme**		**1,174,801**
1,174,801	**Closing net assets of the Scheme**		**1,172,283**

2014/15 £'000	Net Assets Statement	Notes	2015/16 £'000
1,132,828	Investment Assets	13a	1,125,225
18,218	Cash Deposits	13a	21,444
1,151,046			**1,146,669**
(4,253)	Investment Liabilities	13a	**(2,824)**
1,146,793	**Net Value of Investment Assets**	13a	**1,143,845**
30,202	Current Assets	18	30,612
(2,194)	Current Liabilities	19	(2,174)
28,008			**28,438**
1,174,801	**Net Assets of the Fund available to fund benefits at the period end**		**1,172,283**

NOTES TO THE ACCOUNTS

1. DESCRIPTION OF THE FUND

The Hackney Pension Fund ('the Fund') is part of the Local Government Pension Scheme and is administered by the London Borough of Hackney.

The following description of the Fund is a summary only. For more detail, reference should be made to the Hackney Pension Fund Annual Report 2015/16, the Pension Fund website http://hackney.xpmemberservices.com/Home.aspx and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

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

- The Local Government Pension Scheme Regulations 2013 (as amended).
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).
- The Local Government Pension Scheme (Management and Investment of Funds) Regulation 2009.

It is a contributory defined benefit pension scheme administered by the London Borough of Hackney ("the Council") to provide pensions and other benefits for pensionable employees of the London Borough of Hackney and for the employees of admitted and scheduled bodies eligible to participate in the Fund. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The London Borough of Hackney has delegated responsibility for the management of the Pension Fund to the Pensions Committee with the Corporate Director of Finance and Resources being given delegated authority for the day to day operations of the Fund.

b) Membership

All local government employees (except casual employees, teachers and those eligible to be members of the NHS Pension Scheme) are automatically entered into the Scheme. However membership of the LGPS is voluntary and employees are free to choose whether to opt out, remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in the Hackney Pension Fund include:

- Scheduled bodies, which include the local authority and similar aligned bodies whose staff are automatically entitled to be members of the Fund. It also includes Academy and Free School non-teaching staff.
- 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. As

at 31 March 2016 there are 31 active employer organisations within the Fund, including the London Borough of Hackney. Table below needs to be update.

London Borough of Hackney Pension Fund	31 March 2016	31 March 2015
Number of Employers with active members	31	25
Number of Employees in scheme		
Council	6,431	6,228
Scheduled bodies	1,323	1,249
Admitted bodies	89	73
Total	**7843**	**7,550**
Number of pensioners		
Council	5,847	5,715
Scheduled bodies	222	180
Admitted bodies	18	43
Ceased Employers	234	190
Total	**6321**	**6,128**
Deferred members		
Council	6,893	6,585
Scheduled bodies	534	428
Admitted bodies	55	85
Ceased Employers	864	805
Total	**8,346**	**7,903**

During the year Mossbourne Parkside Academy (Mossbourne Federation), Mossbourne Riverside Academy (Mossbourne Federation), Northwold Academy, Mulalley, PJ Naylor Daubney, Birkin, Fit For Sport and Busy Bee 2 were admitted as new employers to the Fund. Also during the year Hanover Housing Association and KGB Cleaning (Education) ceased membership.

c) Funding

Benefits are funded by contributions and investment earnings. 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 2016. Employee contributions are matched by employers' contributions which are set based on the triennial actuarial funding valuations. The last such valuation was at 31 March 2013 with the next valuation due to take place at 31 March 2016. Current employer contribution rates can be found in the Statement to the Rates and Adjustments Certificate in the Hackney Pension Fund Annual Report and Accounts 2015/16 or within the Actuarial valuation on the Pension Fund Website:- http://hackney.xpmemberservices.com/Home.aspx

d) Benefits

Prior to 1 April 2014, pension benefits under LGPS are based on final pensionable pay and length of service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008	Service post 31 March 2014
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.	Each year worked is worth 1/49 Career Average Revalued Earnings Salary
Lump Sum	Automatic lump sum of 3 x pensionable salary.	No automatic lump sum.	No automatic lump sum.
	In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits. For more details please refer to the scheme guides which can be found at http://hackney.xpmemberservices.com/.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the government announced that the method of indexation would change from the Retail Prices Index to the Consumer Prices Index. This change took effect from 1 April 2011.

e) LGPS 2014

The 1 April 2014, saw the implementation of LGPS 2014, a new Career Average Revalued Earnings (CARE) Scheme, based on a 1/49th accrual rate with retirement ages now linked to an individual member's state pension age. On average, contribution rates for employees have remained at 6.5%, however the contribution bands have widened and are now 5.5% to 12.5% at the top end. The new Scheme has also introduced the option for flexibility over contributions, i.e. a lower contribution for lower benefits, referred to as the 50/50 Scheme. It has not been possible to quantify the impact of these changes, although they have been designed to bring the future service costs of the Scheme down.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS 19) basis, is disclosed in Note 17 of these accounts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

a) Contributions income

Normal contributions, both from members and employers, are accounted for on an accruals basis (at the percentage rate recommended by the Fund actuary) in the payroll period to which they relate.

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

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

b) Transfers to and from 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 Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i. Interest income
Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument 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.

ii. Dividend income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting year is disclosed in the Net Assets Statement as a current financial asset.

iii. Distributions from pooled funds
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting year is disclosed in the Net Assets Statement as a current financial asset.

iv. Movement in the net market value of investments
- Changes in the net market value of investments are recognised as unrealised profits/losses during the year.
- Realised profit/losses are recognised upon the sale of investments during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include those known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrevocable tax is accounted for as a fund expense as it arises. All income and expenditure in the Statement of Accounts is net of VAT, where recoverable.

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Council discloses its pension fund management expenses in accordance with the CIPFA guidance: *Accounting for Local Government Pension Scheme.*

i) Administrative expenses
All administrative expenses are accounted for on an accruals basis. Relevant staff costs and associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

ii) 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. The cost of obtaining investment advice from external consultants is included in oversight and governance charges.

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

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2015/16, there were no fees based on such estimates (2014/15: no fees estimated). A similar procedure is used for custodian fees, and in 2015/16 there were no fees payable (2014/15: no fees estimated).

Net Assets Statement

g) Financial assets

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

The values of investments as shown in the Net Assets Statement have been determined as follows:

i) Market-quoted investments
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities
Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments
The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of de-listed securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Council expects to receive on wind-up, less estimated realisation costs.
- Investments in unquoted pooled funds are valued based on the Fund's share of the net asset value or a single price advised by the fund manager. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- The Fund has no holdings in private equity funds or unquoted listed partnerships.

iv) Pooled investment vehicles
Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment

vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

v) Limited partnerships, freehold and leasehold property
The Fund has no holdings in limited partnerships, freehold and leasehold property.

