London Borough of Hackney

Statement of Accounts 2018/19

Ian Williams, CPFA
Group Director, Finance & Corporate Resources

Hackney

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CONTENTS

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

Report on the financial statements

Opinion on the financial statements of London Borough of Hackney

We have audited the financial statements of London Borough of Hackney ('the Council') for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of London Borough of Hackney as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Opinion on the financial statements of Hackney Pension Fund

We have audited the financial statements of Hackney Pension Fund ('the Pension Fund') for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of Hackney Pension Fund during the year ended 31 March 2019, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council and the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Conclusions relating to going concern

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

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

Other information
The Group Director of Finance and Corporate Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Group Director of Finance and Corporate Resources for the financial statements
As explained more fully in the Statement of the Group Director of Finance and Corporate Resources' Responsibilities, the Group Director of Finance and Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the Council's and Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Group Director of Finance and Corporate Resources is also responsible for such internal control as the Group Director of Finance and Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Group Director of Finance and Corporate Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Group Director of Finance and Corporate Resources is responsible for assessing each year whether or not it is appropriate for the Council and the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on London Borough of Hackney's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, London Borough of Hackney has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion
We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

Certificate

Delay in certification of completion of the audit
We cannot formally conclude the audit and issue an audit certificate until we have:

- completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- undertaken work on the objection raised in 2016/17 relating to PFI, which we were appointed to review during the year by PSAA (under direction from the Secretary of State for Communities and Local Government).

We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Lucy Nutley
For and on behalf of Mazars LLP
Tower Bridge House
St Katharine's Way
London, E1W 1DD

July 2019

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 **Expenditure and Funding Analysis (EFA)** shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The **Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. 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 2019. 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

2018/19 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 2018/19 the Council had an under spend of £3.681m, equating to 0.36% of gross expenditure, even after dealing with a DSG shortfall in respect of SEN of some £7.9m in the year. This is the seventeenth r=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 a significant reduction in grant and substantial cost pressures over the period 2010/11 to 2018/19. In the financial year 2010/11 the government gave Hackney a total of £310m of funding to support local services, but since then the amount given to Hackney by the government every year has fallen, so that by 2018/19 it was down to £180m.

Even though overall the Council manages to deliver within Budget, the Council still faces significant cost pressures in areas such as Social Services, including the provision of children and adult social care, the provision of temporary accommodation for the homelessness and levies.

Delivery of the 2018/19 Budget

As noted above, the revenue budget was set against the background of continuing significant reductions in Central Government support to Local Government and increasing cost pressures. The budget was delivered through efficient financial planning and management and identifying savings and income generation opportunities early. In addition, we have continued to drive out inefficiencies across the Council. This process has been facilitated by 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, joint chaired by Group Director, Finance & Corporate Resources and Group Director, Children's, Adults & Community, 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. In addition, the Medium Term Financial Plan was updated in the 2019/20 Budget Report
- **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 2018/19 budget was agreed by Council in March 2018 and throughout 2018/19 we have been looking at, and have made considerable progress in, developing a budget for 2019/20 and indicative budgets for 2019//20 to 2022/23.

Future Local Government Funding

Autumn Budget November 2018

The Budget updated the overall envelope for public spending to 2023-24 (see table 1.9 below), although this is not set in stone and may change. The key aggregate for Local Government expenditure is the Resource Departmental Expenditure Limit (DEL) which as can be seen, will increase by 19% from £311 billion in 2018-19 to £370 billion in 2023-24.

Table 1.9: Total managed expenditure (in £ billion, unless otherwise stated)[1,2]

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Current expenditure						
Resource AME	397.8	403.1	412.3	426.0	441.0	456.7
Resource DEL excluding depreciation	310.8	325.4	336.8	347.0	357.9	369.9
Ring-fenced depreciation	23.0	23.4	24.6	25.1	25.5	26.4
Total public sector current expenditure	**731.5**	**751.9**	**773.6**	**798.1**	**824.4**	**853.1**
Capital expenditure						
Capital AME	19.8	14.7	15.8	15.2	14.6	19.0
Capital DEL	61.5	75.0	77.6	80.1	82.7	83.1
Total public sector gross investment	**81.3**	**89.7**	**93.5**	**95.2**	**97.2**	**102.2**
Total managed expenditure	**812.8**	**841.6**	**867.1**	**893.4**	**921.7**	**955.3**
Total managed expenditure % of GDP	*38.2%*	*38.3%*	*38.1%*	*38.0%*	*37.9%*	*37.9%*

Source: Budget 2018 (Table 1.9) p.28

This year's Spending Review will take place therefore, within the broad context of the overall spending figures set out in Table 1.9 above. The Spending Review will determine how the Resource DEL will be divided amongst government departments. Excluding the spending already earmarked for the NHS, the remaining departments will be ascribed £210 billion in 2020-21 rising to £223 billion in 2023-24 (See table 1.7 below

Table 1.7: Aggregate departmental resource budgets (Resource DEL excluding depreciation, in £ billion)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total Resource DEL excluding depreciation[1]	**313.0**	**327.0**	**338.4**	**348.7**	**359.5**	**371.6**
NHS England[3]	114.6	121.8	128.2	134.4	141.1	149.0
Departmental resource spending excluding NHS England	198.4	205.3	210.3	214.3	218.5	222.6
OBR allowance for shortfall[2]	-2.2	-1.7	-1.7	-1.7	-1.7	-1.7
OBR resource DEL excluding depreciation forecast	**310.8**	**325.4**	**336.8**	**347.0**	**357.9**	**369.9**

Source: Budget 2018 (Table 1.7) p.25

This implies day-to-day total departmental spending growing at an average of 1.2 per cent a year in real terms from 2019-20 but the bulk of this increase is allocated to the NHS. According to Treasury when changes to the NHS and defence spending are considered there will at least be a flat line real terms increase for non-protected departments such as Local Government. Yet the OBR has pointed out that if one looks at current spending per head on departments other than health, spending is still falling over the coming years.

This is backed up by the Resolution Foundation which calculated that unprotected departments will still, on average, see cuts in every year from 2020-21 in their per capita real-terms budgets which will be 3 percent lower in 2023 than 2019.

Finally, the IFS has stated that there will be a real-terms freeze on the spending of unprotected departments such as local government but a cut in real terms spend per head.

So, the consensus is that there will be a real-terms freeze on the spending of unprotected departments but it must be remembered that in previous Spending Reviews, Local Government has taken a bigger cut than the average unprotected departmental cut and so we should not be surprised if there is a cash cut in spending over the period 2019/20 to 2023/24. Moreover, it looks like more and more funding will be diverted to social care which reduces the amount left for other services. Against this background it is difficult to see how we will have a sustainable long-term financial settlement going forward covering all services especially given the current underfunding of certain services and ever-increasing cost pressures.

2018/19 Local Government Finance Settlement Provisional Settlement

CLG published the 2018/19 Provisional Local Government Finance Settlement on 19 December 2017. The resource allocations were broadly in line with our expectations. The funding allocations shown within, were confirmed when the Final Settlement was published in February 2018.

The key points of the Settlement are as follows: -

- The 2018/19 RSG entitlements are unchanged from those published in the 2017/18 Settlement

- Councils have the ability to increase their core Council Tax requirement by an additional 1% without a local referendum – bringing the core principle to 3% in line with inflation.

- There will be no changes to the New Homes Bonus methodology, but the total grant allocated will reduce from £1,227m to £946m – a 22% reduction

- The Government has published a formal consultation on a review of relative needs and resources and it aims to implement a new system based on its findings in 2020/21, including new funding baselines for each council. The introduction of the new funding baselines could have a significant impact on the distribution of funding so we will have to monitor developments closely.

- By 2020/21, the Government aims for local authorities to retain 75% of business rates from 2020 to 2021. This will be through incorporating existing grants into business rate retention including RSG and the Public Health Grant.

- The Government confirmed that the flexibility to use capital receipts to help meet the revenue costs of transformation will be extended for a further 3 years to April 2022.

- There was also an increase in Police funding of £450m, although £270m will come from an increased police council tax precept. Police and crime commissioners are to be given the power to raise the portion of council tax which goes towards policing by £12 per household annually. This is likely to be £12 per band d property and so the amount actually paid by a household will depend on its property band. We await the detail on this. The Home Office webpage simply states that “locally elected police and crime commissioners will be able to raise precept contributions by up to £1 a month for a typical household".

The Government announced in September 2017 that the new National Funding Formula (NFF) for Education would be introduced from April 2018, but the formula has been designed in a way that includes funding protection and some local discretion for local authorities and schools for two years. The two years - 2018/19 and 2019/20 – are being referred to as the 'soft' NFF years prior to full implementation of the NFF. The date for the full implementation of the NFF will be announced later following the government spending review but currently we are assuming that will be 2020/21. The government also announced that no local authority will see a reduction from their 2017/18 per pupil funding on the schools' block of the dedicated schools grant (DSG) or the high needs block (cash amount) over the next two years, and in addition, schools would receive an uplift of 0.5% on per pupil funding for each year of the next two years to help offset real terms cost increases for schools. Hackney's school funding is therefore protected for this year and next with a 0.5% uplift. However, the uplift will not cover the continuing additional cost pressures on schools as a result of pay and non-pay inflation. Further pressures on school's budgets are possible in 2020/21, when the current protections associated with the new NFF for schools are not certain to continue.

The small uplift in relation to high needs funding falls well short of the recurrent cost pressures arising from increased pupil numbers and provision costs. As was the case last year, we are again looking at significant drawdown on the HLT reserve as a result of these unfunded pressures – over the last three years this has amounted to around £12m.

The implementation of the new national funding formula for Early Years will also be complete in 2018-19. The two-year implementation of the new national formula will see Hackney's overall funding allocation for early years provision reduce by 5% for a second year running in 2018-19, and also see the level of funding retained for central services and support further restricted to 5% of the total allocation for three and four year old childcare.

100% Business Rates London Pilot Scheme

In April 2018, the London 100% Business Rates Pilot scheme was introduced. A summary of the main elements is listed below.

- The 100% business rates retention pilot in London is a pool comprising all 32 London boroughs, the Corporation of the City of London and the Greater London Authority.
- From 1 April 2018 the London authorities retained 100% of their non-domestic rating income.
- London authorities also receive section 31 grants in respect of Government changes to the business rates system which reduce the level of business rates income
- The London pool retains 100% of any growth in business rate income above baselines and will pay no levy on that growth.
- In moving to 100% rates retention, the Department for Communities and Local Government no longer pays Revenue Support Grant (RSG) to the London authorities in 2018/19.
- London authorities are not subject to more onerous rules or constraints under the 100% rates retention pilot, than they would have been if they had remained subject

to the existing "67% scheme" in place in 2017/18.
- No "new burdens" were transferred to London and participation in the pilot will not affect the development or implementation of the Fair Funding Review.
- The piloted approach is without detriment to the resources that would have been available collectively to the 34 London authorities under the current local government finance regime, over the four-year settlement period. This "no detriment" guarantee will ensure that the pool, as a whole cannot be worse off than the participating authorities would have been collectively if they had not entered the pilot pool. In the event of this arising, the government would intervene to provide additional resources.

The Memorandum of Understanding (MOU) with the Government established the terms of the 100% retention pilot, but the London business rates pool was set up following the same process as all other business rates pools.

The key principles that underpin the London pooling agreement are set out in the MOU between the boroughs, the GLA and City of London are summarised below.

- The pool in 2018-19 does not bind boroughs or the Mayor of London indefinitely – the founding agreement includes notice provisions for authorities to withdraw provided notice is given by 31 August each year. Were the pool to continue beyond 2018/19, unanimous agreement would be required to reconfirm a pool from 2020/21 onwards

- No authority can be worse off as a result of participating - where authorities anticipate a decline in business rates, the first call on any additional resources generated by the pool would be used to ensure each borough and the GLA receives at least the same amount as it would have without entering the pool (this would include the equivalent of a safety net payment were it eligible for one individually under the current 67% system).

- All members will receive some share of any net benefits arising from the pilot pool – recognising that growing London's economy is a collective endeavour in which all boroughs make some contribution to the success of the whole, all members of the pool will receive at least some financial benefit, were the pool to generate additional resources.

The net financial benefit of pooling consists of retaining 100% of growth (rather than 67% across London under the current scheme), and in not paying a levy on that growth (which tariff authorities and tariff pools currently pay). The principle would mean that *any aggregate growth* in the pool overall – because of the increased retention level – would generate additional resources to share, with each pooling member to benefit to some extent.

The pooling agreement sets out the principles and method for distributing any net financial benefits that may be generated. The principles are based on four objectives:

- **incentivising growth** (by allowing those boroughs where growth occurs to keep some proportion of the additional resources retained as a result of the pool) -
- **recognising the contribution of all boroughs** (through a per capita allocation)
- **recognising need** (through the needs assessment formula); and
- **facilitating collective investment** (through an investment pot designed to

promote economic growth and lever additional investment funding from other sources)

15% of any net financial benefit is set aside as a “Strategic Investment Pot” and the resources not top-sliced for the investment pot being shared between the GLA and the 33 billing authorities (the 32 boroughs and the Corporation of London) in the ratio 36:64, in accordance with the principle previously agreed by London Councils and the GLA in the joint business rate devolution proposals to Government in September 2016.

We do expect to make gains from the 2018-19 BRR scheme but they will not be known until the summer of 2019 and because of the uncertainty surrounding the additional from this source in 2019-20 and beyond we have not assumed any gains in the forecast.

In 2019/20, a change will be made with the introduction of a 75% London Business Rates Retention and Pooling Pilot scheme. Under this scheme, Hackney will retain 48% of the rates raised, the GLA will retain 27% and Central Government 25%. Despite the reduction in the retained percentage, there is still a significant financial advantage in remaining in the pool.

Future Funding Risks

There are a number of risks associated with future arrangements for local government external funding. These are discussed below.

Fair Funding Review

This new system of local government funding will be introduced when the Government completes the Fair Funding review, which is planned to be in the Summer of 2019. This review holds significant risks for the Council.
The Government is currently working on producing a new formula driven assessment of local authorities’ needs and an assessment of resources. The same formula will apply to all authorities. A comparison will then be made between the two constructs and if an authority’s needs exceeds its resources it will receive a payment equal to the difference (a top-up); but if its resources exceed its needs then it will then make a payment equal to the difference into a pool (central or local) which will be re-distributed to top-up authorities (the payment is currently called the tariff). Hackney will receive a top up under the new system.
The process of designing the new system comprises three elements: -

(a) Making a formula based needs assessment for all authorities which will be carried out by Government in various technical groups which will include local authority representatives
(b) Making an assessment of each authorities resources. Compared to the needs assessment, this is relatively straightforward. Under the current system, the only resources included are business rates but the Government has indicated it will look at including council tax in the definition.
(c) Transitional Arrangements. Any new assessment of needs will inevitably make some authorities worse off and so the Government will design transitional arrangements to phase in any losses.

For Hackney, there are 3 main factors which drive our Needs Assessment: - Deprivation, Area Costs and Population.

With regards to deprivation, most of the deprivation factors used in the current needs assessment date back to 2011 (Census) and to 2012. Since then Hackney has become less relatively deprived according to measures such as the IMD and Free School Meals and so it is very likely we will lose out from the review of the factors. The replacement of some of the factors will be necessary given the introduction of Universal Credit.

The Area Cost (ACA) is an adjustment factor which compensates authorities that face higher salaries and wages costs and business rates costs, through increased funding. The former is much larger element than the latter. In its present form and geographical division (i.e. a whole of London ACA) the ACA is extremely beneficial to us but it will be reviewed by a separate technical group as part of the review, which could reduce the funding we get from this factor depending on the outcome.

Whilst we could potentially lose from any changes to the deprivation factors and the ACA, the proposed treatment of Population is one element that may benefit us as CLG are now proposing to use projections rather than a static count.