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. End-of-year spot market exchange rates are used to value cash balances 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 uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are measured at fair value through bid prices and liabilities at fair value through offer prices. Changes in the fair value of derivative contracts are included in any change in the market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

The Fund has no direct holdings in exchange traded or over-the-counter options.

j) Cash and cash equivalents

Cash comprises of cash-in-hand and deposits payable on demand 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 that are subject to minimal risk of changes in value.

k) Financial liabilities

The Fund recognises financial liabilities at fair value 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 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 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note only (Note 17).

m) Additional Voluntary Contributions (AVCs)

The Hackney Pension Fund provides an Additional Voluntary Contributions (AVC) Scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential as its AVC approved provider. AVCs are paid by members to the AVC provider and are used 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 section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 20).

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 3, the Fund has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made are as follows:

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 16. This estimate is subject to significant variances based on changes to the underlying assumptions.

Valuation of Financial instruments carried at fair value – Level 2

Financial instruments at Level 2 are those where quoted market investments 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 based significantly on observable market data.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION 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 revenues and expenses 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.

The items in Statement of Accounts 2015-16 for which there is a significant risk of material adjustment in the forthcoming financial years are as follows:

Change in assumptions at 31 March 2016	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)
0.5% decrease in 'real discount rate'	10%	152,172
1 year increase in 'member life expectancy'	3%	45,868
0.5% increase in the 'salary increase rate'	2%	31,975
0.5% increase in the 'pension increase rate'	8%	118,818

- In order to quantify the impact of a change in the financial assumptions used, we have calculated and compared the value of scheme liabilities as at 31 March 2016 on varying basis. The approach taken is consistent with that adopted to derive the IAS 19 figures provided in this report.
- To quantify the uncertainty around life expectancy, we have calculated the difference in cost to the Employer of a one year increase in life expectancy.
- Please note that the above figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events since 31 March 2016 and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By Category	2015/16 £'000	2014/15 £'000
Employers' Contributions split by:		
Normal Funding	(36,990)	(35,096)
Deficit Funding	(25,172)	(25,117)
Members' Contributions	(12,259)	(11,997)
Total	**(74,421)**	**(72,210)**

By Employer	2015/16 £'000	2014/15 £'000
London Borough of Hackney	(61,893)	(61,107)
Scheduled Bodies	(11,765)	(10,603)
Admitted Bodies	(763)	(500)
Total	**(74,421)**	**(72,210)**

8. TRANSFERS IN

	2015/16 £'000	2014/15 £'000
Group Transfers	-	-
Individual Transfers	(5,917)	(4,937)
Total	**(5,917)**	**(4,937)**

9. BENEFITS PAYABLE

By Category	2015/16 £'000	2014/15 £'000
Pensions	39,576	38,570
Commutation and Lump Sum Retirement Benefits	10,941	7,513
Lump Sum Death Benefits	1,977	1,209
Total	**52,494**	**47,292**

By Employer	2015/16 £'000	2014/15 £'000
London Borough of Hackney	46,334	42,281
Scheduled Bodies	3,575	2,371
Admitted Bodies	2,585	2,640
Total	**52,494**	**47,292**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2015/16 £'000	2014/15 £'000
Refunds to Members leaving service	166	82
Payments for Members joining state scheme	-	-
Group Transfers	-	-
Individual Transfers	4,998	4,992
Total	**5,164**	**5,074**

11. MANAGEMENT EXPENSES

	2015/16 £'000	2014/15 £'000
Administrative Costs	570	638
Investment Management Expenses*	3,882	3,308
Oversight and Governance Costs	804	461
Total	**5,256**	**4,407**

The investment management expenses disclosed above include £121k (14/15: £102k) in respect of performance-related fees paid/payable to the Fund's investment managers' and transaction costs of £790k (in 14/15: £448k) was netted off against the Net Asset Value. Audit Fees of £21k (in 2015-16 and 2014-15) were incurred and are included in Oversight and Governance Costs in the above table.

Investment Management Expenses*	2015/16 £'000	2014/15 £'000
Management Fees	3,844	3,182
Custody and Banking Fees	38	126
Total	**3,882**	**3,308**

12. INVESTMENT INCOME

	2015/16 £'000	2014/15 £'000
Fixed Interest Securities	(4,601)	(4,852)
Equity Dividends	(9,583)	(8,503)
Index Linked Securities	(434)	(308)
Pooled Investment Income	0	(1,100)
Interest on Cash Deposits	(80)	(90)
Other Income	(53)	(14)
Total	**(14,751)**	**(14,867)**

2015-16 Investment Income is inclusive of withholding tax £117k compared to 2014-15 Investment Income which is net of withholding tax £151k.

13. INVESTMENTS

The Fund's investments are held in a wide range of assets to ensure diversification, and to optimise returns whilst having regard to the management of risk. The movement in asset classes over the year is largely a reflection of the relative performance of those assets.

a. Analysis of Investments

A breakdown of investments held by the Fund's external managers across the various asset classes is below:

Investment type		Market value 31 March 2016	Market value 31 March 2015
Investment Assets:		**£'000**	**£'000**
Fixed Interest Securities	**UK**		
	Public Sector - quoted	43,158	49,745
	Corporate - quoted	35,354	31,466
	Overseas		
	Public Sector – quoted	12,012	9,966
	Corporate - quoted	35,982	35,845
		126,506	**127,022**
Index Linked Securities	**UK**		
	Public Sector - quoted	50,813	48,326
	Corporate - quoted	-	-
	Overseas		
	Public Sector – quoted	2,449	-
	Corporate - quoted	-	-
		53,262	**48,326**
Equities	**UK** - quoted	30,960	36,000
	Overseas - quoted	313,977	394,455
		344,937	**430,455**
Pooled Investments	Corporate Fixed Interest	15,421	18,564
	UK Equities Index Tracker	267,96	309,217
	Global Multi-Asset	53,921	-
	Global Emerging Market Equities	53,869	-
	Global Real Return	81,435	86,248
	Property	122,541	108,223
		595,153	**522,252**
Other Investments	Derivative Contracts: Forward Currency	691	412
	Cash deposits	21,444	18,218
	Other Investment balances	4,676	4,361
		26,811	**22,991**
Total investment assets		**1,146,669**	**1,151,046**
Investment Liabilities:			
	Derivative Contracts: Forward Currency	(824)	(2,814)
	Other investment balances	(2,000)	(1,439)
Total investment liabilities		**(2,824)**	**(4,253)**
Net investment assets		**1,143,845**	**1,146,793**

b. Investments analysed by fund managers

As at 31 March 2016 the Fund's investments are managed by eight principal Investment Managers according to defined benchmarks which are set out in the Statement of Investment Principals (SIP). The following is a breakdown of the investments between the Investment Managers.