With regards to transitional arrangements, prior to 2011/12, a safety net was applied which unwound the losses from changes to the needs assessments over a long timescale. However, in 2011/12, most authorities, including Hackney's losses were unwound in just two years (the year of introduction and the following year). It follows that if the Council does lose significantly from the review then any retention of the 2011/12 approach will disadvantage us.

Spending Plans

There is clearly uncertainty concerning the Government's spending plans for the period 2020/21 to 2022/23. These will be published in the next Spending Review, currently planned for 2019. This covers the total amount of local government spending as well as grant allocations to local government from other departments. Turning to the former, it is unlikely that there will be the same magnitude of cuts as set out in the last three Spending Reviews given the Prime Minister's "End of Austerity" announcement but there still could be some cuts, especially given the funding award to the NHS (an additional £20bn a year by 2023 - an average 3.4% increase annually).

With regards to grants, the key ones here are: (i) the Improved Better Care Fund (IBCF) – we have assumed in the forecast that it will continue at an annual average of the total funding for IBCF that was received over the period 2017/18 to 2019/20 (£11.6m) in future years; and (ii) Public Health Grant - we have assumed that the grant will continue but with a £0.8m reduction in each year which is in line with the reductions since 2016/17.

Clearly, there are risks here in terms of reduced local government funding and reduced IBCF and Public Health Grant allocations and what compounds this is that, assuming that there is a Spending Review this year, we will not know until the autumn of 2019 (possibly as late as November) what the Government's plans are. However, the MTFF considers a risk allowance for this, but we still may have to revise this depending on what is announced in the Spending Review and the 2020/21 Settlement.

New Homes Bonus (NHB) Grant

In the 2019/20 Settlement Technical Consultation, the Government stated that *"2019-20 represents the final year of NHB funding agreed through the Spending Review 2015. In light* *of this, it is the Government's intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. Government will consult widely on any changes prior to implementation*". Our interpretation of this and of information from other sources is that funding for housing incentivisation will remain after 2019/20 but at a greatly reduced rate compared to entitlements over the period 2011/12 to 2019/20, and with a revised distribution methodology. We have been expecting something like this for some time and so the anticipated NHB/Housing Incentivisation entitlements in 2020/21 to 2022/23 assumed in the forecast above, are significantly lower than those received in previous years.

Fair Funding Review

A new system of local government funding will be introduced when the Government completes its Fair Funding Review and associated transition arrangements to protect authorities that lose from the Review. The Review is planned to be completed in the Summer of 2019 and introduced in 2020/21, and it holds significant risks for the Council.

The Review involves the production of a new formula driven assessment of local authorities' needs and an assessment of resources. The same formula will apply to all authorities. A comparison will then be made between the two constructs and if an authority's needs exceeds its resources it will receive a payment equal to the difference (currently called a top-up); but if its resources exceed its needs then it will then make a payment equal to the difference into a pool (central or local) which will be re-distributed to top-up authorities (the payment is currently called the tariff). Hackney will receive a top up under the new system. For Hackney, there are 3 main factors which drive our Needs Assessment: - Deprivation, Area Costs and Population.

With regards to deprivation, most of the deprivation factors used in the current needs assessment date back to 2011 (Census) and to 2012. Since then Hackney has become less relatively deprived according to measures such as the Index of Multiple Deprivation (IMD) and Free School Meals and so it is very likely we will lose out from the review of the factors. The replacement of some of the factors will be necessary given the introduction of Universal Credit.

The Area Cost (ACA) is an adjustment factor which compensates authorities that face higher salaries and wages costs and business rates costs, through increased funding. The former is much larger element than the latter. In its present form and geographical division (i.e. a whole of London ACA) the ACA is extremely beneficial to us, but it will be reviewed by a separate technical group as part of the review. As almost every proposed change in recent years has reduced the funding Hackney gets from this factor, we are less than enthusiastic about the outcome of the group's work.

Whilst we could potentially lose from any changes to the deprivation factors and the ACA, the proposed treatment of Population is one element that may benefit us as CLG are now proposing to use projections rather than a static count.

With regards to transitional arrangements, prior to 2011/12, a safety net was applied which unwound the losses from changes to the needs assessments over a long timescale. However, in 2011/12, most authorities, including Hackney's losses were unwound in just two years (the year of introduction and the following year). It follows that if it looks likely that we will lose from changes to the needs assessments, the final outcome will depend on the tightness of the safety nets employed.

In a Fair Funding consultation document released just before Christmas, the Government is proposing to allocate out the Environment Needs Assessment (c. 30% of the overall assessment) simply based on population and the ACA. This will disadvantage high need councils such as Hackney and other urban areas, particularly the inner-city ones, that benefit currently, from the application of various additional cost factors such as deprivation. Given that the proposed per capita distribution will result in less accurate needs assessments than the current assessments, it looks likely that this proposal is politically motivated to move money away from urban areas to the shires. How can the Government legitimately propose a way of allocating funding that assumes that the need to spend on Environmental services, such as waste collection, street cleaning, homelessness, public transport and libraries for example, depends on population only and that factors such as poverty, density, housing occupancy type and deprivation play no part?

The Government is also proposing to inject significantly more resources into rural areas to be paid for by non-rural areas on the basis of scant empirical evidence. It is even considering introducing a measure of rurality into the ACA. Again, this looks a politically motivated move and it looks increasingly likely that the Fair Funding review, on the basis of the Christmas consultation, is becoming a vehicle for reallocating money away from the inner-city urban areas to shire area councils.

There is also a consultation paper on resources and there are two issues here which are of concern. Firstly, CLG will be using NNDR 3 (2018/19) to determine our share of the resources assessment (which is taken off the needs assessment to get the top-up) which means the Principal Place Rateable value will be picked up; and secondly, the CLG are proposing to include car parking income in the calculation of the resources element which may disadvantage us further.

We await CLG's response to the Consultation Papers which should set out which of the proposals it intends to adopt. We also await modelling from CLG which shows the implications of these proposals. We are in fact no closer to determining the impact of Fair Funding than we were before Christmas.

A draft timetable for the remainder of the Fair Funding Review is set out below but it now appears that we will not see any numbers until the Provisional Settlement is released in December 2019. Whilst this is obviously extremely late, it is hoped that as a result the Government applies tight safety nets to minimise grant losses arising from the review in the first year given that almost all councils will have set or largely set their 2020/21 budgets by then.

Date	Milestone
Spring 2019 Spring/ Summer 2019	Analysis of consultation responses. Further policy development, including on transition and implementation, in collaboration with technical working groups jointly chaired by MHCLG and the LGA.
Before the 2019 Provisional Settlement Winter 2019	The Government will publish a further consultation on the proposed reform of the system including details of implementation and transition Reforms to be implemented in 2020/21 announced.
Winter / Spring 2020	MHCLG will work with local authorities in helping them implement reforms, ready for 2020-21.

Brexit

Irrespective of the final form of Brexit, there are potential adverse macroeconomic consequences, arising from trade and currency fluctuations, with impacts to household and business stability. This may lead indirectly to increased pressure on local public services and income, and more challenging prospects for local growth. In addition, the Chancellor has already said that the Spring Statement 2019 will be upgraded to a full fiscal event depending on the Brexit outcome. This suggests there is a strong possibility that the government will reassess its departmental budget allocations with the possibility of this having a knock-on effect on local government funding.

There is also the additional cost of funding the extra staffing capacity which will almost certainly be needed as councils will have to review and implement revised business continuity and emergency planning duties.

Again, depending on the final form of Brexit, Local Councils could also find major difficulties filling vacancies within the council (social care provision) which could result in the cost of these staff being 'bidded' up in the marketplace. We could also face additional costs from any new tariffs on imports from the EU and councils need assurances that for local regeneration currently funded from the EU will be funded by Government. The tariff issue could still arise even with a deal depending on the customs agreements which are agreed. There could also be issues for procurement and we need either immediate UK replacements for the current governing rules or the opportunity to immediately reform the relevant EU laws.

The LGA has stated that the Government has confirmed that any additional responsibilities resulting in new financial pressures for councils arising from Brexit will be fully funded. It will be interesting to see what this covers (i.e. Additional cost of import duties?).

Treasury Management

2018/19 has seen 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. We have therefore continued our policy of using internal balances as far as possible limiting borrowing to short term throughout the year for cashflow purposes. We continue to monitor rates, particularly from the Public Works Loan Board (PWLB), and anticipate conversion of some of this internal borrowing to longer term external during 2019/20

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 and LPFA Pension Funds. This shows a increase in the liability of £147.079 million to a net total of £817.581 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 ninth 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 (£600 million) and the operational boundary (£570 million) throughout 2018/19.

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 schools within the Schools Building programme. Works have also continued on the delivery of significant regeneration of housing estates across the borough alongside the continued improvement of the Council's dwelling stock through the delivery of its planned maintenance 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 housing and other forms of supported borrowing approvals. The approved capital programme for 2019/20 amounted to £304 million. This is to be financed with external grants and contributions of £51 million, revenue contributions of £87 million (inclusive of HRA depreciation and earmarked reserves), capital receipts of £50 million and prudential borrowing of £116 million.

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

Summary

The 2018/19 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 2018/19 Statement of Accounts is available on the Council's website (www.hackney.gov.uk) and further information can be obtained from the Group Director of 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 for Everyone

Principles

Keeping Hackney as a place for everyone is the shared vision for the Council. Over the next four years we will be approaching this work with a renewed energy and focus. We will tackle inequality and poverty, maintain and celebrate the borough's rich diversity and maximise affordable homes. We will do this while making sure that all our residents have access to excellent services and public spaces, to the best education and training, and to jobs and opportunities.

The new manifesto on Building A Fairer, Safer and More Sustainable Hackney, on which the Mayor and Labour Group were elected, is ambitious for the borough's future. The key objectives have already been incorporated into the Mayor's new priorities.

As we plan for what we know lies ahead, we must also maintain our resilience to deal with the unexpected including many of the unknowns around Brexit. The tragedy at Grenfell Tower was a defining moment for local government, and for all social landlords. Quite rightly, it has focused our minds on ensuring that all our 22,000 council homes are as safe as they can be. We have already made a lot of progress on ensuring that our tenants feel engaged and listened to and have tested our readiness to deal with a major emergency should we need to.

We will need to put resident engagement at the heart of everything. We will need to continue to support our business community and ensure we foster their success and their diversity. We will need to stay focused on delivering excellent services alongside an ambitious manifesto programme. To do this we must continue to work together as one organisation and with our partners and our residents to make the most of our collective resources, skills, ideas, and talents.

Community Strategy

The Council has a Community Strategy which guides what we are trying to achieve across the borough over a ten-year timeframe, working across different public agencies and with partners to achieve our collective aims and address our collective challenges.

Mayor Priorities

The Mayor has set out a series of new priorities that both build on the work undertaken over his first two years and signpost a clear direction for the organisation over the next four. As the Council works to deliver the Mayor's ambitious programme set out in their manifesto, we will ensure that our work continues to be underpinned by excellent service provision and stable, sustainable financial management.

Vision and Values

We're working to make Hackney a place for everyone, where all our residents, whatever their background, have a chance to lead healthy and successful lives; a place of which everyone can be proud, with excellent services, thriving businesses, and outstanding public spaces; a place where everyone feels valued, and can make their voice heard.

Complementing this vision, the Council has adopted a set of values. These were developed through consultation with people who work here and will underpin how we work and what we do. These values include Openness, Ambition, Proactivity, Inclusiveness and Innovation.

Managing the challenge of growth and change

Improvements to our services, infrastructure and reputation have made Hackney increasingly attractive as a place to live and do business. We have seen the borough's population grow and change as a result. Whilst average incomes in the borough remain relatively low, the changes have attracted a high proportion of affluent, higher skilled residents. As a consequence, we are now seeing growing inequalities and tackling inequality entrenched poverty is a key priority. Our focus must be on ensuring growth happens in a way that doesn't leave anyone behind. We will focus on community wealth building through sustainable procurement, economic development and planning.

As our business base continues to grow and become a more significant part of the borough, we need to reset our relationship with businesses. We must maximise opportunities for residents to ensure that we are effectively managing the impacts arising from increased commercial activity.

We need to ensure that we have the infrastructure needed to cater for this continued growth. We will work proactively with the Greater London Authority (GLA), central Government and neighbouring boroughs to secure investment in projects like Crossrail 2 which has the potential to radically improve connectivity and transport capacity in Hackney.

The Corporate Approach

Our corporate approach to delivery is driven and informed by a clear set of principles, a clear understanding of the challenges we face and a clear idea of how we will respond. We will focus on:

- Providing the essential and statutory services that Hackney's residents rely on
- Identifying the outcomes that will address our major, borough-wide, challenges
- Identifying the right delivery approach to tackle each specific challenge
- Taking an organisational approach that brings together the Council's strengths and those of our partners to successfully deliver the changes that Hackney expects and needs
- Ensuring the organisation has the skills, abilities and attributes to succeed
- Ensuring our strategic and policy frameworks including the Local Plan, strategies that relate to Housing, Inclusive Economic Growth, Area Regeneration, Poverty, Capital Investment, Public Health and Sustainability - along with other key policy documents - are aligned and contributing to our broadest objectives and aspirations
- Lobbying for changes to central Government and London policy where needed to deliver for Hackney's residents and businesses.

A focus on outcomes

We recognise that our successes will be judged by the outcomes we achieve, not by the processes we follow. However, we will need to explore new approaches if we are going to continue to deliver our core service offer and address the challenges outlined above. This demands us to challenge our traditional ways of working and we will look to engage with

Hackney's residents, businesses and community groups to help us achieve this. This is a key element of our delivery approach.

Ways of working and models of change

We know that the best organisations are comfortable with using a range of consultation, design, governance and evaluation approaches. Depending on the issue or area, we will choose and learn from different models linked to the depth of understanding of the problem, the level of certainty around the solution, and the risk associated with the change. This might include working with start-ups or using more flexible approaches to project management to complement our more formal ways of working.

In order to achieve our objectives, we also need to work differently as a Council. We will need to move away from the traditional local authority approaches towards a greater focus on collaboration, including integrated commissioning within and beyond the Council. Over recent years, the advantages of cross-cutting strategy and delivery, bringing together different services into a unified corporate vision, have been clear. We will build on this One Council approach moving forward.

Engaging our communities

Over the past four years, Hackney has developed a new approach for engaging and listening to residents. This started with our borough-wide conversation 'Hackney: A Place for Everyone' in 2015-16. During that process we engaged with almost 5,000 residents. Listening to their views about the rapid social and economic change that Hackney had experienced over the preceding decade and the things they valued most about the borough. The data we gained underpinned the development of the 10-year Community Strategy, and it continues to inform ongoing policy development, including the Arts & Cultural Strategy, the Housing Strategy, and the Economic Development Strategy.

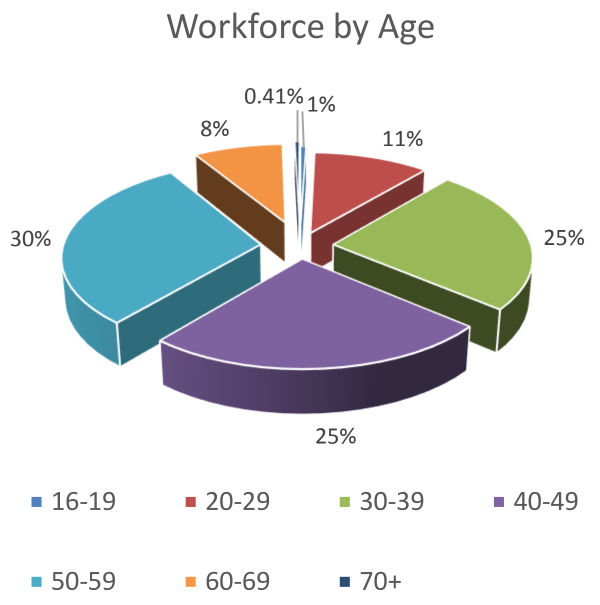
Over the next four years, we will continue to develop our engagement approach and forge a deeper, and more collaborative relationship with our residents. We will lead in-depth place-based engagement programmes, which began with the Dalston Conversation in September 2018, to ensure that residents can be fully involved in shaping the future of their local areas. We will carry out a large-scale engagement exercise with young people through the Hackney Young Futures Commission, and with older people as we re-examine and update our Older People's Strategy.

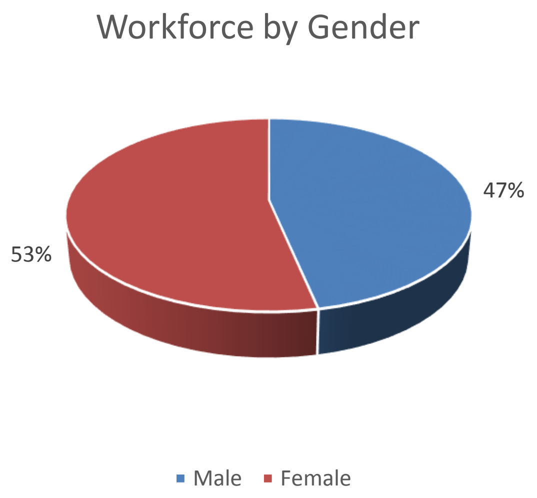
Council Staff

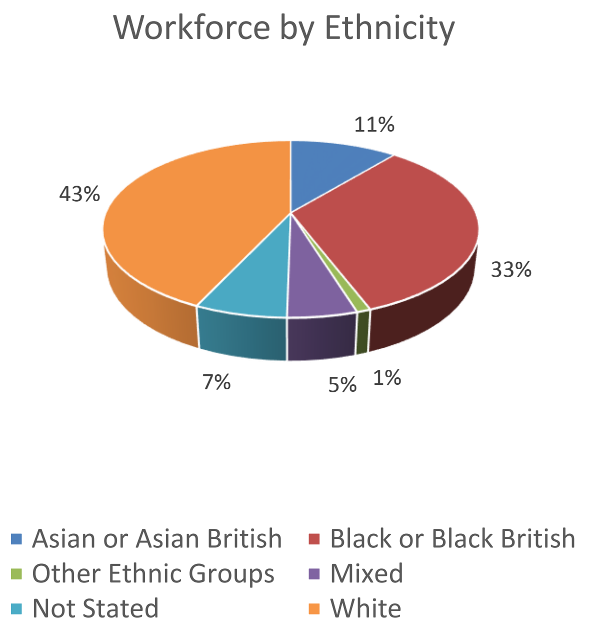
We are committed to supporting and harnessing a diverse and modern workforce for the benefit of service users. There are a wide range of initiatives to support a modern and diverse workforce and bring in young people, for example, apprenticeships. We aim to recruit and retain a diverse workforce that 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 and can be accessed in full on the Council's website:

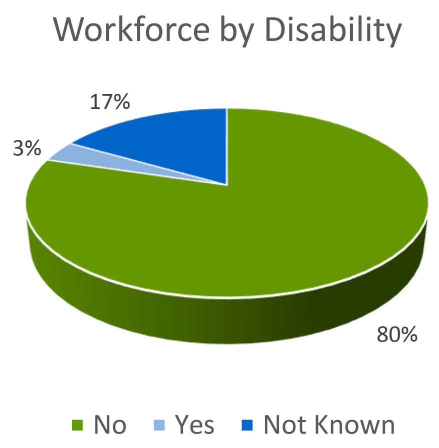
https://hackney.gov.uk/media/13148/Workforce-profile-report-2017-18/pdf/workforce-profile-2017-18.pdf?m=636845414323700000

NARRATIVE STATEMENT









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.

The Council has in place a local Code of Governance which sets out its commitment to good governance and is consistent with the principles of governance set out by CIPFA/ SOLACE. In accordance with the governance guidance produced by CIPFA / SOLACE, “Delivering Good Governance in Local Government (2016)”. The Code sets out the arrangements the Council has in place which demonstrate that the principles of good governance are embedded within the way the Council conducts its business.

The Council’s Local Code of Corporate Governance can be found on the Council’s website at:

http://mginternet.hackney.gov.uk/documents/s64917/Code%20of%20Governance.pdf

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 likelihood and potential impact on the Council’s overall strategic objectives. These currently include the continuing reductions to Local Government finance and how these are impacting on services, along with how the fallout from Brexit might contribute additional financial uncertainty, and serious problems with areas like procurement, recruitment and even civil unrest. There continue to be risks relating to Pensions funding and its data, and the consequences of recent and proposed changes to legislation (such as the Housing and Planning Act 2016, the Homelessness Reduction Act 2018, Universal Credit, GDPR and the ongoing demands of Educational and Care reform). Additionally, the Council is involved in complex schemes for the delivery of housing, schools and other infrastructure and risks relating to the delivery of these projects / programmes are also being closely managed. For example, a risk register is established for each regeneration project, this is regularly reviewed and is updated at progress meetings. There is also reference in the register to the opportunities of devolution, and the risks of not capitalising on them, with the recent progress on Integrated Commissioning between the Council and the local CCG being detailed (and a more comprehensive register available at Directorate level). Integrated Commissioning represents a good example of more shared accountability and providing services across several delivery partners. Another new area to feature on the Corporate Risk Register is that relating to the formation of new companies within the Council. There are clear opportunities to this endeavour but also risks relating to how successfully (and legally) these companies are set up.

The governance framework has been in place at Hackney Council for the year ended 31 March 2019 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:

- ***Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.***

Part 5 of the Constitution includes Codes and Protocols which assist with this element.

The Council adopted a revised Code of Conduct for Members in March 2017. 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. A conflicts of interest policy is in place which requires any officer who might encounter a conflict, and all principal officers to make a declaration at least once every year.

The Executive, the Standards Committee, the Scrutiny Panel and four 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.
Internal and external reporting routes are available to staff who want to raise concerns. These are clearly set out in policies available to all staff through the intranet, and at induction. As part of these arrangements the Council maintains a contract with an external provider, Expolink, to provide a 24/7 hotline and this has continued throughout 2017/18. The Audit

Committee received monitoring information throughout the year on whistleblowing activities as part of its quarterly monitoring and performance information is reported annually.

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

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.

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 to verify 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, content and compliance with the authority's Financial Procedure Rules and other internal regulatory documents. The Financial Procedure Rules are available on the Council's intranet.

- ***Documenting a commitment to openness and acting in the public interest***

A variety of performance and financial data is available through the internet to make the Council more open and to satisfy transparency responsibilities. Available information includes payments and commitments to pay above certain thresholds, senior officer pay, member allowances, trade union time, property land and asset reports and selected performance data.

The Council has a process for receiving and handling complaints from the public which sets out expected timescales, notification processes and the seniority of the investigating officer. Appeal routes are also set out. The complaints procedure is available on the Council's website:

http://hackney.gov.uk/complaints

A gifts and hospitality policy is in place which provides clear guidance to staff who work with the public and external organisations about the severe limitations that apply to all officers, and the action to be taken if an offer is made.

- ***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 residents 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 consisting 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 on a regular basis over the year. An evaluation of public engagement with Ward Forums was undertaken which has informed arrangements during 2018/19.

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

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 made the decision to continue publishing fortnightly on the grounds of reach, equalities and value for money. Whilst the Code is not legally binding, The Audit and Accountability Act 2014 gives 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 the Council with a notice of intent to issue directions and inviting the Hackney to make representations. The Council has made a number of representations, however, in April 2018 the Secretary of State issued Directions under Section 4A of the Local Government Act 1986 directing the Council to publish 'Hackney Today' on no more than four occasions a year.

On 18 June 2018, the Council's Cabinet resolved to challenge the direction. Frequency is the only criteria by which Hackney Today has been judged to be in breach of the Code. The Government has never found Hackney Today to contravene the Code's guidelines around being 'objective', 'even-handed' or 'appropriate'.

- ***Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning***

The Council's 10 year Community Strategy 2018-2028 was developed with many of its key partners, and sets out what the Council is planning to achieve with its key partners and includes targets for delivery agreed with Central Government. The Community Strategy for the next 10 years was approved by Cabinet in July 2018.

The five key, cross cutting themes in the strategy are: -

- A borough where everyone can enjoy a good quality of life and the whole community can benefit from growth
- A borough where residents and local businesses fulfil their potential and everyone enjoys the benefits of increased local prosperity and contributes to community life
- A greener and environmentally sustainable community which is prepared for the future
- An open, cohesive, safer and supportive community
- A borough with healthy, active and independent residents

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:
https://hackney.gov.uk/community-strategy

Following re-election in May 2018 the Mayor's priorities were updated with a series of new priorities that both build on the work undertaken over his first two years, and signpost a clear direction for the organisation over the next four. The priorities focus on areas including

Hackney being an ambitious and well run council that provides a fairer, safer and more sustainable community. The Council's vision is further developed and communicated in the Corporate Plan entitled "Hackney – A Place for Everyone" which sets out the corporate vision, priorities and values which are guiding the Council's work. The priorities set out in it 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 was reviewed and updated in 2018 for the period up to 2022.

https://www.hackney.gov.uk/corporate-plan

Hackney's new Local Plan 2033, known as LP33, will be the key strategic planning document used to direct and guide development in the borough up to 2033. Our aim is to make sure the right amount of development is built in the right place at the right time so that the future needs of the borough are met. Hackney's LP33 was submitted to the planning inspectorate in January 2019, an examination hearing is scheduled to take place on 18 June 2019.

The Hackney transport strategy 2015-2025 sets out our strategic transportation aims, objectives and priorities for the next ten years. It was adopted in November 2015. The strategy supports other Council documents including the sustainable community strategy 2008-2018, air quality action plan, the health and well-being strategy, the corporate plan and the emerging local plan. By 2025, Hackney's transport system will be a model for sustainable urban living in London. It will be fair, safe, accessible, equitable, sustainable and responsive to the needs of its residents, visitors and businesses, facilitating the highest quality of life standards for a borough in the capital and leading London in its approach to tackling its urban transport challenges of the 21st Century.

This vision is consistent with the Mayor's priority of tackling inequality and the desired outcomes in our corporate plan. The strategy will contribute to the objectives of the plan such as safeguarding clean streets that are friendly for pedestrians and cyclists, ensuring a high quality built environment and working with residents and London-wide partners on a range of sustainability issues including tackling poor air quality.

The strategy consists of a background document which provides context to our strategic transportation aims, objectives and priorities for 2015-2025. In addition to this document, there are 6 separate supporting documents that make up the entire transport strategy.

The seven north London boroughs that form the North London Waste Authority have published the proposed North London Waste Plan. Consultation ends in April 2019, the plan is due to be submitted to the Secretary of State for Housing, Communities & Local Government later this summer.

At Hackney we are committed to creating real opportunities for residents to access work experience, training and jobs both at the Council and in our growing local economy. Our Hackney 100 programme is a key part of this, giving 16 to 19 year olds their first experience of the working world through paid work placements across the borough. The Hackney 100 programme is a paid work placement scheme for local residents aged 16-24. It gives 100 young people who live or study in Hackney access to their first experience of meaningful work and enables employers to attract and retain future talent.

The Council is bringing together all these themes in an emerging new Inclusive Economy Strategy, setting out how it will intervene to not only bridge the gap between our growing economy and residents, but also use its assets, revised Sustainable Procurement policy and other tools to build a more inclusive and sustainable local economy.

- ***Translating the vision into courses of action for the authority, its partnerships and collaborations***

The Hackney Community Strategic Partnership is our local strategic partnership board. The board aims to: -

- set clear priorities for how our partners work towards the vision set out in the community strategy
- work out what our partners need to do to achieve our joint aims
- enable residents, businesses, voluntary and community organisations to play their part in delivering our priorities for Hackney.

The Improving Outcomes for Young Black Men programme has been established, the focus of this programme is on harnessing successful young black men's potential, increasing their visibility, and tackling inequalities where they exist. The programme is led by a partnership which harnesses the skills, expertise and influence of the London Borough of Hackney, The programme is now in its third year. Following reflections on lessons learnt, progress made based on the initial theory of change and consultation with the community and key stakeholders a new strategic direction for the programme has been established for 2018-2022.

One recent example of our vision resulting in positive outcomes for our residents' concerns Hackney being awarded first place two years running in the public sector category of the School Leaver Awards for our apprenticeship programme and work to promote apprenticeships.

National Apprenticeship Week was celebrated by the Council with an awards ceremony that recognised apprentices and managers for the work they do. As one of the biggest employers in Hackney, the Council plays a leading role in providing apprenticeship for residents. Currently it employs over 100 apprentices across every service area.

Two new commitments to creating a better deal for Hackney's 34,000 private renters have been made. The Council began enforcement of its new approach to tackling rogue landlords and launched a campaign to protect renters from unfair evictions.

From the start of this month, nearly 10,000 landlords in Hackney could face hefty fines and criminal prosecution as enforcement of property licensing powers aiming to crack down on hazardous housing and mistreatment of renters begins.

The new measures mean that landlords of all homes in the Brownswood, Cazenove and Stoke Newington wards, alongside all Houses in Multiple Occupation (HMOs) across Hackney, need to hold a licence committing them to keeping their properties safe and treating tenants fairly.

Research from the Council's #Better Renting campaign estimates that up to one in five of these homes suffer from issues like broken boilers, damp and mould or vermin infestations.

- ***Reviewing the effectiveness of the decision making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers 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 was in March 2017.

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 procedure 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 Contract Standing Orders were updated during 2017/18 and the Treasury Management Strategy was reviewed by the Audit Committee on 28 January 2019 and was then approved by full Council in March 2019.

- ***Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and 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 Council priorities. This joined-up approach is assisting the Council to provide value for money for service users and at the same time contributes to meeting required saving targets.

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.

From April 2017 the City of London Corporation (COLC), City and Hackney Clinical Commissioning Group (CHCCG) and the Council embarked on new integrated commissioning arrangements to plan and ensure the delivery of health, social care, and public health services more effectively. The partners have set up an Integrated Commissioning Board in the City of London and an Integrated Commissioning Board (ICB) in the London Borough of Hackney. These boards make joint decisions on commissioning health, public health, and social care services for each local area. A governance review was carried out by PWC in 2018/19. An implementation plan to address the issues raised has been developed and will be monitored through the ICB.

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 aims to stop people becoming terrorists or supporting any form of terrorism. This includes challenging ideologies, supporting vulnerable people and working with key sectors. There is an interactive and agreed action plan for local delivery of the strategy.

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

The Adult Social Care Demand Forecasting Model predicts the level of services required to meet the future needs of Hackney's residents. The demand forecasting model will use historical performance data, population projection tools and joint strategic needs.

The Research Governance Framework requires all organisations engaged in social care research to have systems in place to record and approve research projects. All social care research involving service users, care professionals, and/or volunteers needs to be reviewed to ensure it meets ethical and consistent standards in accordance with Department of Health guidance. Our panel oversees all research governance in Adult Social Care to ensure the dignity, rights, safety and wellbeing of researchers and participants are protected.

An established performance management framework is in place with quarterly reports monitoring performance against HLT's indicator suite. This is reinforced through HLT Data booklets summarising national performance data which are regularly produced by the MISA team for management, schools and elected members. Quarterly performance reports are also provided to each Division Head.

The use of public health intelligence data allows for benchmarking performance and the development of joint performance dashboards across the prevention and CYPM Integrated Commissioning structures.

A Quality Assurance Framework is in place for both Children's Social Care (CSC) and Young Hackney. This co-ordinated the directorate approach to quality through the development of a high-level document setting out key principles of quality assurance to which all parts of the directorate are subscribed.

- ***Defining and documenting the roles and responsibilities of members and management, with clear 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 last updated in January 2018.