Fund Manager	Value £'000	% of total fund	Value £'000	% of total fund
	2015/16	**2015/16**	**2014/15**	**2014/15**
Lazard (Global Equities)	177,433	15.5%	215,014	18.8%
Wellington (Global Equities)	177,637	15.5%	220,503	19.2%
UBS (UK Equity Index)	267,994	23.4%	309,245	27.0%
F&C (Fixed Interest)	203,201	17.8%	200,364	17.5%
Threadneedle (Property)	122,542	10.7%	108,223	9.4%
GMO (Global Real Return)	81,435	7.1%	86,248	7.5%
RBC (Global Emerging Markets Equities)*	53,869	4.7%	-	0%
Invesco (Global Targeted Return)*	53,921	4.7%	-	0%
Other Net Investments	5,813	0.5%	7,196	0.6%
Total	**1,143,845**		**1,146,793**	**100%**

*At the Pension Committee meeting on the 31 March 2015 it was agreed that the fund appoint emerging market equity manager RBC and a multi-asset manager Invesco. Both new Fund Managers were fully invested in December 2015.

c. Reconciliation of movements in investments and derivatives

For each asset class, the opening position is reconciled with closing position as set out in the tables below.

Investment type	Market Value 1/04/2015 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Change in Market Value during the year £'000	Market Value 31/03/2016 £'000
Fixed Interest Securities	127,022	184,332	(182,632)	(2,216)	126,506
Index Linked Securities	48,326	18,021	(14,029)	944	53,262
Equities	430,455	106,978	(161,510)	(30,986)	344,937
Pooled Investment Vehicles	522,252	100,926	(31,048)	3,023	595,153
Derivative Contracts					
Forward Currency Contracts	(2,402)	24,318	(15,228)	(6,821)	(133)
Futures	-	-	-	-	-
	1,125,653	**434,575**	**(404,448)**	**(36,056)**	**1,119,725**
Other Investment balances:					
Cash Deposits	18,218			(66)	21,444
Receivable for Sales	1,336			-	1,745
Investment Income due	3,025			-	2,931
Payable for Purchases	(1,439)			-	(2,000)
Net Investment Assets	**1,146,793**			**(36,122)**	**1,143,845**

The change in market value of £36,122k is £1,546k higher than the change in market value on the Fund Account of £34,576k. The difference is caused by indirect management fees of £1,546k.

Investment type	Market Value 1/04/2014 Restated	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2015
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	90,642	148,035	(119,843)	8,188	127,022
Index Linked Securities	42,097	24,496	(26,725)	8,458	48,326
Equities	332,152	137,445	(101,349)	62,207	430,455
Pooled Investment Vehicles	511,240	52,036	(82,398)	41,374	522,252
Derivative Contracts					
Forward Currency Contracts	251	-	-	(2,653)	(2,402)
Futures	-	-	-	-	-
	976,382	**362,012**	**(330,315)**	**117,574**	**1,125,653**
Other Investment Balances:					
Cash Deposits	24,538			(7,170)	18,218
Receivable for Sales	1,377			(193)	1,336
Investment Income due	2,455			-	3,025
Payable for Purchases	(1,163)			(3)	(1,439)
Net Investment Assets	**1,003,589**			**110,208**	**1,146,793**

Direct transaction costs (i.e. fees, commissions, stamp duty and other fees) associated with purchases and sales of investments were £0.79 million (£0.41 million in 2014/15) and are included in the cost of purchases and in sale proceeds.

Derivative payments and receipts correspond to the sterling equivalent amount of forward foreign exchange contracts settled during the year. Further disclosure regarding derivative contracts can be found below.

d. Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk to the Fund. Derivatives may also be used to gain exposure to an asset class more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

Forward currency contracts

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. Consequently the Fund has a passive currency programme in place managed by the custodian HSBC (pertaining to funds': F&C and Lazard) and the investment fund Wellington. The purpose of both Mandates is to reduce the Fund's exposure to fluctuations in exchange rates.

Forward foreign exchange contracts are disclosed in the accounts at fair value which is the gain or loss that would arise from closing out the contract at the balance sheet date by entering into an equal and opposite contract at that date. A breakdown of forward contracts held by the Fund as at 31 March 2016 is given below. All forward contracts held by fund managers are exchange traded.

Open forward currency contracts

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Fair Value
		£'000		£'000	£'000
Assets					
Up to one month	GBP	4,889	USD	(6,984)	31
	GBP	4,942	USD	(7,056)	33
One to six months	GBP	8,105	JPY	(1,297,400)	57
	GBP	49,437	USD	(70,255)	570
Total Assets					**691**
Liabilities					
Up to one month	GBP	7,404	EUR	(9,434)	(81)
	GBP	7,266	EUR	(9,255)	(77)
One to six monhs	GBP	49,691	USD	(72,070)	(437)
	GBP	8,144	JPY	(1,312,945)	(1)
	GBP	6,518	EUR	(8,347)	(114)
	GBP	8,028	EUR	(10,220)	(92)
	GBP	884	EUR	(1,140)	(22)
Total Liabilities					**(824)**
Net Forward Contracts 2015/16					**(133)**

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Fair Value
		£'000		£'000	£'000
Assets					
Up to one month	GBP	2,525	AUD	(4,836)	41
	GBP	13,011	EUR	(17,834)	101
	GBP	268	EUR	(369)	1
	GBP	4,794	EUR	(6,251)	269
Total Assets					**412**
Liabilities					
Up to one month	GBP	4,582	USD	(6,828)	(19)
	GBP	10,916	JPY	(1,943,808)	(8)
	GBP	16,334	USD	(24,656)	(278)
	GBP	50,126	USD	(75,673)	(857)
	GBP	10,965	JPY	(2,007,000)	(328)
One to six months	GBP	58,518	USD	(88,294)	(991)
	GBP	11,928	EUR	(16,920)	(333)
	GBP	9	USD	(14)	-
Total Liabilities					**(2,814)**
Net Forward Contracts 2014/15					**(2,402)**

e. Investments exceeding 5% of net assets

The following pooled investments represent more than 5% of the net assets of the fund:

Security	Market Value 31 March 2016	% of total fund	Market Value 31 March 2015	% of total Fund
	£'000		£'000	
UBS UK Equities Index Tracker Fund	267,994	23.53%	309,245	27.0%
Threadneedle Property Fund	122,542	10.76%	108,223	9.5%
GMO (Global Real Return)	81,435	7.15%	86,248	7.6%

f. Stock Lending

The Fund did not undertake any direct stock lending activity during the year, but acknowledges that within pooled investments fund managers may participate in this activity.

14. FINANCIAL INSTRUMENTS

a. Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category. No financial assets were reclassified during the accounting period.

Investment type	2015/2016 Designated as Fair Value through Profit & Loss	2015/2016 Loans & Receivables	2015/2016 Financial Liabilities at amortised costs	2014/2015 Designated as Fair Value through Profit & Loss	2014/2015 Loans & Receivables	2014/2015 Financial Liabilities at amortised costs
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Fixed Interest Securities	126,506			127,022		
Index Linked Securities	53,262			48,326		
Equities	344,937			430,455		
Pooled Investments	595,153			522,252		
Derivative Contracts	691			412		
Cash		43,716			40,242	
Other Investment Balances	4,676			4,361		
Debtors		8,340			8,178	
	1,125,225	52,056	-	1,132,828	48,420	-
Financial Liabilities						
Derivative Contracts	(824)			(2,814)		
Other Investment Balances	(2,000)			(1,439)		
Creditors			(2,174)			(2,194)
	(2,824)		(2,174)	(4,253)	-	(2,194)
Total	**1,122,401**	**52,056**	**(2,174)**	**1,128,575**	**48,420**	**(2,194)**
Grand Total		**1,172,283**			**1,174,801**	

b. Net gains and losses on financial instruments

The majority of the financial assets and liabilities are classed at fair value. The following table summarises the net gains and losses as profit or losses associated with, the disposal of and changes in, the market value of investments and recognised within the Pension Fund account as 'Returns on Investments'.

	31 March 2016	31 March 2015
	£'000	£'000
Fair Value through Profit and Loss	(36,122)	110,208
Loans and Receivables	-	-
Financial Liabilities measured at amortised cost	-	-
Total	**(36,122)**	**110,208**

c. Fair Value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values. The fair value may differ from the carrying value where an investment is in an asset that is not traded such as a local authority company, however in most instances the carrying value will equate to the fair value.

	31 March 2016		31 March 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Fair Value through Profit and Loss	1,125,225	1,125,225	1,132,828	1,132,828
Loans and Receivables	52,056	52,056	48,420	48,420
Total Financial Assets	**1,177,281**	**1,177,281**	**1,181,248**	**1,181,248**
Financial Liabilities				
Fair Value through Profit and Loss	(2,824)	(2,824)	(4,253)	(4,253)
Financial Liabilities measured at amortised cost	(2,174)	(2,174)	(2,194)	(2,194)
Total Financial Liabilities	**(4,998)**	**(4,998)**	**(6,447)**	**(6,447)**
Grand Total	**1,172,283**		**1,174,801**	

d. Valuation of Financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market investments 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 based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where are at least one input that could have a significant effect on the instrument's valuation is not based on observable data. Such instruments would include unquoted equity investments (such as private equity) and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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

	Quoted market price	Using observable inputs	With significant unobservable inputs
Values at 31 March 2016	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**
Financial Assets			
Fair Value through Profit and Loss	402,875	722,350	-
Loans & Receivables	52,056	-	-
Total Financial Assets	**454,931**	**722,350**	**-**
Financial Liabilities			
Fair Value through Profit and Loss	(2,824)	-	-
Financial Liabilities measured at amortised cost	-	(2,174)	-
Total Financial Liabilities	**(2,824)**	**(2,174)**	**-**
Net Financial Assets	**452,107**	**720,176**	**-**

	Quoted market price	Using observable inputs	With significant unobservable inputs
Values at 31 March 2015	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**
Financial Assets			
Fair Value through Profit and Loss	483,142	649,686	-
Loans & Receivables	48,420	-	-
Total Financial Assets	**531,562**	**649,686**	**-**
Financial Liabilities			
Fair Value through Profit and Loss	(4,253)	-	-
Financial Liabilities measured at amortised cost	-	(2,194)	-
Total financial liabilities	**(4,253)**	**(2,194)**	**-**
Net Financial Assets	**527,309**	**647,492**	**-**

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long term risk is that the Fund's assets will be insufficient to meet its liabilities, in other words, the promised benefits payable to members. The Fund maintains positions in a variety of financial instruments, as dictated by the Statement of Investment Principles (SIP) with the aim of minimising the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio.

Consequently the Fund is exposed to credit and liquidity risk, as well as market risk including foreign exchange and interest rate risk. A policy of diversification for its asset classes and investment managers helps the Fund to lower risk arising from financial instruments. Benchmarks for asset allocation and targets against which investment managers are expected to perform are further measures put in place to manage risk.

The management of risk is a key objective of the Fund and is part of the ongoing decision making process for the Pensions Committee. Risk management policies, such as the Risk Register for the Pension Fund, identify and analyse the risks faced by the Council's pensions operations. Measures to control and manage risks are also included within the risk register. Policies and the Risk Register are reviewed by Pensions Committee and also by Officers on a frequent basis.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk, foreign exchange risk and other price risk. The Fund holds a variety of investments which expose it to market risk and details of the Fund's investment portfolio are set out in Note 13.

The Fund manages exposure to market risk in the following main areas:

- Regularly reviewing the pension fund investment strategy.
- Regular monitoring of asset allocation and investment performance.
- A policy of security and manager diversification.

On a daily basis Investment Managers will manage market risk in line with policies and procedures put in place in the Investment Manager Agreement and ensure the agreed limit on maximum exposure to any one issuer or any class of asset is not breached.

Other Price Risk

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk).

Price risk is managed by constructing a diversified portfolio of investments traded in various markets. The Pensions Committee regularly reviews its asset allocation policy and seeks to diversify the assets that it holds. Diversification helps to ensure that the Fund has a balance of investments which offer different levels of risk and return. Pooled Funds are used where these represent the most efficient means of investing in an asset class.
The breakdown between managers and asset class can be seen in Note 13.

Other Price Risk – Sensitivity Analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on the funds' asset allocations.