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

The Elected Mayor is entitled to carry out all of the Council's executive functions and retains this right whether or not he chooses to delegate any or all of these functions via his own scheme of delegation.

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 Check In process.

The Community Strategy 2018–2028 sets out a shared vision for the local area and identifies key recommendations for all local partners.

- ***Providing induction and 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 and are further supported by Hackney Council and 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 Check In 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 Check In Process and through this they receive regular performance feedback and identify training needs. Group Directors are appointed by the Member Appointments Sub-Committee and are appraised by the Chief Executive annually on their performance against the objectives set the previous year.

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

The Corporate Risk Strategy is reviewed twice a year and is presented to the Audit Committee along with the Council's Risk Policy. The Strategy was last reviewed in October

2018 and will be reviewed again (and ratified by Audit Committee) in October 2020. A Risk Management toolkit is also available to all staff on the Intranet. Each directorate has an appointed Risk Champion, risk registers are updated on an ongoing basis and they are regularly presented to senior management for review.

A corporate risk register is in place along with directorate risk registers. These are regularly reviewed and a responsible officer is allocated against each risk to carry out appropriate actions. Corporate risks are presented to the Audit Committee on a quarterly basis whilst directorate registers go annually for comment and review on a rolling basis.

- ***Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)***

The Council has an Anti-Fraud & Corruption Policy which was ratified by Cabinet and has been publicised to all staff, this includes an Anti-Bribery Policy. A corporate Anti-Money Laundering Policy outlining the Council's approach to money laundering is available on the Council's intranet. Fraud risks are regularly considered as part of the risk management process. Outcomes from counter-fraud work are reported to the Audit Committee on a quarterly basis and there is strong support for this work at senior level.

The Regulation of Investigatory Powers Act 2000 (RIPA) policy, guidance and procedures were reviewed and updated and presented to the Audit Committee in April 2017. Monitoring information is reported quarterly throughout the year to the Audit Committee and a review is undertaken annually. RIPA training was most recently provided to officers from across the Council whose duties might involve the use of RIPA powers in September 2018. Hackney received a positive report confirming our compliance with the Codes of Practice following an assessment in March 2017.

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. The latest dataset was released to councils in February 2019, work on these has commenced. Dedicated fraud reporting hotlines are in place and Council investigators regularly work with partner organisations to protect public money and the Council's interests.

- ***Ensuring an effective scrutiny function is in place***

The Council's overview and scrutiny commissions review and inform decisions that are made by the Mayor and Cabinet. There are four Scrutiny Commissions in place with the following remits: Children and Young People, Health in Hackney, Living in Hackney and Skills, Economy & Growth. A fifth Scrutiny Panel coordinates the different groups.

Among the most significant reviews during 2018/19 were the escalation in serious violence and response of the Council and partners; children & young people's exclusions in Hackney.

- ***Undertaking the core functions of an audit committee, as identified in Audit Committees – Practical Guidance for Local Authorities and Police (CIPFA, 2018)***

The terms of reference of the Audit Committee are included in the Constitution and they cover what are widely considered to be the core functions of an audit committee.

- ***Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations***

Timely information is provided to External Audit to support the Council's financial processes and arrangements and facilitate the ongoing and year end accounting processes. The Council works closely with its external auditors to ensure that statutory deadlines are met in relation to the closure and audit of its accounts. The findings of the external auditor are considered by the Audit Committee along with the response to any recommendations arising.

Internal Audit reporting has contributed to system improvements and has helped to strengthen the control environment. Audit also promotes a raised awareness of risk management and the Council's governance arrangements. During 2018/19 61 internal audit reviews were completed. Internal control recommendations were made of which 49 were assessed as high priority and 173 as medium priority. Internal Audit has worked with management to agree timescales to implement recommendations and then verifies that these have been satisfactorily implemented. Progress is reported to the Audit Committee at each meeting.

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.

The overall conclusion from the audit work completed is that the Council's system of risk management, internal control and governance is functioning effectively and robust controls are in place. Where improvement actions remain outstanding the Council is committed to delivering these over the coming year, and targets for agreeing recommendations are being met.

- ***Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures***

Creating awareness of and generating engagement with the Code of Corporate Governance, and ensuring partnerships are appropriately governed, remained priority considerations for the Council in 2018/19.

Key Governance roles

- ***Ensuring that financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and, where they do not, explain why and how they deliver the same impact.***

The arrangements in place fully conform to the requirements of the CIPFA statement. The Group Director of Finance and Corporate Resources is a key member of the Council's leadership team who is involved in all significant business decisions. He leads in promoting good financial management throughout the authority and ensures that Finance and Corporate Resources is properly resourced and fit for purpose.

- ***Ensuring effective arrangements are in place for the discharge of the monitoring officer function.***

The Director of Legal fulfils the role of the monitoring officer, the functions of which are set out in Part 2, Article 12 of the Council's Constitution. This sets out the purpose, duties and responsibilities of the post and also the relevant restrictions on the post holder. The arrangements that are in place allow for effective discharge of these duties.

- ***Ensuring effective arrangements are in place for the discharge of the head of paid service function.***

The functions of the Head of Paid Service, which are carried out by the Chief Executive, are set out in Part 2, Article 12 of the Council's Constitution. This documents the reporting lines for the post together with responsibilities, powers and relevant restrictions on the post holder. The arrangements that are in place allow for effective discharge of these duties.

- ***Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.***

The arrangements in place fully conform to the requirements of the CIPFA statement. There is currently an Interim Head of Internal Audit & Corporate Risk Management who is qualified, experienced and works at a senior level to engage with the Audit Committee and other senior managers to achieve improvements to the control environment. Steps are being taken to recruit a permanent Head of Internal Audit & Corporate Risk Management. Opinions are provided as required and these are always objective and evidentially sound.

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 Corporate Head of Internal Audit, Anti-Fraud and Risk Management's annual report, and also by work undertaken by the external auditors and other review agencies and inspectorates.

Throughout 2018/19 the following activities contributed to the Council's review of its governance framework:

- Directorate reviews of governance arrangements
  Each directorate management team is required to complete an assurance matrix in order to demonstrate that they have in place the key elements of a robust controls and governance framework. These matrices are considered by each management team and on the basis of this review, each Group Director is required to sign an Assurance Statement to accompany the assurance matrix. Internal Audit reviewed

the returns from each Directorate and assessed these alongside other sources of assurance.

- Review and update of the Constitution
  The Constitution is continually reviewed it was most recently updated July 2018.

- Audit Committee self-assessment review
  The Audit Committee undertakes an annual self-assessment and this is reported to the full Council. An ongoing development programme is provided to Committee Members to support them in executing their responsibilities and to ensure that the committee continues to be effective.

- Report by the Standards Committee on its activities
  During the year the Standards Committee considered reports on: -
  - A review of the Members training and development programme.
  - Annual report on compliance with Guidance on Members use of ICT
  - Review of the committee's terms of reference
  - Review of register of Members and Co-optees of Declaration of Interests and review of Code of Conduct
  - Review of Member complaints process

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.

Significant governance issues

During 2018/19 review of the directorate governance arrangements identified governance issues, an action plan has been developed which sets out how we will manage the four most significant of these. The governance issues identified in 2017/18 were also addressed during the year. Details of both the 2017/18 issues address and the issues identified in 2018/19 are provided in the below:

Based on our review of the governance framework, the following significant issues will be addressed in 2019/20

Issue Identified for 2018/19	Planned Action
1. Challenge of ongoing cost pressures within Children and Adult Services Robust budget monitoring processes are in place. These have highlighted significant cost pressures primarily in Learning Disabilities in Adult Social Care, Looked after Children placements in Children and Families and SEN costs within the Hackney Learning Trust.	Ongoing from 2018/19. These high-level pressures are subject to ongoing challenge through budget review meetings and the monthly CACH Budget Board which is jointly chaired by the Group Director Finance and Corporate Resources and the Group Director of Children's, Adults and Community Health Services.
2. Integrated Commissioning	Ongoing from 2018/19.

A review of the effectiveness of the governance arrangements for Integrated Commissioning was undertaken by PWC in 2018/19.	An implementation plan to address the issues raised by the PWC review has been developed and will be monitored through the Integrated Commissioning Board.
3. Commercialisation The Council is embarking on a new commercial venture through Housing Companies for providing private sector and Hackney Living Rent accommodation. These provide opportunities but could have significant risks for the authority.	A steering group has been formed and project plans have been developed. There is a separate risk register which will be reviewed and monitored regularly. Specialist guidance and advice is being bought in to assist in areas such as setting up the companies and the preparation of a management agreement. Senior officers and members will receive regular updates on the progress of this initiative. The Group Director of Finance & Corporate Resources has been given delegated authority to make decisions to expedite the creation of the companies.
4. Housing with Care Inspection The Housing with Care Service was inspected in November/December 2018 by the Care Quality Commission (CQC) and subsequently was rated inadequate.	A detailed improvement plan has been developed and shared with the CQC this will be monitored on a regular basis to ensure any issues or slippage are identified and addressed in a timely manner.

These issues will be supported by a detailed action plan, progress on which will be monitored during 2019/20 and reported to senior management.

Significant issues identified in 2017/18 that were addressed in 2018/19

Issue Identified for 2017/18	Planned Action
1. Tenant Management Organisations (TMOs) Formal action under the Modular Management agreement underway for 4 TMOs to address governance issues identified through Annual Reviews. It should be noted that all TMOs have shown improvement over the last 3 years and the general trend is positive.	The TMO Service team have a control system in place and are working with TMOs to improvement their governance arrangements. A detailed action plan has been developed and performance against this action plan is being monitored by the Director of Housing.
2. Housing Contract Management Housing maintenance contracts need to be managed to deliver maximum value for money for our tenants and leaseholders.	The Director of Housing, reporting to the Housing Transformation Board is working with his management team and colleagues from across the Council to address any weaknesses in the procurement and contracting workflows and systems. A number of improvements in contract control mechanisms have been introduced in the past

	year, The key mechanisms have been described in the controls assurance matrix under the headings: over-arching procedures, quality control, contract management and valuation processes.
3. Challenge of ongoing cost pressures within Children and Adult Services Robust budget monitoring processes are in place. These have highlighted significant cost pressures primarily in Learning Disabilities in Adult Social Care, Looked after Children placements in Children and Families and SEN costs within the Hackney Learning Trust.	These high-level pressures are subject to ongoing challenge through budget review meetings and the monthly CACH budget board which is jointly chaired by the Group Director Finance and Corporate Resources and the Group Director of Children's, Adults and Community Health Services. The measures introduced were not anticipated to reverse the overall position in the medium term and the pressures are being mitigated in some instances by increased budgets at budget setting and one-off use of reserves. SEN (non-transport element) is funded through the ring-fenced DSG and therefore the overspend may result in carry forward of the overspend to next year.
4. Integrated Commissioning In February 2017, Cabinet committed to developing integrated commissioning arrangements in order to drive improvements for service users and to secure efficiencies across the health and social care system. The governance structures set up to support this objective have now been in operation for nearly a year and concerns have been raised across the system as to whether they are as effective as they could be or need refinement in the light of the experience of the first year.	A review of the effectiveness of the governance arrangements for integrated commissioning was undertaken by PWC in 2018/19.

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:

Phillip Glanville
Mayor

Tim Shields
Chief Executive

Ian Williams
Group Director of Finance and Corporate Resources

31st May 2019

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 2019 and its income and expenditure for the year then ended.

Ian Williams CPFA
Group Director, Finance and Corporate Resources
31st May 2019

Movement in Reserves

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

	General Fund Balance £'000	Housing Revenue Account £'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 31/03/2018	(140,465)	(30,426)	(124,173)	0	(31,090)	(326,154)	(3,506,958)	(3,833,112)
Movement in reserves during 2018/19								
Total Comprehensive Income and Expenditure	74,558	9,252	0	0	0	83,809	199,132	282,941
Adjustments between accounting basis and funding basis under regulations (Note 7)	(77,529)	(3,905)	(14,761)	0	(1,016)	(97,211)	97,211	0
(Increase) / Decrease in 2018/19	(2,971)	5,346	(14,761)	0	(1,016)	(13,401)	296,343	282,942
Balance as at 31/03/2019	(143,436)	(25,079)	(138,934)	0	(32,106)	(339,555)	(3,210,615)	(3,550,170)
Of which;								
Schools Balances	(14,955)	0	0	0	0	(14,955)	0	(14,955)
LB Hackney Revenue	(143,436)	(25,079)	0	0	0	(168,515)	814,743	646,228
LB Hackney Capital	0	0	(138,934)	0	(32,106)	(171,039)	(4,025,359)	(4,196,398)

	General Fund Balance £'000	Housing Revenue Account £'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 31/03/2017	(153,382)	(27,597)	(74,495)		(25,260)	(280,734)	(3,411,542)	(3,692,276)
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	18,758	(25,562)	0	0	0	(6,804)	(133,913)	(140,717)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(5,841)	22,733	(49,678)	0	(5,830)	(38,616)	38,499	(117)
(Increase) / Decrease in 2017/18	12,917	(2,829)	(49,678)	0	(5,830)	(45,420)	(95,414)	(140,834)
Balance as at 31/03/2018	(140,465)	(30,426)	(124,173)	0	(31,090)	(326,154)	(3,506,958)	(3,833,112)
Of which;								
Schools Balances	(11,057)	0	0	0	0	(11,057)	0	(11,057)
LB Hackney Revenue	(140,465)	(30,426)	0	0	0	(170,891)	669,399	525,733
LB Hackney Capital	0	0	(124,173)	0	(31,090)	(155,263)	(4,176,357)	(4,358,845)

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	2018/19			2017/18		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Children, Adults and Community Health Services							
Education & Schools		302,732	(244,354)	58,378	292,755	(244,984)	47,771
Children & Families		73,177	(10,216)	62,962	69,195	(10,318)	58,877
Adult Services		131,565	(44,543)	87,022	119,520	(38,512)	81,008
Public Health		34,830	(34,347)	483	33,273	(32,854)	419
Neighbourhoods and Housing							
Public Realm		127,326	(68,923)	58,403	103,285	(54,255)	49,030
Housing & Regeneration GF		3,407	(3,191)	216	3,315	(801)	2,514
Finance & Corporate Resources							
Revenues & Benefits		379,990	(364,008)	15,982	385,304	(365,950)	19,354
Finance and Resources Other		51,411	(15,000)	36,412	132,352	(108,576)	23,776
Chief Executives							
Chief Executive		12,083	(2,416)	9,668	11,756	(1,984)	9,772
Housing Revenue Account							
HRA		258,038	(141,722)	116,317	197,885	(140,927)	56,958
Cost of Services		**1,374,561**	**(928,718)**	**445,842**	**1,348,640**	**(999,161)**	**349,479**
Other operating expenditure	9	24,775	(109,814)	(85,039)	48,432	(118,655)	(70,223)
Financing and investment income and expenditure	10	59,135	(40,247)	18,888	102,832	(75,035)	27,797
Taxation and Non-Specific Grant Income and expenditure	11	0	(295,882)	(295,882)	0	(313,857)	(313,857)
(Surplus) or Deficit on Provision of Services				**83,809**			**(6,804)**
(Surplus) or deficit on revaluation of fixed assets				70,923			(62,323)
(Surplus) or deficit on revaluation of financial assets				418			644
Remeasurement of net defined benefit liabilty (asset)				127,791			(72,234)
Other Comprehensive Income and Expenditure				**199,132**			**(133,913)**
Total Comprehensive Income and Expenditure				**282,941**			**(140,717)**

A retrospective restatement of the core financial statements has been necessary, in order to reflect a deferred capital receipt that was initially secured in 2015/16.