Asset class	1 year expected volatility (%)	% of Fund
UK Equities	17.1	26.1
Global Equities (ex UK)	19.6	27.7
Emerging Market Equities	25.8	4.7
Property	14.7	10.8
Corporate Bonds (short term)	7.1	1.8
Corporate Bonds (medium term)	9.5	3.3
Corporate Bonds (long term)	18.1	1,4
UK Fixed Gilts (short term)	3.0	1.0
UK Fixed Gilts (medium term)	6.7	0.1
UK Fixed Gilts (long term)	12.3	2.5
UK Index Linked Gilts (medium term)	5.1	1.0
UK Index Linked Gilts (long term)	9.6	3.3
Cash	0.6	4.4
Diversified Growth Fund	12.7	11.9
Total fund volatility	**11.6**	**100**

The volatilities for each asset class and correlations used to create the total fund volatility have been estimated using standard deviations of 5,000 simulated one-year total returns using HRAM, the economic scenario generator maintained by Hymans Robertson LLP. The overall fund volatility has been calculated based on the asset valuations provided by the Fund's custodian, HSBC, and market values (bid) provided by the Administering Authority, as at 31 March 2016. The calibration of the model is based on a combination of historical data, economic theory and expert opinion. Liability values are not taken into account in calculating the volatilities

31 March 2016		Percentage change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Net Investment Assets	1,143,845	11.6	1,276,530	1,011,158

31 March 2015		Percentage change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
Net Investment Assets	1,146,793	12.6	1,291,289	1,002,297
Total assets available to pay benefits	**1,146,793**		**1,291,289**	**1,002,297**

The calculations assume that these changes occur immediately. In practice any changes will occur over time and the actual funding level will therefore also be affected by a number of factors including further benefit accruals, contributions and differences between expected and actual investment returns. The calculations assume that all other factors and assumptions, in particular exchange rates, remain unchanged.

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 of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmark. Investment Managers will also manage interest rate risk in line with policies and procedures put in place in the Investment Manager Agreements. Pension Fund cash held by the Administering Authority is invested in accordance with the Pension Fund's Treasury Management Strategy as agreed by the Pensions Committee.

The Fund's direct exposure to interest rate movement as at 31 March 2015 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	Balance at 31 March 2016	Balance at 31 March 2015
	£'000	**£'000**
Cash Deposits	21,444	18,218
Cash Balances	22,272	22,024
Fixed Interest Securities	141,927	145,586
Total	**185,643**	**185,828**

Interest Rate Risk – Sensitivity Analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis points (bps) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effects in the year on the net assets available to pay benefits of a +/- 100 bps change in interest rates:-

Asset Type	Carrying amount as at 31 March 2016	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000		£'000
Cash & Cash Equivalents	21,444	214	(214)
Cash Balances	22,272	223	(223)
Fixed Interest Securities*	141,927	(18,167)	18,167
Total	**185,643**	**(17,730)**	**17,730**

* Based on a bond duration period of 12.8 years

Asset Type	Carrying amount as at 31 March 2015	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000		£'000
Cash & Cash Equivalents	15,056	151	(151)
Cash Balances	25,186	252	(252)
Fixed Interest Securities	145,586	(18,489)	18,489
Total	**185,828**	**(18,086)**	**18,086**

Note that an increase in the interest rates results in a decrease in the value of the bond portfolio and vice versa. Unlike for cash and its equivalents the change is due both to the impact of the duration (between 12-13 years) period of the bonds and the inverse relationship between bond prices and interest rates.

Currency Risk

The Pension Fund may invest in financial instruments and transact in denominated currencies other than its functional currency (£UK). As a result the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse impact on the portion of the Fund's assets or liabilities denominated in currencies other than sterling.

Investment Managers will manage foreign exchange risk by the means of passive hedging and enter into forward currency contracts to protect assets which have exposure to currencies other than sterling (further details are in Note 13).

The following table summarises the Fund's fair value exposure to assets denominated in currencies other than pound sterling as at 31 March 2016 and as at the previous period end:

Currency Exposure – asset type	Asset Value as at 31 March 2016	Asset Value as at 31 March 2015
	£'000	£'000
Equities	314,301	395,229
Fixed Interest Securities	22,122	20,154
Indexed Linked Securities	2,449	-
Pooled Investment Vehicle	3,502	1,822
Cash and Deposits	1,204	1,520
Total	**343,578**	**418,725**

Currency Rate Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment consultant, the estimated volatility for individual currency was assessed and used for the following sensitivity analysis.

31 March 2016		Potential Change v GBP	Value on increase	Value on decrease
	£'000	**%**	**£'000**	**£'000**
Currency Exposure	343,578	10	377,936	309,220
Total change in assets			**34,358**	**(34,358)**

31 March 2015		Potential Change v GBP	Value on increase	Value on decrease
	£'000	**%**	**£'000**	**£'000**
Currency Exposure	418,725	13	473,159	364,291
Total change in assets			**54,434**	**(54,434)**

This analysis assumes that all other variables, in particular interest rates, remain constant and that these changes occur immediately. In practice any changes will occur over time.

b) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The market value of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Pension Fund reviews its exposure to credit and counterparty risk through its external Investment Managers by reviewing the Managers' annual internal control reports. This ensures that Managers exercise reasonable care and due diligence in their activities for the Pension Fund, such as in the selection and use of brokers, clearing houses, counterparties and other appointees with whom transactions on behalf of the Fund take place.

A counterparty rating is one measure of credit risk. The carrying amounts of investment assets best represent the maximum credit risk exposure at the Net Asset Statement date.

A majority of the assets of the Fund are held by the Fund's custodian, HSBC Global Services. Bankruptcy or insolvency of the custodian may cause the Fund's rights with respect to securities held by the custodian to be delayed or limited. Cash not forming part of the investment assets is held in the Fund's current accounts with Lloyds Bank.

The Pensions Committee and senior officers monitor this risk by keeping under review the credit rating and financial positions of the custodian and banks the Fund uses.

Any excess cash from the Fund's bank accounts is invested in accordance with the Pension Fund's Treasury Management Strategy, prepared in accordance with the CIPFA Prudential

Code and CIPFA Treasury Management Code of Practice. The Treasury Management Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk for the Fund's exposure. In addition, excess cash held with the custodian is swept into a liquidity fund to provide further diversification.

The Fund's holdings under the arrangements described above were held with the following:

Summary	Rating (Fitch)	Balance at 31 March 2016	Balance at 31 March 2015
		£'000	**£'000**
Cash (Current Assets)			
Lloyds Plc	A+	22,272	22,024
Cash Deposits (Investment Assets)			
Cash held outside fund managers and custodian			
Money Market Funds (Various)	AAA	4,614	3,162
Cash held by fund managers and custodian			
Cash	AA-	16,830	15,056
Call Accounts (Various)	AA- to A	-	-
Money Market Funds**	AAA	-	-
Total		**43,716**	**40,242**

** No Money Market Fund deposits are held by the custodian HSBC.

c) Liquidity Risk

Liquidity risk corresponds to the pension fund's ability to meet its financial obligations when they come due with sufficient and readily available cash resources.