Balance Sheet

	Notes	31st March 2019	31st March 2018	31st March 2017
		£'000	£'000	£'000
Property, Plant and Equipment	13	4,125,912	4,274,093	4,208,952
Heritage Assets	12	2,155	2,123	2,010
Investment Property	14	209,030	182,578	196,362
Intangible Assets	15	5,197	7,016	7,337
Assets Under Construction		144,769	87,732	0
Long Term Investments		21,662	9,316	53,594
Long Term Debtors		5,099	5,191	20,183
Long Term Assets		**4,513,823**	**4,568,049**	**4,488,438**
Assets Held for Sale	20	1,265	0	0
Short Term Investments		30,383	55,865	41,783
Inventories	16	786	606	528
Short Term Debtors (incl PIA)	18	127,744	123,794	131,085
Cash and Cash Equivalents	19	72,456	70,517	67,841
Current Assets		**232,635**	**250,782**	**241,237**
Bank Overdrafts		(9,380)	(33,362)	(18,853)
Short Term Borrowing		(80,554)	(30,448)	(85,429)
Short Term Creditors (incl RIA)	22	(164,429)	(155,615)	(111,608)
Revenue Grants Receipts in Advance	37	(249)	(1,147)	(1,198)
Capital Grants Receipts in Advance	37	(7,536)	(6,433)	(6,281)
Provisions	21	(31,337)	(13,282)	(10,397)
Current Liabilities		**(293,484)**	**(240,287)**	**(233,767)**
Long Term Creditors		(7,000)	(682)	(147)
Provisions	21	(11,975)	(11,235)	(10,801)
Long Term Borrowing		(2,287)	(2,638)	(2,998)
Donated Assets Account	37	0	0	(659)
Other Long Term Liabilities	42,44	(830,165)	(683,851)	(735,768)
Revenue Grants Receipts in Advance	37	(663)	0	0
Capital Grants Receipts in Advance	37	(50,714)	(47,028)	(53,259)
Long Term Liabilities		**(902,804)**	**(745,435)**	**(803,632)**
Net Assets		**3,550,170**	**3,833,110**	**3,692,276**
Usable Reserves	23	(339,553)	(326,152)	(280,734)
Unusable Reserves	24	(3,210,617)	(3,506,958)	(3,411,542)
Total Reserves		**(3,550,170)**	**(3,833,110)**	**(3,692,276)**

Cash Flow Statement

	Notes	31st March 2019	31st March 2018	31st March 2017
		£'000	£'000	£'000
Net (surplus) / deficit on the provision of services		83,809	(6,804)	(124,813)
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(301,178)	(244,128)	(29,039)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		141,447	175,526	77,184
Net cash flows from Operating Activities		**(75,921)**	**(75,406)**	**(76,668)**
Investing Activities	26	93,792	38,266	162,564
Financing Activities	27	(43,792)	48,973	(91,380)
Net (increase) or decrease in cash and cash equivalents		**(25,921)**	**11,833**	**(5,483)**
Cash and cash equivalents at the beginning of the reporting period		37,155	48,988	43,505
Cash and cash equivalents at the end of the reporting period		**63,076**	**37,155**	**48,988**

1. Accounting Policies

(i) General principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at 31st March 2019. 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 2018/19, 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'). In the Budget on 16 March 2016, the Chancellor of the Exchequer announced that the government has decided to close the CRC scheme following the 2018-19 compliance year. Doing this will significantly streamline the business energy tax landscape by replacing it, in a revenue neutral way, with an increase in the Climate Change Levy. Organisations will report under the CRC for the last time by the end of July 2019 and surrender allowances for emissions from energy supplied in the 2018-19 compliance year by the end of October 2019.

(iv) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions which are repayable without penalty on notice. Duration of notice in CIPFA Code is "not more than 24 hours". 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 (Minimum Revenue Provision - MRP) to contribute towards the reduction in its overall borrowing requirement. No provision is required in respect of supported borrowing for HRA related assets. For capital expenditure incurred before 1st April 2008, MRP will be determined by charging the expenditure over the average useful life of the relevant assets. For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over a period which reflects the economic benefit to the council.

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 made 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 2.4% actual (2.7% in 2017/18). As set out in IAS19, the discount rate used has been determined by reference to market yields on high quality corporate bonds at the reporting date. The currency and term of the bonds is consistent with the currency and term of the liabilities. The approach adopted by Hymans Robertson for both 2018/19 and 2017/18 is the construction of a corporate bond yield curve based on the constituents of the iBoxx £ AA corporate bond index.

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 four components:

i. Service cost – This is split between current service, past service and the effect of settlements. Current service recognises the increase in liabilities as a result of years of service earned this year and is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked. Past service recognises the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years and is debited to the surplus / deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs

ii. Net Interest cost - this is the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to

Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement

iii. Cashflows - the cashflows into the Council's and LPFA's pension funds are made up of contributions paid by the Council on behalf of employees and contributions paid by employees themselves. Under IAS19, these are reversed out of the Comprehensive Income and Expenditure Statement and replaced by the service costs indicated above, to ensure that the cost of providing employee benefits is recognised in the period in which the benefits are earned.

iv. Remeasurements – these are changes in the net pensions liability that arise through changes in asset values, updates to actuarial assumptions or other experience not reflected in assumptions at the last actuarial valuation. Any increase in the net liability is debited to the Pensions Reserve (and vice versa).

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.

(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:

- Amortised Cost – assets that have fixed or determinable payments but are not quoted in an active market
- Fair Value through Profit and Loss – assets that have a quoted market price and / or do not have fixed or determinable payments
- Fair Value through Other Comprehensive Income – assets held at cost because it is impracticable to determine fair value.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

When soft loans (loans to external organisations at less than market rates) are made, a loss i.e. difference between the fair value of the loan and the book value of the loan is charged to the Surplus or Deficit on the Provision of Services as grant expenditure. 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 likely to be impaired in future because of a likelihood arising from past events that payments due under the contract will not be made, a loss allowance is calculated and set aside for expected credit losses

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.

(xiii) Community Infrastructure Levy

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

CIL is received primarily without outstanding conditions and initially recognised on the balance sheet, after which it is then matched against relevant expenditure as and when appropriate. CIL receipts will largely be used to finance capital expenditure in line with the regulatory s123 list, although a small proportion may be used to fund relevant revenue expenditure.

(xiv) 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.

(xv) 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.

(xvi) 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.

(xvii) Interest in companies and other entities

Hackney has, in the last 18 months, established five wholly owned subsidiaries, limited by shares, to facilitate and enable its interests in the borough.

1) Two residential building management companies for the respective dwellings at the Nile St and Tiger Way mixed-use developments
2) A holding company and two subsidiaries that will purchase properties from the HRA, and deliver London Living Rent and Private Rented Sector properties in the borough. This company set-up will also mitigate against sales risk, i.e. we would be able to transfer properties to these companies for a period of downturn in the housing market.

Only one of these companies has become financially active during 2018/19, with this activity deemed immaterial, negating the requirement for group accounts for this statement. It is expected that group accounts will be required for 2019/20.

(xviii) 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.

(xix) 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.

(xx) 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.

IFR16 becomes effective in 2019/20 for leases.

(xxi) National Non-Domestic Rates (NNDR)

The Local Business Rate retention scheme came into effect from 2013/14 as part of the changes to Local Government funding in the Local Government Finance Act 2012. The scheme allowed Local Government to keep 50% of any Business Rate growth from its baseline position. For Hackney and all other London Boroughs the remaining 50% share was split on a 60/40 basis with the Greater London Authority (GLA). In 2017/18 these proportions were amended to: - the GLA 37%; Central Government 33% and London Boroughs 30%.

A further change to the system was made in 2018/19 with the introduction of the London 100% Business Rates Retention and Pooling Pilot scheme. Under this scheme Hackney retains 64% of the rates raised and the GLA keeps 36% with no Government share. This includes a share of any growth achieved in the London taxbase, although the actual amount of this will not be known until outturn across all London Boroughs has been verified via completion and audit of the NNDR3 returns in July 2019.

The arrangements for the pooling have been changed again with effect from 2019/20 with the introduction of a 75% London Business Rates Retention and Pooling Pilot scheme. Under this scheme, Hackney will retain 48% of the rates raised, the GLA will retain 27% and Central Government 25%. Despite the reduction in the retained percentage, there is still a significant financial advantage in remaining in the pool given the anticipated growth in the London taxbase.

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.

As at 31 March 2019, a total provision of £36.563million has been created to cover outstanding business rate appeals, of which the Council's share is £23.400 million

(xxii) 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 accumulated gain 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.

(xxiii) 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.

(xxiv) Overheads

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2018/19 (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.

(xxv) 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.

(xxvi) 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).

(xxvii) 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.

(xxviii) 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.

(xxix) 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.

(xxx) 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.

- Amendments to IAS 40 Investment Property: Transfers of Investment Property clarifies that that an entity should transfer a property to, or from, investment property when, and only when, there is evidence of a change in use.
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle contains minor amendments to three standards (IFRS 1 First-time Adoption of International Financial
- Reporting Standards, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration - clarifies which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.
- IFRIC 23 Uncertainty over Income Tax Treatments - explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with negative Compensation - enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The impact of each of these items is deemed relatively minor and self-contained in relation to local government accounting.

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 2019 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 2018/19, the first year of the London Pooling Pilot scheme, Hackney retains 64% of the rates raised and the GLA keeps 36% with no Government share. However the appeals are still being provided for within the Council's SOA and have been reflected in the Provisions as at 31st March 2019. The provision estimate was provided by a firm of knowledgeable and professionally qualified business rates experts (FIRRV, IRRV, FRICS) and has been based on latest live available information including the Valuation Office's (VO) ratings list of outstanding appeals, an analysis of successful appeals to date including probable appeals not yet lodged; considers: type of hereditament, geographical factors, valuation histories and trends within similar or comparable assessments.

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.

The effects on the net pension liability of changes to individual assumptions can be measured as shown in the table below:

Change in Assumptions at 31 March 2018	Approximate % Increase to Defined Benefit Obligation	Approximate Monetary Amount (£000)
0.5% decrease in the Real Discount rate	10%	240,548
0.5% increase in the Salary Increase Rate	1%	26,960
0.5% increase in the Pension Increase rate	9%	209,981

A 1 year increase in life expectancy would increase the Council's Defined Benefit Obligation by approximately 3-5%; however In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

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 31st May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The outstanding debt relating to the lease of the site at Colville to Anthology remained outstanding at 31st March, however as part of Anthology's refinancing of debt this amount will be redeemed on 31st May.

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 2018/19	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
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	(30,464)	(43,677)	0	0	0	74,141
- Revaluation losses on Property, Plant and Equipment	(50,221)	(116,466)	0	0	0	166,687
- Movement in the market value of Investment Properties	235	17	0	0	0	(252)
- Amortisation of intangible assets	(5,103)	(266)	0	0	0	5,369
- Other Amortisation & Adjustments	0	0	0	0	0	0
- Capital grants and contributions applied	24,270	6,247	0	0	1,704	(32,221)
- Revenue expenditure funded from capital under statute	(1,286)	(1,188)	0	0	0	2,474
- 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	(150)	(15,025)	0	0	0	15,175
Insertion of items not debited or credited to the Comprehensive I&E Statement						
- Statutory provision for the financing of capital investment	2,644	0	0	0	0	(2,644)
- Capital expenditure charged against the General Fund and HRA balances	6,014	5,582	0	0	0	(11,596)
Adjustments primarily involving the Capital Grants Unapplied Account:						
- Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	2,243	500	0	0	(2,743)	0
- Application of grants to the capital financing transferred to the capital Adjustment Account	0	0	0	0	0	0
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	(63)	0	0	0	0	63
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	5,346	119,493	(124,839)	0	0	0
- Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	93,725	0	0	(93,725)
	(46,535)	(44,783)	(31,114)	0	(1,039)	123,471

Movement during 2018/19	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
Carried forward from above table:	(46,535)	(44,783)	(31,114)	0	(1,039)	123,471
- Contribution from the Capital Receipts Reserve towards administration costs of non-current asset disposals	0	0	0	0	0	0
- Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(16,411)	0	16,411	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
- Reversal of Major Repairs Allowance credited to the HRA	0	43,677	0	(43,677)	0	0
- Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	43,677	0	(43,677)
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	(36)	0	0	0	36
Adjustments primarily involving the Pensions Reserve:						
- Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Statement	(16,315)	(2,971)	0	0	0	19,286
- 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	1,718	0	0	0	0	(1,718)
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	14	208	0	0	0	(222)
Other adjustments	0	0	(58)	0	23	35
Total Adjustments	**(77,529)**	**(3,905)**	**(14,761)**	**0**	**(1,016)**	**97,211**

Movement during 2017/18	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	(27,737)	(42,335)	0	0	0	70,072
- Revaluation losses on Property, Plant and Equipment	(5,970)	(59,733)	0	0	0	65,703
- Movement in the market value of Investment Properties	(9,534)	(2,137)	0	0	0	11,671
- Amortisation of intangible assets	(2,536)	0	0	0	0	2,536
- Other Amortisation & Adjustments	(1,089)	(234)	0	0	0	1,323
- Capital grants and contributions applied	33,439	11,369	0	0	4,971	(49,779)
- Revenue expenditure funded from capital under statute	(2,868)	(1,531)	0	0	0	4,400
- 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	(38,390)	0	0	0	38,390
Insertion of items not debited or credited to the Comprehensive I&E Statement			0	0	0	0
- Statutory provision for the financing of capital investment	95		0	0	0	(95)
- Capital expenditure charged against the General Fund and HRA balances	11,310	4,624	0	0	0	(15,934)
Adjustments primarily involving the Capital Grants Unapplied Account:						
- Capital grants and contributions unapplied credited to the Comprehensive I&E Statement	10,801	0	0	0	(10,801)	0
- Application of grants to the capital financing transferred to the capital Adjustment Account	0	0	0	0	0	0
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	0	0	0	0	0	0
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	8,072	110,583	(145,880)	0	0	27,225
- Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	92,952	0	0	(92,952)
	13,983	(17,784)	(52,928)	0	(5,830)	62,560

Movement during 2017/18	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
Carried forward from above table:	13,983	(17,784)	(52,928)	0	(5,830)	62,560
- Contribution from the Capital Receipts Reserve towards administration costs of non-current asset disposals	0	0	0	0	0	0
- Contributions from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(3,265)	0	3,265	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						0
- Reversal of Major Repairs Allowance credited to the HRA	0	42,335	0	(42,335)	0	0
- Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	42,335	0	(42,335)
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	(40)	0	0	0	40
Adjustments primarily involving the Pensions Reserve:						0
- Reversal of items relating to retirement benefits debited or credited to the Comprehensive I&E Statement	(19,448)	(1,632)	0	0	0	21,080
- 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:						0
- 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	2,513	0	0	0	0	(2,513)
Adjustments primarily involving the Accumulated Absences Account:						0
- 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	(165)	52	0	0	0	113
Other adjustments	542	(198)	(15)	0	0	(329)
Total Adjustments	**(5,840)**	**22,733**	**(49,678)**	**0**	**(5,830)**	**38,616**

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 2018/19

	Balance at 31/03/17	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31/03/18	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31/03/19
	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
General Fund:							
Balances held by schools under scheme of delegation	(9,290)	0	(1,767)	(11,057)	0	(3,896)	(14,953)
Replacement and development of financial systems	(2,351)	463	0	(1,888)	889	0	(999)
Rising Energy Costs	(1,518)	696	(1,178)	(2,000)	473	(80)	(1,607)
Future increases in NLWA levy	(500)	0	0	(500)	0	0	(500)
Unspent contingencies	(1,509)	606	(160)	(1,063)	298	0	(765)
Pensions Backfunding	(5,720)	1,329	0	(4,391)	4,391	0	(0)
Revenue contributions to capital programme	(17,122)	6,977	(1,784)	(11,929)	6,961	(5,025)	(9,993)
Review of BSF School Facilities Management arrangements	(501)	0	0	(501)	329	(250)	(422)
Children's Services Transformation	(1,376)	0	0	(1,376)	244	0	(1,132)
Homelessness	(2,000)	2,194	(2,194)	(2,000)	0	0	(2,000)
Revenue contribution to primary school building programme	(5,210)	2,338	0	(2,872)	154	0	(2,718)
General Legal Costs	(1,155)	0	0	(1,155)	59	0	(1,096)
Insurance	(4,858)	58	0	(4,800)	0	0	(4,800)
Fleet Replacement	(1,581)	0	(731)	(2,312)	0	(731)	(3,043)
CYP Commissioning Activity/Looked After Children	(2,500)	1,787	(2,287)	(3,000)	3,000	(2,300)	(2,300)
Family Learning Intervention Programme	(1,089)	497	0	(592)	551	0	(41)
Adult Social Care	(19,331)	5,411	(1,500)	(15,420)	4,934	0	(10,486)
PFI grant to be released over life of contract	(6,029)	1,958	0	(4,071)	0	0	(4,071)
Revenue contribution to Youth Service Accommodation Strategy	(700)	0	0	(700)	0	0	(700)
Impact of referrals of high profile cases in neighbourhood	(500)	0	0	(500)	272	(500)	(728)
Revs & Bens costs and loss of subsidy	(363)	0	(481)	(844)	0	(200)	(1,044)
Manifesto commitments and mitigation of government funding loss	(7,296)	4,166	(145)	(3,275)	3,997	(11,903)	(11,182)
Revenue grants received in advance of expenditure incurred	(13,634)	4,081	(5,449)	(15,002)	2,130	(3,538)	(16,410)
General Fund Sub Total	**(106,133)**	**32,561**	**(17,676)**	**(91,248)**	**28,680**	**(28,423)**	**(90,991)**

	Balance at 31/03/17	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31/03/18	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31/03/19
General Fund b/f from above	**(106,133)**	**32,561**	**(17,676)**	**(91,248)**	**28,680**	**(28,423)**	**(90,991)**
Young Hackney Custodial Placement	(430)	0	(320)	(750)	420	0	(330)
Hackney Learning Trust	(4,460)	1,344	0	(3,116)	0	0	(3,116)
Whole Life Costings and repairs to civic estate	(4,319)	403	(400)	(4,316)	311	(400)	(4,405)
Leisure Centre Management	(2,881)	944	0	(1,937)	198	(177)	(1,916)
Carbon Trading	(2,240)	2,000	0	(240)	250	(250)	(240)
Depot Upgrade	(1,364)	192	0	(1,172)	111	0	(1,061)
Community Wardens	(640)	85	0	(555)	297	(18)	(276)
Hardship Fund	(700)	0	(100)	(800)	400	(100)	(500)
Food Waste Recycling Programme	(289)	0	0	(289)	289	0	0
Children's services housing costs	(1,000)	1,000	(1,100)	(1,100)	740	(140)	(500)
Parks Equipment/London Fields Lido Works	(1,428)	990	0	(438)	39	0	(399)
Hackney Walk	0	127	(1,904)	(1,777)	113	(2,050)	(3,714)
Woodberry Down - MOU	0	0	(672)	(672)	78	0	(594)
CACH Transformation	0	0	(6,203)	(6,203)	0	(847)	(7,050)
Sleep In	0	0	(600)	(600)	0	0	(600)
Community Grants	(426)	0	(74)	(500)	0	0	(500)
Empty Corporate Properties	(178)	47	(403)	(534)	204	(943)	(1,273)
Day Services Transport	(320)	0	(160)	(480)	0	(160)	(640)
Private Sector Housing - Licensing income	0	0	0	0	0	(1,772)	(1,772)
Regeneration Night Time Economy	(9)	0	(263)	(272)	0	(344)	(616)
Other miscellaneous reserves	(11,563)	5,099	(1,996)	(8,460)	3,490	(2,968)	(7,938)
Total GF Earmarked Reserves	**(138,379)**	**44,792**	**(31,871)**	**(125,458)**	**35,620**	**(38,591)**	**(128,429)**
GF Working Balance	**(15,003)**			**(15,007)**			**(15,007)**
Total GF Reserves per MiRS	**(153,382)**			**(140,465)**			**(143,436)**

	Balance at 31/03/17	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31/03/18	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31/03/19
HRA:	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
Tenant Levy	(248)	15	0	**(233)**	0	(29)	**(262)**
Aerial Mast Income	(1,042)	0	(164)	**(1,206)**	0	(163)	**(1,369)**
HRA Rightsizing	(11,989)	0	(2,599)	**(14,588)**	10,078	0	**(4,508)**
Utilities	(3,600)	0	0	**(3,600)**	259	0	**(3,341)**
HRA Insurance	(519)	0	(81)	**(600)**	0	0	**(600)**
Total HRA Earmarked Reserves	**(17,397)**	**15**	**(2,844)**	**(20,226)**	**10,339**	**(192)**	**(10,079)**
HRA Working Balance	**(10,200)**			**(10,200)**			**(15,000)**
Total HRA Reserves per MiRS	**(27,597)**			**(30,426)**			**(25,079)**

9. Other Operating Expenditure

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

	2018/19	2017/18
	£'000	£'000
Levies	8,364	8,468
Payments to the Government Housing Capital Receipts Pool	16,411	3,265
(Gains) / Losses on the disposal of non-current assets	(109,814)	(80,265)
Other	0	(1,691)
	(85,039)	**(70,223)**

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.

	2018/19	2017/18
Interest payable and similar charges	7,565	1,657
Pensions interest cost and expected return on pensions	18,099	18,759
Interest receivable and similar income	(1,439)	(2,219)
Income and expenditure in relation to investment properties and changes in their fair value	(5,337)	9,600
	18,888	**27,797**

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.

	2018/19	2017/18
	£'000	£'000
Council tax income	(79,318)	(75,335)
Non domestic rates	(173,219)	(107,966)
Non-ringfenced government grants	(10,084)	(73,685)
Capital grants and contributions	(33,261)	(56,871)
	(295,882)	**(313,857)**

12. Heritage Assets

All 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 2018	566	850	707	**2,123**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations	22	3	7	**32**
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 2019	**588**	**852**	**714**	**2,155**
Cost or Valuation				
Balance as at 1 April 2017	520	848	642	**2,010**
Additions	0	0	0	**0**
Disposals	0	0	0	**0**
Revaluations	46	2	65	**113**
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 2018	**566**	**850**	**707**	**2,123**

13. Property, Plant and Equipment

Movements in 2018/19	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 2018	2,392,388	1,727,559	52,643	264,455	38,828	87,732	**4,563,605**	27,209
Additions	86,466	58,306	3,048	12,029	995	101,104	**261,948**	60
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(19,820)	(48,915)	(260)	0	0	0	**(68,995)**	0
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(134,733)	(77,470)	(411)	(954)	(996)	(10,325)	**(224,889)**	186
Derecognition - disposals	(14,414)	(729)	0	0	(150)	0	**(15,293)**	0
Derecognition - other	0	0	0	0	0	0	**0**	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	**0**	0
Other movements in cost or valuation	67,769	(61,616)			447	(33,743)	**(27,143)**	0
At 31st March 2019	**2,377,656**	**1,597,135**	**55,020**	**275,530**	**39,124**	**144,768**	**4,489,233**	**27,455**
Accumulated Depreciation and Impairment								
At 1st April 2018	(38,845)	(19,242)	(39,136)	(104,557)	0	0	**(201,780)**	(339)
Depreciation charge	(39,453)	(19,139)	(4,527)	(11,022)	0	0	**(74,141)**	(350)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	**0**	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	38,960	18,004	286	0	0	0	**57,250**	341
Derecognition - disposals	108	11	0	0	0	0	**119**	0
Derecognition - other	0	0	0	0	0	0	**0**	
Other movements in depreciation and impairment	(4)	329	(325)	0	0	0	**0**	0
At 31st March 2019	**(39,234)**	**(20,037)**	**(43,702)**	**(115,579)**	**0**	**0**	**(218,552)**	**(348)**
Net Book Value at 31st March 2019	**2,338,422**	**1,577,098**	**11,318**	**159,951**	**39,124**	**144,768**	**4,270,681**	**27,107**

Movements in 2017/18	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 2017	2,357,943	1,610,680	49,228	253,003	33,878	71,215	**4,375,947**	25,168
Adjustment:	(0)	2,106	(215)	3	1	0	**1,895**	
Additions	71,369	119,861	3,420	12,350	3,673	52,469	**263,142**	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	6,643	53,001	26	462	1,438		**61,570**	(946)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(68,423)	(26,930)	184	(1,363)	(162)	(3,757)	**(100,451)**	2,987
Derecognition - disposals	(38,498)						**(38,498)**	0
Derecognition - other	0	0	0	0	0	0	**0**	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	**0**	0
Other movements in cost or valuation	63,354	(31,159)	0	0	0	(32,195)	**0**	0
At 31st March 2018	**2,392,388**	**1,727,558**	**52,643**	**264,455**	**38,828**	**87,732**	**4,563,605**	**27,209**
Accumulated Depreciation and Impairment								
At 1st April 2017	(23,034)	(12,155)	(37,364)	(94,442)	0	0	**(166,995)**	(389)
Adjustment:	(5)	(121)	127	(2)			**(1)**	
Depreciation charge	(38,953)	(19,038)	(1,899)	(10,113)	0	0	**(70,003)**	(340)
Depreciation written out to the Revaluation Reserve							**0**	
Depreciation written out to the Surplus/Deficit on the Provision of Services	23,039	12,072	0	0	0	0	**35,111**	390
Derecognition - disposals	108	0	0	0	0	0	**108**	0
Derecognition - other	0	0	0	0	0	0	**0**	0
Other movements in depreciation and impairment			0	0	0	0	**0**	0
At 31st March 2018	**(38,845)**	**(19,242)**	**(39,136)**	**(104,557)**	**0**	**0**	**(201,780)**	**(339)**
Net Book Value at 31st March 2018	**2,353,543**	**1,708,316**	**13,507**	**159,898**	**38,828**	**87,732**	**4,361,825**	**26,870**

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 – lives of assets 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 2019 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment into 2018/19 and future years, budgeted to cost £111.134 million. Similar commitments as at 31st March 2018 were £209.674 million. The major commitments are as follows:

- Estate Regeneration of Tower Court, St Leonards, Frampton Park, Lyttleton House, Mandeville Street and Bridge House £56.991 million (£74.816 million as at 31st March 2018)

- Hackney Planned Maintenance - Hackney Improvement Programme, £1.533 million(£4.778 million as at 31st March 2018)

- Hackney Planned Asset Manangement - Hackney HiP's and former Decent Homes Programme, £12.219 million (£19.023 million as at 31st March 2018)

- Tiger Way and Nile Street new build schools and mixed-use developments, £35.105 million (£112.858 million as at 31st March 2018)

Effects of Changes in Estimates

In 2018/19 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 2018 to 31st March 2019. 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.

	2018/19	2017/18
	£'000	£'000
Rental income from investment property	(5,340)	(2,236)
Direct operating expenses arising from investment property	255	165
Net (gain) / loss	**(5,085)**	**(2,071)**

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.

	2018/19	2017/18
	£'000	£'000
Balance at start of the year	182,578	196,362
Adjustment to opening balance	0	(2,155)
Additions - Purchases	0	42
Additions - Subsequent expenditure	322	0
Transfers to/from PPE	25,878	0
Net (gain)/losses from FV adjustments	252	(11,671)
Balance at the end of the year	**209,030**	**182,578**

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 £5.368 million charged to revenue in 2018/19 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.

	2018/19	2017/18
	£'000	£'000
Balance at start of the year		
- Gross carrying amount	31,780	30,785
- Accumulated amortisation	(24,764)	(23,442)
Net carrying amount at start of the year	7,016	7,343
Additions - Purchases	4,134	3,531
Impairment losses, recognised in the Surplus/Deficit on the Provision of Services	(585)	(2,536)
Amortisation for the period	(5,368)	(1,322)
Net carrying amount at the end of year	**5,197**	**7,016**
Comprising:		
- Gross carrying amounts	35,329	31,780
- Accumulated amortisation	(30,132)	(24,764)
	5,197	**7,016**

16. Inventories

The following table shows inventory balances held as at 31st March 2019.

2018/19	Repairs and Maintenance Materials	Waste Management	Other Consumable Stores	Total
	£'000	£'000	£'000	**£'000**
Balance carried at start of year	484	37	85	**606**
Purchases	1,618	618	1,308	**3,544**
Recognised as an expense	(1,560)	(514)	(1,286)	**(3,369)**
Written off	(3)	0	0	**5**
Balance carried at end of year	**539**	**140**	**107**	**786**

2017/18	Repairs and Maintenance Materials	Waste Management	Other Consumable Stores	Total
	£'000	£'000	£'000	**£'000**
Balance carried at start of year	382	48	98	**528**
Purchases	1,770	809	1,245	**3,824**
Recognised as an expense	(1,658)	(819)	(1,259)	**(3,738)**
Written off	(10)	0	(0)	**(8)**
Balance carried at end of year	**484**	**37**	**85**	**606**

A prior year write-off to waste management has been retrospectively recognised as an expense. There were no reversals of write-offs made in respect of previous years.

17. Financial Instruments

(a) Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- short-term loans from other local authorities,
- lease payables detailed in note 41,
- Private Finance Initiative contracts detailed in note 42

Financial Assets

A financial asset is a ri
ght to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising
  - bank current and deposit accounts,
  - loans to other local authorities,
  - loans to housing associations,
  - bonds issued by large companies,
  - lease receivables detailed in note 41

- Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:
  - equity investment in Municipal Bond Agency and

- Fair value through profit and loss (all other financial assets) comprising:
  - money market funds,

(b) Financial Instruments - Balances

The following categories of financial instrument are carried in the Balance Sheet
The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term 31.3.2019 £000s	Long Term 31.3.2018 £000s	Short Term 31.3.2019 £000s	Short Term 31.3.2018 £000s
Loans at amortised cost:				
- Principal sum borrowed	(2,400)	(2,800)	(80,400)	(30,400)
- Accrued interest	0	0	(167)	(48)
Total Borrowing	**(2,400)**	**(2,800)**	**(80,567)**	**(30,448)**
Liabilities at amortised cost:				
- Finance leases	(373)	(203)	0	0
- PFI arrangements	(12,528)	(13,349)	0	0
Total Other Long-term Liabilities	**(12,901)**	**(13,552)**	**0**	**0**
Liabilities at amortised cost:				
- Finance leases	0	0	(169)	(134)
- PFI arrangements	0	0	(821)	(763)
Included in Creditors	**0**	**0**	**(990)**	**(897)**
Total Financial Liabilities	**(15,301)**	**(16,352)**	**(81,557)**	**(31,345)**

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term 31.3.2019 £000s	Long Term 31.3.2018 £000s	Short Term 31.3.2019 £000s	Short Term 31.3.2018 £000s
At amortised cost:				
- Principal	21,500	9,180	30,296	55,741
- Accrued interest	133	63	88	133
- Loss allowance	(6)	0	(12)	0
At fair value through other comprehensive income:				
- Equity investments elected FVOCI	30	73	0	0
Total Investments	**21,657**	**9,316**	**30,372**	**55,874**
At amortised cost:				
- Principal	0	0	24,356	57,079
- Accrued interest	0	0	135	234
- Loss allowance	0	0	(4)	0
At fair value through profit & loss:				
- Fair value	0	0	30,923	0
Total Cash and Cash Equivalents	**0**	**0**	**55,410**	**57,313**
At amortised cost:				
- Lease receivables	20,632	20,898	266	271
Included in Debtors	**20,632**	**20,898**	**266**	**271**
Total Financial Assets	**42,289**	**30,214**	**86,048**	**113,458**

Equity instruments elected to fair value through other comprehensive income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

	Fair Value		Dividends	
	31.03.19 £000s	31.03.18 £000s	2018/19 £000s	2017/18 £000s
Municipal Bond Agency	30	73	0	0
Total	**30**	**73**	**0**	**0**

(c) Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities		Financial Assets		2018/19 Total	2017/18 Total
	Amortised Cost £'000	Fair Value through Profit & Loss £'000	Amortised Cost £'000	Fair Value through Profit & Loss £'000	£'000	£'000
Interest expense	1,453	0	0	0	1,453	1,364
Interest payable and similar charges	**1,453**	**0**	**0**	**0**	**1,453**	**1,364**
Interest income	0	0	(981)	0	(981)	(614)
Dividend income	0	0	0	(264)	(264)	(149)
Interest and investment income	**0**	**0**	**(981)**	**(264)**	**(1,245)**	**(763)**
Net impact on surplus/deficit on provison of services	1,453	0	(981)	(264)	208	601
Net Gain/(Loss) for the Year	**1,453**	**0**	**(981)**	**(264)**	**208**	**601**

(d) Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements).