The Fund's investments are substantially made up of listed securities which are considered readily realisable as they are listed on major security exchanges. The Fund has no holdings in private equity, infrastructure or direct property which can be considered 'illiquid'.

The Fund maintains investments in cash and cash equivalents outside of the investment assets held by the custodian that are highly liquid and can be used for payables and expenses such as pension payments, transfers out, etc. The Fund's cash position is monitored on a daily basis by both the pension administrator and the Financial Services team.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The Pensions Committee in collaboration with the Fund's actuary regularly review the Funding Strategy which considers the results of the triennial valuations to ensure the long-term solvency of the Fund as a whole, and that sufficient funds are available to meet all benefits as they fall due for payment. This ensures that sufficient cash reserves are available to meet forecasted cash outflows.

16. FUNDING ARRANGEMENTS

The actuarial valuation of the Pension Fund is carried out every three years, in line with the Local Government Pension Scheme. The purpose is to set employer contribution rates for the forthcoming triennial period. This is carried out by an independent actuary appointed by the Fund and the last valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

The contribution rates are set at a level sufficient to meet the cost of future benefits accruing and to eliminate, over a period of time, the deficit arising from past service. The valuation is carried out in accordance with the Fund's Funding Strategy Statement (FSS) a copy of which can be found on the Pension Fund website http://hackney.xpmemberservices.com/ and a copy is also included in the Pension Fund Annual Report and Accounts (pages 158).

The objectives of the Fund's funding policy include the following:

- To ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers.
- To ensure that sufficient funds are available to meet all benefits as they fall due for payment.
- Not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk.
- To help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate.
- To minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so.
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations.
- To address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective.
- To maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

The 2013 valuation was based on a market value of the Fund's assets as at 31 March 2013, which amounted to £954 million and revealed a pension deficit of £406million, representing a funding level of 70.1% of the pension liability.

The valuation takes account of the amount of current and future pension liabilities of the Fund, the expected contributions received by the Fund and the expected rate of investment returns held by the Fund. Other factors which influence the valuation and are taken into account by the actuary include anticipated pay, pension inflation, and mortality rates. The rates payable by the London Borough of Hackney and other participating scheduled and admission bodies vary from the contribution rate for the Fund as a whole according to the employer's individual circumstances. The rates applying from 1 April 2014 until 31 March

2017 and based on the 2013 valuation report (expressed as a percentage of employees' pensionable pay) are shown below:

Year	Employer Contribution rate
2014/2015	34.5%
2015/2016	34.5%
2016/2017	34.5%

The Fund's actuary, Hymans Robertson, has calculated the contribution rate using the Projected Unit Method. This assesses the cost of benefits (as a percentage of pay) accruing to existing members during the year following the valuation, allowing for future salary increases. The resulting rate is adjusted to recover the past service deficit over twenty years. The principal 2013 valuation report assumptions which informed the contributions rate from 1 April 2014 were:

Financial Assumptions based on 2013 Valuation Report

Assumption	Rate	Explanation
Investment return (discount rate)	4.45%	Based on 25-Year bond returns extrapolated to reflect the duration of the Fund's liabilities
Inflation	2.5% – CPI	
Salary increases*	4.3%	1.8% pa over CPI
Pension increases	In line with CPI	Assumed to be 0.8% less than RPI

*plus an allowance for promotional pay increases. The long term assumption for salary increases is RPI plus 1% p.a which translates to CPI plus 1.8% p.a.

Mortality Assumptions

Future life expectancy based on the actuary's fund-specific mortality review was:

Mortality assumptions at age 65	Male	Female
Current pensioners	21.5	23.7
Future pensioners (assumed current age 45)	23.6	25.8

Commutation Assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

17. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of pension fund liabilities on an IAS 19 basis every year, using the same base data as the funding valuation rolled forward to the current financial year. This figure is used for statutory accounting purposes and differs from the assumptions and calculations contained in the triennial Actuarial Valuation (see Note 16), which is used to determine the contribution rates payable by employers. This is because IAS 19 stipulates a discount rate rather than a rate which reflects market values.

The actuarial present value of promised retirement benefits at the accounting date, calculated in line with IAS 19 assumptions, is estimated to be £1,689 million (£1,819 million in 2014/15). The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The financial assumptions used for the IAS 19 2016 valuation have been revised from the 2013 valuation report as set out in the table below:

Assumption	2016	2015
Pension increase rate assumption	2.2%	2.4%
Salary increase rate*	4.2%	4.3%
Discount rate	3.5%	3.2%

18. CURRENT ASSETS

The following is an analysis of the **non-investment** debtor and cash balances carried on the Net Asset Statement.

Debtors	31 March 2016 £'000	31 March 2015 £'000
Debtors:		
Contributions due	5,865	6,044
Sundry debtors	2,475	2,134
Cash Balances	22,272	22,024
Total	**30,612**	**30,202**

Analysis of Debtors

	31 March 2016 £'000	31 March 2015 £'000
Central Government Bodies	177	89
Other Local Authorities	8,028	7,893
NHS Bodies	-	-
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	135	196
Total	**8,340**	**8,178**

19. CURRENT LIABILITIES

The following is an analysis of the non-investment creditors balance carried on the Net Asset Statement.

Creditors	31 March 2016	31 March 2015
	£'000	**£'000**
Benefits Payable	(16)	(95)
Sundry Creditors	(2,158)	(2,099)
Total	**(2,174)**	**(2,194)**

Analysis of Creditors

	31 March 2016	31 March 2015
	£'000	**£'000**
Central Government Bodies	(514)	(502)
Other Local Authorities	(278)	(292)
NHS Bodies	-	-
Public Corporations and Trading Funds	-	-
Other Entities and Individuals	(1,382)	(1,400)
Total	**(2,174)**	**(2,194)**

20. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Fund provides an AVC scheme for its contributors, the assets of which are invested separately from the Fund, in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The scheme provider is Prudential, where the sums saved are used to secure additional benefits on a money purchase basis for those contributors electing to pay additional voluntary contributions.

The total value of sums invested in the AVC funds as at 31 March 2016 was £5.8 million (£6.1 million as at 31 March 2015). Contributions received into the AVC facility during the year amounted to £0.22 million (£0.2 million in 2014/15). The efficiency and effectiveness of the provider is monitored on a periodic basis to assess performance.