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

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

	Fair Value Level	Balance Sheet 31.3.2019 £000s	Fair Value 31.3.2019 £000s	Balance Sheet 31.3.2018 £000s	Fair Value 31.3.2018 £000s
Financial liabilities held at amortised cost:					
Other long-term loans	**2**	(2,400)	(2,872)	(2,800)	(3,269)
Lease payables and PFI liabilities	**2**	(13,891)	(13,734)	(14,449)	(14,286)
TOTAL		**(16,291)**	**(16,606)**	**(17,249)**	**(17,555)**
Liabilities for which fair value is not disclosed *		(80,567)		(30,448)	
TOTAL FINANCIAL LIABILITIES		**(96,858)**		**(47,697)**	
Recorded on balance sheet as:					
Short-term creditors		(990)		(897)	
Short-term borrowing		(80,567)		(30,448)	
Long-term borrowing		(2,400)		(2,800)	
Other long-term liabilities		(12,901)		(13,552)	
TOTAL FINANCIAL LIABILITIES		**(96,858)**		**(47,697)**	

	Fair Value Level	Balance Sheet 31.3.2019 £000s	Fair Value 31.3.2019 £000s	Balance Sheet 31.3.2018 £000s	Fair Value 31.3.2018 £000s
Financial assets held at fair value:					
Money market funds	**1**	30,935		28,356	
Corporate, covered and government bonds	**1**	0		11,012	
Shares in unlisted companies	**3**	30		73	
Financial assets held at amortised cost:					
Corporate, covered and government bonds	**1**	2,372	2,486	0	0
Long-term loans to local authorities	**2**	6,546	6,715	6,546	6,609
Long-term loans to companies	**2**	15,087	15,165	0	0
Lease receivables	**3**	20,898	20,662	21,169	20,930
TOTAL		**75,868**	**75,993**	**67,156**	**66,980**
Assets for which fair value is not disclosed *		52,491		76,516	
TOTAL FINANCIAL ASSETS		**128,359**		**143,672**	
Recorded on balance sheet as:					
Long-term debtors		20,632		20,898	
Long-term investments		21,663		9,316	
Short-term debtors		266		271	
Short-term investments		30,384		55,874	
Cash and cash equivalents		55,414		57,313	
TOTAL FINANCIAL ASSETS		**128,359**		**143,672**	

18. Debtors

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

	2018/19	2017/18
	£000	£000
Central Govt bodies	43,187	57,791
Other local authorities	8,547	1,883
NHS bodies	4,732	8,982
Public corporations and trading funds	1,261	3
Other entities and individuals	70,017	55,135
Total	**127,744**	**123,794**

19. Cash and Cash Equivalents

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

	2018/19	2017/18
	£'000	£'000
Cash held by the Council	114	118
Bank current accounts	16,928	13,086
Short-term investments	55,414	57,313
Total	**72,456**	**70,517**

20. Assets Held for Sale

All assets held for sale are classed as current assets.

	2018/19	2017/18
	£000	£000
Balance at start of year	0	0
Assets declassified as held for sale:		
- Property, Plant and Equipment	1,265	0
Balance at end of year	**1,265**	**0**

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 2019	(10,180)	(2,804)	(1,292)	(5,426)	(4,815)	(24,517)
Adjustments to Balance as at 31st March 2018	(82)	(1)	(2)	0	85	0
Provisions made in 2018/19	(7,532)	0	0	(17,974)	(1,548)	(27,054)
Amounts used in 2018/19	6,253	0	0	0	1,591	7,844
Unused amounts reversed	13	194	0	0	209	416
Balance at 31st March 2019	**(11,528)**	**(2,611)**	**(1,294)**	**(23,400)**	**(4,478)**	**(43,311)**

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 2019 was £11.528 million (£10.181 million as at 31st March 2018). Of this total, £2.169 million represents the provision made for the Housing Revenue Account. In addition to the total provision, there is a sum of £0.209 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. The total provision has remained at £1.29 million.

NNDR Appeals

The provision for NNDR appeals as at 31 March 2019 is £23.4 million (£5.426 million at 31st March 2018), with the notable year on year increase reflecting 2017 revaluation.

Other Provisions

Provision for dilapidations is also included within other provisions. The provision as at 31st March 2019 was £0.385m.

All other provisions are individually insignificant.

22. Creditors

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

	2018/19	2017/18
	£'000	£'000
Central Govt bodies	(8,146)	(23,834)
Other local authorities	(21,917)	(17,003)
NHS bodies	(7,508)	(7,598)
Public corporations / trading funds	(6)	(885)
Other entities & individuals	(126,852)	(106,295)
Total	**(164,429)**	**(155,615)**

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

	31/03/2019	31/03/2018	31/03/2017
	£'000	£'000	
Revaluation Reserve	(1,018,388)	(1,107,175)	(1,059,995)
Available for Sale Financial Instruments Reserve	0	(248)	(892)
Financial Instruments Revaluation Reserve	170	0	0
Capital Adjustment Account	(2,986,683)	(3,048,548)	(3,026,113)
Financial Instruments Adjustment Account	(127)	(162)	(202)
Deferred Capital Receipts	(20,288)	(20,385)	(47,680)
Pensions Reserve	817,581	670,502	721,656
Collection Fund Adjustment Account	(7,097)	(5,379)	(2,866)
Accumulated Absences Account	4,215	4,437	4,550
Total	**(3,210,617)**	**(3,506,958)**	**(3,411,542)**

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.

	2018/19	2017/18
	£'000	£'000
Balance as at 1st April	**(1,107,175)**	**(1,059,995)**
Upward revaluation of assets	(101,889)	(185,336)
Downward revaluation of assets	172,812	123,013
Difference between fair value depreciation and historical cost depreciation	17,864	15,143
Finance lease adjustment	0	0
Accumulated gains on disposed assets	0	0
Balance as at 31st March	**(1,018,388)**	**(1,107,175)**
Amount written off to the Capital Adjustment Account	17,864	15,143

Available for Sale Financial Instruments

	2018/19	2017/18
	£'000	£'000
Balance as at 1st April	**(248)**	**(892)**
Upward Revaluation of Investments	(128)	(1,587)
Downward revaluation of investments not charged to the surplus/deficit on the provision of servcies	376	2,231
Balance as at 31st March	**0**	**(248)**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increase in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised

	2018/19		2017/18	
	£'000	£'000	£'000	£'000
Balance as at 1st April		**0**		**0**
Accumulated gains or losses on assets sold and maturing assets written out to the General Fund				
Balances for financial assets designated to fair value through other comprehensive income	170		0	
Balance as at 31st March	**170**		**0**	

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.

	2018/19		2017/18	
	£'000	£'000	£'000	£'000
Balance as at 1st April		**(3,048,548)**		(3,026,113)
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	74,476		72,537	
- revaluation losses and reversals of losses on Property, Plant and Equipment	165,778		65,615	
- amortisation of intangible assets	5,368		1,323	
- other amortisation	0		0	
- revenue expenditure funded from capital under statute	2,473		4,400	
- 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	15,175		38,390	
		263,270		182,265
	(17,864)		(15,143)	
Adjusting amounts written out of the Revaluation Reserve		(17,864)		(15,143)
Net written out amount of the cost of non-current assets consumed in the year		245,406		167,122
Capital financing applied in the year				
- use of the Capital Receipts Reserve to finance new capital expenditure	(93,725)		(92,952)	
- use of the Major Repairs Reserve to finance new capital expenditure	(43,677)		(42,335)	
- capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(30,517)		(37,533)	
- capital grants and other contributions that have been applied to capital financing	(1,704)		(12,245)	
- capital expenditure charged against the General Fund and HRA balances	(11,597)		(16,256)	
		(181,220)		(201,321)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,674)		(1,631)	
2016/17 MRP adjustment			2,598	
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	322		11,671	
Finance lease and PFI movements	(969)	(2,321)	(874)	11,764
Balance as at 31st March		**(2,986,683)**		**(3,048,548)**

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 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.

	2018/19		2017/18	
	£'000	£'000	£'000	£'000
Balance as at 1st April		**(162)**		**(202)**
Interest at Market Rate on New Soft Loan Received in Year	0		0	
		0		0
Amounts by which finance costs charged to CI&ES are different from finance costs chargeable in year in accordance with statutory requirements		35		40
Balance as at 31st March		**(127)**		**(162)**

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.

	2018/19	2017/18
	£'000	£'000
Balance as at 1st April	**(20,385)**	**(5,330)**
Prior Period Adjustment	**0**	(42,350)
Revised balance brought forward at 1 April 2017	(20,385)	(47,680)
Long term operating leases reclassified as finance leases	**63**	70
Transfer to the Capital Receipts Reserve upon receipt of cash	**34**	27,225
Balance as at 31st March	**(20,288)**	**(20,385)**

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.

	2018/19	2017/18
	£'000	£'000
Balance as at 1st April	**670,502**	**721,656**
Remeasurements of net defined liability / (asset)	127,791	(72,234)
Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on Provision of Services	81,107	81,876
Employer's pension contributions and direct payments to pensioners payable in the year	(61,819)	(60,796)
Balance as at 31st March	**817,581**	**670,502**

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.

	2018/19	2017/18
	£'000	£'000
Balance as at 1st April	**(5,379)**	**(2,866)**
Movement in year	(1,718)	(2,513)
Balance as at 31st March	**(7,097)**	**(5,379)**

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	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Balance as at 1st April	**3,941**	**4,106**	**496**	**444**
Settlement / cancellation of accrual made at the end of the preceding year	(3,941)	(4,106)	(496)	(444)
Amounts accrued at the end of the current year	3,833	3,941	383	496
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from charges in accordance with statutory requirements	(108)	(165)	(113)	52
Balance at 31st March	**3,833**	**3,941**	**383**	**496**

25. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items.

	2018/19	2017/18
	£'000	£'000
Interest Received	(1,574)	(1,940)
Interest Paid	2,842	1,657
Total	**1,268**	**(283)**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2018/19	2017/18
	£'000	£'000
Depreciation	(74,141)	(70,003)
Impairment and downward valuations	(166,687)	(67,876)
Amortisation	(7,842)	(1,323)
(Increase)/decrease in impairment for bad debts	(1,669)	0
(Increase)/decrease in creditors	(8,836)	(37,340)
Increase/(decrease) in debtors	(19,075)	4,810
Increase/(decrease) in inventories	(180)	78
Movement in pension liability	(19,286)	(21,080)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(15,175)	(38,390)
Other non-cash movements charged to the surplus or deficit on provision of services	11,712	(13,004)
Total	**(301,178)**	**(244,128)**

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

	2018/19	2017/18
	£'000	£'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	124,839	118,655
Any other items for which the cash effects are investing or financing cash flows	16,608	56,871
Total	**141,447**	**175,526**

26. Cash Flow Statement - Investing Activities

The cash flows for investing activities include the following items.

	2018/19	2017/18
	£'000	£'000
Balance as at 1st April		
Purchase of PPE, investment property and intangible assets	266,404	266,715
Purchase of investments	65,480	0
Other payments for investing activities	0	0
Proceeds from the sale of Non Current Assets	(124,839)	(145,880)
Proceeds from investments	(84,474)	(30,197)
Other receipts from investing activities	(28,779)	(52,372)
Balance as at 31st March	**93,792**	**38,266**

27. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items.

	2018/19	2017/18
	£'000	**£'000**
Other receipts from financing activities	(95,000)	(50,000)
Cash Payments for the reduction of the outstanding liabilities relating to the finance leases and on Balance Sheet PFI contracts	969	874
Repayments of short and long term borrowing	45,400	105,400
Other payments for financing activities	4,839	(7,301)
Net Cash flows from financing activities	**(43,792)**	**(91,380)**

28. Reconciliation of Liabilities arising from financing activities

	2018/19 1st April	Financing cash flows	Non-cash changes		2018/19 31st March
			Acquisition	Other non-cash changes	
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	(2,800)	0	0	400	(2,400)
Short-term borrowings	(30,400)	(49,600)	0	(400)	(80,400)
- Lease liabilities	(328)	206	0	(422)	(544)
- On balance sheet PFI liabilities	(14,112)	763	0	0	(13,348)
Total liabilities from financing activities	**(47,640)**	**(48,631)**	**0**	**(422)**	**(96,693)**

28. A. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2018/19			2017/18		
	Net Expenditure Chargeable to the GF & HRA Balances	Adjustments between accounting basis and funding basis	Net Expenditure in CI&ES	Net Expenditure Chargeable to the GF & HRA Balances	Adjustments between accounting basis and funding basis	Net Expenditure in CI&ES
	£'000	£'000	£'000	£'000	£'000	£'000
Children Adults and Community Health Services						
Education & Schools	30,372	28,006	58,378	52,340	(4,569)	47,771
Children & Families	61,216	1,745	62,962	58,371	506	58,877
Adult Services	82,498	4,524	87,022	82,202	(1,194)	81,008
Public Health	892	(409)	483	(83)	502	419
Neighbourhoods and Housing						
Public Realm	45,035	13,368	58,403	40,746	8,284	49,030
Housing & Regeneration GF	209	7	216	12,552	(10,038)	2,514
Finance & Corporate Resources						
Revenues & Benefits	14,111	1,872	15,982	20,632	(1,278)	19,354
Finance and Resources Other	38,543	(2,131)	36,412	28,291	(4,515)	23,776
Chief Executives						
Chief Executive	9,504	164	9,668	9,770	2	9,772
Housing Revenue Account						
HRA	112,411	3,905	116,317	106,916	(49,958)	56,958
Net Cost of Services	**394,790**	**51,052**	**445,842**	**411,737**	**(62,258)**	**349,479**
Other income and expenditure	(392,415)	30,382	(362,033)	(401,649)	45,366	(356,283)
(Surplus) / Deficit on Provision of Services	**2,375**	**81,434**	**83,809**	**10,088**	**(16,892)**	**(6,804)**
Opening GF & HRA Balance	(170,891)			(180,979)		
Less Deficit on GF & HRA Balance in Year	2,375			10,088		
Closing General Fund & HRA Balance at 31st March 2019	(168,516)			(170,891)		

Analysed between General Fund and HRA	GF	2018/19 HRA	Total	GF	2017/18 HRA	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening GF & HRA Balance 2017	(140,465)	(30,426)	(170,891)	(153,382)	(27,597)	(180,979)
Less Deficit on GF & HRA Balance in Year	(2,971)	5,346	2,375	12,917	(2,829)	10,088
Closing General Fund & HRA Balance at 31st March 2019	**(143,436)**	**(25,078)**	**(168,516)**	**(140,465)**	**(30,426)**	**(170,891)**