21. RELATED PARTY TRANSACTIONS

London Borough of Hackney

The Fund is administered by the London Borough of Hackney. The Council is also the single largest employer of members of the pension fund and contributed £52.22 million to the Fund in 2015/16 (2014/15: £51.58 million). Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £ 0.28 million in 2015/16 (£0.3 million in 2014/15) in relation to administration of the Fund and was consequently reimbursed by the Fund for these expenses. Part of the Pension Fund cash holdings are invested on the money markets by the treasury management operations of the London Borough of Hackney in line with the Treasury Management Strategy.

Governance

The following Councillors were also members of the Local Government Pension Scheme (LGPS) during the year; Cllr Robert Chapman (Chair), Cllr Brian Bell, Cllr Feryal Demirci, Cllr Jonathan McShane, Cllr Michael Desmond (Vice-Chair) and Cllr Geoff Taylor.

Cllr Brian Bell is Chair of Governors at Parkwood Primary School (LBH scheduled body). Cllr Geoff Taylor is on the Governing Body of Orchard Road Primary School (LBH scheduled body).

Neil Isaac, Employer Representative, is an employee of Hackney Homes Ltd and a member of the Pension Scheme. Jonathan Malins-Smith, Scheme Member Representative, is a member of the Pension Scheme.

22. KEY MANAGEMENT PERSONNEL

Several employees of the London Borough of Hackney hold key positions in the financial management of the Fund. As at 31 March 2016 these employees included:

Ian Williams	Corporate Director of Finance and Resources
Michael Honeysett	Assistant Director, Financial Management
Jill Davys	Head of Financial Services
Julie Stacey	Pensions Manager, Financial Services
Pradeep Waddon	Group Accountant, Financial Services

All of these employees are also members of the pension scheme. The financial value of their relationship with the Fund (in accordance with IAS 24) is set out below:

	31 March 2016	31 March 2015
	£'000	**£'000**
Short term benefits	116	63
Long term/post retirement benefits	23	12
Total	**139**	**75**

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of the London Borough of Hackney.

23. CONTINGENT ASSETS, LIABILITIES AND CONTRACTUAL COMMITMENTS

The Pension Fund has no material contingent assets, liabilities or contractual commitments.

24. IMPAIRMENT LOSSES

During 2015/16 there were no impairment losses to recognise (2014/15: £0k) for possible non-recovery of pension overpayments.

Accounting policies: Specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Accruals basis: An accounting principle whereby income and expenditure are recognised in the financial statements in the period in which they are incurred, regardless of when cash payments or receipts take place.

ACOP: Accounting Code of Practice.

Actuarial gains and losses: Gain or loss arising from the difference between estimates and actual experience in the pension plan.

Actuarial valuation: An appraisal of the assets of a fund (e.g. Pension or Insurance Fund) against an estimate of its liabilities made using various economic and demographic assumptions.

Agent: Where the Council is acting as an intermediary and does not therefore recognise agency transactions in its financial statements.

Amortisation: Amortisation is the depreciation of intangible assets such as purchased software licences.

Amortised cost: The carrying amount on initial recognition plus the interest taken to the Comprehensive Income and Expenditure Account less the cash paid or received for both interest and principal.

Asset: Something of worth which is measurable in monetary terms and relates to items in the Balance Sheet. Assets can be non-current (tangible or intangible) or current.

Associate: An entity, including an unincorporated entity such as a partnership, over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Capital charge: Charge to revenue for the use of non current assets in providing services, consisting of depreciation, amortisation of intangible assets and/or impairment of non current assets.

Capital expenditure: Expenditure on items which have a long term benefit for more than one financial year, e.g. the purchase of land and property, design and construction of buildings, purchase of major equipment and vehicles etc.

Capital Financing Requirement: The difference between the total value of non current assets in the Balance Sheet and the revaluation and capital financing accounts. This represents the Council's ability to borrow for capital purposes and is the basis for the minimum revenue provision charge to revenue.

Capital receipts: Income from the sale of capital assets, mainly Council dwellings but including all sales of land, buildings and plant. Capital receipts can be used to repay the debt on outstanding loans (the reserved part of capital receipts) or to finance new capital expenditure (the usable part of capital receipts).

Carrying amount: The amount at which an asset is recognised in the Balance Sheet.

Cash and cash equivalents: Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

Contingent liability: A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority, or a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

Control: The power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control.

Cost of borrowing: Interest and other costs that the Council incurs in connection with the borrowing of funds.

Council tax base: An amount calculated by the Council by applying the band proportions to the total properties in each band to ascertain the number of band D equivalent properties in the Council's area. The tax base is used by the precept and levying bodies in determining their charge to the area.

Council tax: A system of local taxation introduced from 1st April 1993 as a replacement for community charge. It is set by both the billing and precept authorities at a level determined by the council tax base for the area.

Credit Default Swap: A swap contract in which the buyer makes a series of payments to the seller and, in exchange, receives a pay-off if the credit instrument (typically a bond or loan) undergoes a credit event (often described as a default).

Credit rating: An estimate of the ability to fulfil financial commitments, based on previous dealings.

Creditor: Amounts owed by the Council (for work done, goods received or services rendered). Sundry creditors relate to those amounts owed by the Council, which are outstanding at the end of the financial year.

Current asset: An asset that is intended to be sold within the normal operating cycle; the asset is held primarily for the purpose of trading or the authority expects to realise the asset within 12 months after the reporting date.

Current service cost: The increase in the present value of a defined benefit obligation resulting from employee service in the current period.

Curtailment: The cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

De Minimis: The level set below which items are considered too insignificant to be included in related financial disclosures.

Debtor: Amounts owed to the Council. Sundry debtors reflect those debts that are collectable or outstanding at the end of the financial year.

Depreciated replacement cost: A cost based method of arriving at a value for assets which are normally never exposed to the open market.
Depreciation - The loss in value of, or cost of using, an asset over its useful life.

Derecognition: The removal of a previously recognised financial asset or financial liability from an entity's Balance Sheet.

Derivative: A security whose price is dependent upon or derived from one or more underlying assets, its value being determined by fluctuations in the underlying asset(s).

Earmarked reserves: Funds set aside for special purposes, intended to meet future requirements.

Effective interest rate: The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Employee benefits: All forms of consideration given by an entity in exchange for service rendered by employees.

Enhancement: Work considered substantially lengthening the life of an asset, increasing open market value or increasing the extent to which the asset can be used for the purpose of the Council.

Events after the reporting period: Those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Fair value: The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Finance lease: A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Financial instrument: Any contract that gives rise to a financial asset (e.g. bank deposits, loans receivable) of one entity and a financial liability (e.g. trade payables, financial guarantees) or equity instrument (e.g. derivatives) of another.

Financing activities: Activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

Funding benefits: The timing of payments of contributions made with the aim of meeting the cost of a given set of benefits under a defined benefit scheme.

General Fund: The account which summarises the revenue costs of providing services which are met by the Council's demand on the Collection Fund, specific government grants and other income unrelated to housing services provided for Council tenants.

Grants and contributions: Assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities. They exclude those forms of assistance which cannot reasonably have a value placed upon them and transactions with organisations which cannot be distinguished from the normal service transactions of the authority.

Gross expenditure: Total expenditure before deduction of income.

Group Accounts: The financial statements of a group, plus the investments in associates and interests in joint ventures (jointly controlled entities), presented as a single economic entity.

Heritage asset: An asset with historical, artistic, scientific, geophysical or environmental qualities.

Historical cost: Deemed to be the carrying amount of an asset as at 1st April 2007 (i.e. b/f from 31st March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent capital expenditure, depreciation or impairment (if applicable).

Housing Revenue Account (HRA): An account that includes the expenditure and income arising in connection with the provision of housing. All items in the account are prescribed by regulations and are as determined by the Local Government and Housing Act 1989.

Impairment loss: The amount by which the carrying amount of an asset exceeds its recoverable amount.

Interest cost: The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

International Accounting Standards (IAS): An older set of standards issued by the International Accounting Standards Committee, superseded by IFRS from 2001, stating how particular types of transactions and other events should be reflected in the Council's financial statements.

International Financial Reporting Interpretations Committee (IFRIC): The body which has issued interpretations to complement IFRS since 2001.

International Financial Reporting Standards (IFRS): A set of accounting standards and interpretations developed by the International Accounting Standards Board. These replaced the previous regime (UK GAAP) applicable to the Council with effect from the transitional date of 1st April 2009.

International Public Sector Accounting Standards (IPSAS): IPSAS are based on IFRS but address specific key not-for-profit issues applicable to the public sector and allow the

Council to deviate from IFRS where commercial based aspects of IFRS are not relevant to local government.

Inventories: Items held for sale or use in the normal course of business.
Investing activities: Are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Investment property: Property (land or a building, or part of a building, or both) held by the Council as owner (or lessee under a finance lease) to earn rentals or for capital appreciation, or for both.

Joint venture: A contractual or binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Lease: An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. In considering the accounting arrangements for a particular agreement, authorities shall take into account the requirements of SIC 27 and IFRIC 4. The definition of a lease includes hire purchase contracts.

Levies: The Council is required to pay levies to a number of statutory London-wide bodies e.g. Environment Agency.

Liability: A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the authority of resources embodying economic benefits or service potential.

Materiality: Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

Minimum Revenue Provision (MRP): The minimum amount that must be charged to an authorised revenue account each year and set aside. It is currently based on 4% for General Fund (non-Housing) debt.

National Non Domestic Rates (NNDR): NNDR are collected by each Council. NNDR is now shared between Government, the Council and Greater London Authority in the following proportions 50:30:20. When an Authority's NNDR baseline is greater than its funding baseline, it pays tariff payments to Government. If an Authority's NNDR baseline is less than its funding baseline it receives top-up payments from the Government.

Net expenditure: Gross expenditure less income.

Non-current asset: An asset that does not meet the definition of a current asset.

Operating activities: Activities of the entity that are not investing or financing activities.

Operating Lease: Any lease that is not a finance lease.

Past service cost: The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Pooled investment vehicles: The term used to describe structures including hedge funds, private equity funds, venture capital funds, real estate funds and hybrid combinations of the above.

Precepts: The amount paid from the Collection Fund to the Council's General Fund and the Greater London Authority in accordance with those authorities' demands.

Premature repayment: The early redemption of a loan on a date before the maturity (end) date of the original loan agreement.

Principal: Where the authority is acting on its own behalf.

Private Finance Initiative (PFI): This is one of the mechanisms that central government supports for involving the private sector in public sector projects. Under PFI schemes the Council buys the services of a private company or consortium to design, build, finance and operate a public facility e.g. a technology and learning centre. The private sector borrows the money for the scheme and then the Council pays an annual fee to the consortium under a long term operating contract for the services.

Property, plant and equipment: Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and expected to be used during more than one period.

Provision: A liability of uncertain timing or amount.

Prudential Framework: As part of the Local Government Act 2003 the detailed rules that controlled local authority borrowing were replaced by the Prudential Framework which is a self regulating system based upon CIPFA's Prudential Code. The Code defines a number of Prudential Indicators which the Council must annually determine and monitor.

Rateable value: The District Valuer assesses the rateable value of non-domestic properties and business rate bills are calculated by multiplying rateable value by one of two annual NNDR specified amounts set by the government.

Receipts in advance: Grants, contributions and payments received in advance of providing a good or service or meeting conditions attached to the receipt, shown as a liability on the Balance Sheet to reflect the unearned income.

Redemption yield: The return on an investment if it is held to its maturity date, reflecting the annual interest it pays and an annualised amount to account for any profit or loss when it is redeemed.

Related party: Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Remuneration: Any consideration or benefit derived directly or indirectly by key management personnel from the authority for services provided in their capacity as elected members or otherwise as employees of the authority.

Revenue expenditure: The regular day to day running costs a Council incurs in providing services.

Settlement: Pension settlements take account of outgoing bulk transfers and will show the difference between the FRS 17 liability and the amount paid to settle the liability.

Significant influence: The power to participate in the financial and operating policy decisions of the investee but not control or have joint control over those policies.

Soft loan: Loans made by the Council at less than market rates (including zero interest), where a service objective justifies such concessions.

Standing Interpretations Committee (SIC): The body which issued interpretations to complement IAS prior to 2001.

Subsidiary: An entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

Support services: These are back-up activities of a professional, technical and administrative nature which are not direct local Council services (i.e. services in their own right like Social Services or Housing) but which give technical, organisational and administrative support to those services.

Surplus or Deficit on the Provision of Services: The total of income less expenses, excluding the components of Other Comprehensive Income and Expenditure.

Termination benefits: Amounts payable as a result of an employee's decision to accept voluntary redundancy.

Transaction costs: Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability

Treasury Management Strategy – A document setting out the Council’s approach to borrowing, investment and cash management.

Unfunded pension payments: Payments from the employer’s current income whenever required by retiring employees or beneficiaries, rather than out of money put aside on a regular basis regardless of current need.

Useful life: The period which an asset is expected to be available for use by an entity.

VAT: An indirect tax levied on most business transactions and on many goods and some services.