28. B. Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	2018/19 Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Children Adults and Community Health Services				
Education & Schools	26,980	1,343	(316)	28,006
Children & Families	1,398	250	97	1,745
Adult Services	4,295	198	31	4,524
Public Health	12	31	(452)	(409)
Neighbourhoods and Housing				0
Public Realm	12,263	454	651	13,368
Housing and Regeneration GF	(8)	21	(6)	7
Finance & Corporate Resources				0
Revenues & Benefits	1,785	139	(53)	1,872
Finance and Resources Other	(291)	(1,854)	14	(2,131)
Chief Executives				0
Chief Executives	100	43	21	164
Housing Revenue Account				0
Local authority housing (HRA)	1,141	2,971	(207)	3,905
Net Cost of Services	**47,676**	**3,597**	**(221)**	**51,052**
Other income and expenditure from the Expenditure and Funding Analysis	16,411	15,689	(1,718)	30,382
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**64,087**	**19,286**	**(1,939)**	**81,434**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	2017/18 Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Children Adults and Community Health Services				
Education & Schools	(6,156)	1,893	(306)	(4,569)
Children & Families	256	285	(35)	506
Adult Services	(1,477)	237	46	(1,194)
Public Health	7	35	460	502
Neighbourhoods and Housing				
Public Realm	8,317	487	(520)	8,284
Housing and Regeneration GF	(10,080)	26	16	(10,038)
Finance & Corporate Resources				
Revenues & Benefits	(1,607)	212	117	(1,278)
Finance and Resources Other	(3,342)	(1,167)	(6)	(4,515)
Chief Executives				
Chief Executives	(17)	51	(32)	2
Housing Revenue Account				
Local authority housing (HRA)	(51,736)	1,632	146	(49,958)
Net Cost of Services	**(65,835)**	**3,691**	**(114)**	**(62,258)**
Other income and expenditure from the Expenditure and Funding Analysis	30,490	17,389	(2,513)	45,366
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(35,345)**	**21,080**	**(2,627)**	**(16,892)**

28. C. Expenditure and Income Analysed by Nature

	2018/19	2017/18
	£000's	**£000's**
Expenditure:		
Employee expenses	228,014	209,768
Other service expenses	875,042	1,075,794
Support services recharges	71,254	42,696
Capital related	235,989	49,856
Interest and investment expenditure	60,439	2,766
Precepts and levies	8,364	8,468
Payments to Housing Capital Receipts Pool	16,411	3,265
Total expenditure	**1,495,513**	**1,392,613**
Income:		
Fees, charges and other service income	(438,434)	(455,161)
Interest and investment income	(45,404)	(2,252)
Income from council tax, non domestic rates	(168,261)	(112,316)
Government grants and contributions	(759,605)	(829,688)
Total income	**(1,411,704)**	**(1,399,417)**
Surplus or Deficit on the Provision of Services	**83,809**	**(6,804)**

29. Trading Operations

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. The below table details the Councils trading operations:

	2018/19			2017/18		
	Income £'000	Expenditure £'000	Net £'000	Income £'000	Expenditure £'000	Net £'000
Street Markets *	(1,057)	1,436	379	(1,001)	1,203	202
Commercial waste collection **	(6,313)	6,043	(270)	(6,116)	5,661	(455)
Hackney Learning Trust ***	(5,718)	5,718	0	(5,572)	5,572	0
Total	**(13,088)**	**13,197**	**109**	**(12,689)**	**12,436**	**(253)**

* The Council has 5 key street markets in which it operates within the borough. Income is received from both permanent and temporary traders.

** 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 4,600 plus sites across the borough, offering a wide range of collections including mixed recycling, cardboard, glass and organic recycling via sack, bin, bin rental or skip collection which operates seven days a week.

*** The HLT 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.

30. Agency Services

The Council carries out income collection services on behalf of Thames Water and Thistle Insurance 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 £8.395 million in 2018/19 (£8.189 million in 2017/18). Insurance premiums collected on behalf of Jardine Lloyd Thompson amounted to £0.145 million in 2018/19 (£0.186 million in 2017/18).

There was no cost to the Council in providing either of these services. The commission received for the Thames Water arrangement for 2018/19 was £0.688 million (£0.671 million in 2017/18). Income received from the Jardine Lloyd Thompson arrangement was £0.039 million for 2018/19 (£0.042 million in 2017/18).

31. Members' Allowances

The Council paid £1.285 million in allowances to Members of the Council during 2018/19 (£1.272 million in 2017/18).

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.

	2018/19	2017/18
	£'000	£'000
Fees payable to External Audit with regard to external audit services carried out by the appointed auditor for the year	174	226
Fees payable to External Audit for the certification of grant claims and returns for the year	22	50
Fees payable to External Audit with regard to external audit services carried out on the London Borough of Hackney Pension Fund	16	21
Total	**212**	**297**

33. Pooled Budgets

The Council is involved in a number of pooled budget arrangements with both the NHS City and Hackney Clinical Commissioning Group (CCG) and the East London Foundation Trust.

The Council works collaboratively with the CCG to address specific local health issues. The CCG, as the host Authority, held the revenue element whilst the Council held the capital element of the pooled budget.

The Council 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.

	Mental Health		Learning Difficulties		Hackney Better Care Fund *	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
Funding provided to the pooled budget						
- provided by the Council	(6,405)	(6,314)	(16,688)	(16,030)	(13,152)	(9,781)
- provided by other Partners	(10,720)	(10,079)	(7,520)	(5,563)	(19,419)	(19,057)
Expenditure met from the pooled budget						
- met by the Council	6,431	6,863	21,694	22,545	22,625	20,308
- met by other Partners	10,734	10,032	7,520	5,563	9,946	8,511
Net deficit arising on the pooled budget during the year	40	502	5,007	6,515	0	(19)
Council's share of the net (surplus) / deficit arising on the pooled budget	**26**	**549**	**5,007**	**6,514**	**0**	**(19)**

* The expenditure met from the pooled budget by the Council includes elements funded by partners and therefore does not result in a deficit to the Council.

34. Officers' Remuneration

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	
		2018/19	2017/18	2018/19	2017/18	**2018/19**	**2017/18**	2018/19	2017/18	**2018/19**	**2017/18**
		£	£	£	£	**£**	**£**	£	£	**£**	**£**
Chief Executive - T Shields	i	181,486	177,956	0	0	**181,486**	**177,956**	28,312	27,761	**209,798**	**205,717**
Group Director Children, Adults & Community Health - A Canning	ii	156,075	153,015	0	0	**156,075**	**153,015**	24,348	23,870	**180,423**	**176,885**
Group Director Finance & Corporate Resources - I Williams	iii	156,075	153,015	0	0	**156,075**	**153,015**	24,348	23,870	**180,423**	**176,885**
Group Director Neighbourhoods & Housing - K Wright	iv	156,075	153,465	0	0	**156,075**	**153,465**	24,348	23,941	**180,423**	**177,406**

Notes
(i) Annualised salary was £181,486 for 2018/19 and £177,956 for 2017/18
(ii) Annualised salary was £156,075 for 2018/19 and £153,015 for 2017/18
(iii) Annualised salary was £156,075 for 2018/19 and £153,015 for 2017/18
(iv) Annualised salary was £156,075 for 2018/19 and £153,015 for 2017/18
**No Bonuses or expenses allowances awarded in 2018/19 and 2017/18

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	
		2018/19	2017/18	2018/19	2017/18	**2018/19**	**2017/18**	2018/19	2017/18	**2018/19**	**2017/18**
		£	£	£	£	**£**	**£**	£	£	**£**	**£**
Director of Communications, Culture & Engagement	i	110,293	101,084	0	0	**110,293**	**101,084**	17,206	15,769	**127,499**	**116,853**
Director of Legal & Governance	ii	130,063	179,793	0	0	**130,063**	**179,793**	20,290	3,315	**150,353**	**183,108**
Director of Policy, Strategy & Economic Development	iii	110,293	97,006	0	0	**110,293**	**97,006**	17,206	15,133	**127,499**	**112,139**
Head of Human Resources & Electoral Services	iv	116,536	114,251	0	0	**116,536**	**114,251**	18,180	17,823	**134,716**	**132,074**

Notes
(i) Annualised salary was £110,293 for 2018/19 and £102,010 for 2017/18, started this position on 1st September 2017
(ii) Annualised salary was £130,063 for 2018/19 and £127,513 for 2017/18, started this position on 1st February 2018. Employed on an interim basis for the period 8th June 2017 to 31st January 2018
(iii) Annualised salary was £110,293 for 2018/19 and £102,010 for 2017/18
(iv) Annualised salary was £116,536 for 2018/19 and £114,251 for 2017/18
**No Bonuses or expenses allowances awarded in 2018/19 and 2017/18

The Local/Mayoral Election and a By Election in 2018/19 led to senior officers receiving payments for work on behalf of the Returning Officer. As payments for work on behalf of the Returning Officer are not made directly by the Council itself, these payments are not part of the Council's remuneration payments to senior officers reported in the tables above. The fees paid to senior officers for work on behalf of the Returning Officer 2018/19 were:

Post	Election Role	Fees received 2018/19 (£)	Fees received 2017/18 (£)
Chief Executive - T Shields	Returning Officer	11,103	8,057
Head of Human Resources & Organisational Development	Returning Officer/Chief Count Supervisor	1,050	10,640
Group Director Neighbourhoods & Housing - K Wright	Returning Officer	320	310
Group Director Finance and Corporate Resources - I Williams	Returning Officer/Count Supervisor	690	0
Group Director Children, Adults & Community Health - A Canning	Count Supervisor	320	310
Director of Policy, Strategy & Economic Development	Chief Count Supervisor/Count Supervisor/Polling Station Inspector	870	1,320
Director Legal & Governance	Misc Elections Duties	755	0
		15,108	**20,637**

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			
	2018/19		2017/18		2018/19		2017/18		2018/19		2017/18		**2018/19**		**2017/18**	
	Council	Schools	Council	Schools	Council	Schools	Council	Schools	Council	Schools	Council	Schools	**Council**	**Schools**	**Council**	**Schools**
													£		**£**	
£0 - £20,000	26	10	18	3	49	40	42	73	75	50	60	76	585,446	305,577	481,452	466,219
£20,001 - £40,000	13	3	19	1	12	5	10	4	25	8	29	5	688,337	207,253	831,475	148,189
£40,001 - £60,000	3	1	10	0	4	0	6	0	7	1	16	0	348,661	40,504	794,167	0
£60,001 - £80,000	1	0	0	0	3	0	3	0	4	0	3	0	285,358	0	207,423	0
£80,001 - £100,000	2	0	0	0	0	0	1	1	2	0	1	1	170,996	0	88,297	90,782
£100,001 - £150,000	0	0	2	0	0	0	2	0	0	0	4	0	0	0	413,799	0
£150,001 - £200,000	0	0	0	0	0	0	1	0	0	0	1	0	0	0	157,065	0
£200,001 - £250,000	1	0	0	0	0	0	0	0	1	0	0	0	239,486	0	0	0
	46	**14**	**49**	**4**	**68**	**45**	**65**	**78**	**114**	**59**	**114**	**82**	**2,318,284**	**553,334**	**2,973,678**	**705,191**

From 2018/19 the termination of a contract is included in 'Other Agreed Departures'. 2017 / 2018 figures have been restated accordingly

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.

	2018/19		2017/18	
	No. of employees		No. of employees	
	Council	Schools	Council	Schools
£50,000 - £54,999	177	119	187	109
£55,000 - £59,999	108	54	87	47
£60,000 - £64,999	73	29	46	26
£65,000 - £69,999	28	22	26	21
£70,000 - £74,999	19	13	16	7
£75,000 - £79,999	17	8	11	11
£80,000 - £84,999	11	8	7	10
£85,000 - £89,999	4	10	7	5
£90,000 - £94,999	12	5	3	2
£95,000 - £99,999	4	1	3	2
£100,000 - £104,999	4	0	5	1
£105,000 - £109,999	0	1	2	1
£110,000 - £114,999	3	1	4	1
£115,000 - £119,999	6	2	4	1
£120,000 - £124,999	3	1	6	2
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	4	1	0	2
£135,000 - £139,999	0	1	0	0
£140,000 - £144,999	0	0	0	0
£145,000 - £149,999	0	0	0	0
£150,000 - £154,999	0	0	3	0
£155,000 - £159,999	3	0	0	0
£160,000 - £164,999	0	0	0	0
£165,000 - £169,999	0	0	0	0
£170,000 - £174,999	0	0	0	0
£175,000 - £179,999	0	0	2	0
£180,000 - £184,999	1	0	0	0
£210,000 - £299,999	0	0	1	0
Total	**477**	**276**	**420**	**248**

35. Termination Benefits

The Council terminated the contracts of 173 employees in 2018/19, incurring liabilities of £2.872 million (£3.679 million in 2017/18) 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 School Finance and Early Years (England) Regulations 2018. 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 supporting schools and for the delegated Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2018/19 are as follows.

	Central Expenditure	ISB	Total
	£'000	£'000	**£'000**
Final DSG for 2018/19 before academy recoupment			**275,784**
Academy figure recouped for 2018/19			**(69,482)**
Total DSG after academy recoupment for 2018/19			**206,302**
Plus Brought forward from 17/18			**0**
Less Carry forward to 2019/20 agreed in advance			**0**
Agreed initial budget distribution in 2018/19	39,058	167,244	**206,302**
In year adjustments	3,437	0	**3,437**
Final budgeted distribution for 2018/19	**42,496**	**167,244**	**209,739**
Less Actual central expenditure	(44,312)		(44,312)
Less Actual ISB deployed to schools 2018/19		(166,939)	(166,939)
Plus Local authority contribution for 2018/19	0	0	0
Deficit - funded by reserve	**(1,816)**	**305**	**(1,511)**

Deficit against Dedicated Schools Grant has been £1m in 2017/18, and a further £1.5m in 2018/19 which includes overspend on Special Education Needs of £7.9m. In both years the deficit has been financed directly from General Fund earmarked reserves.

37. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19. No donations were received during the year.

	2018/19	2017/18
	£'000	£'000
Credited To Taxation and Non-Specific Income		
Revenue Support Grant	0	(54,904)
PFI Grant	(1,387)	(1,387)
New Homes Bonus	(8,578)	(15,982)
Other Grants	(119)	(1,412)
HRA Capital Grant	(6,747)	(11,369)
Other Grants Credited to Taxation and Non Specific Grant Income	(26,513)	(36,966)
Total	**(43,344)**	**(122,020)**
Credited to Services		
Department for Work and Pensions	(303,625)	(307,444)
Department for Education	(234,925)	(236,174)
Communities and Local Government	(20,789)	(16,472)
Department of Health	(39,299)	(40,026)
Other grants	(6,963)	(6,098)
Contribution from Health Authorities	(3,018)	(14,945)
Contribution from other partners	(13,786)	(1,910)
Other contributions	(8,300)	(6,502)
Total	**(630,705)**	**(629,571)**

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

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

	2018/19	2017/18
	£'000	£'000
Capital Grants Receipt in Advance		
Department for Education	(5,523)	(1,152)
Other Grants	(2,013)	(5,281)
Total	**(7,536)**	**(6,433)**

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

	2018/19	2017/18
	£'000	£'000
Revenue Grants Receipt in Advance		
Department for Work and Pensions	(4)	(16)
Communities and Local Government	(151)	(323)
Greater London Authority	0	(9)
Department for Education	(59)	(659)
Other Grants	(35)	(140)
Total	**(249)**	**(1,147)**

Long term liabilities

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

	2018/19	2017/18
	£'000	£'000
Capital Grants Receipt in Advance		
Other Grants	(7,501)	(2,876)
Section 106 Grants	(43,213)	(44,152)
Total	**(50,714)**	**(47,028)**

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

	2018/19	2017/18
	£'000	£'000
Revenue Grants Receipt in Advance		
Department for Education	(663)	0
Total	**(663)**	**0**

Following the annual review of grant conditions in 2018/19, 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 £606 million (£606 million in 2017/18), 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 2018/19 are summarised in the paragraphs below.

The Council made payments totalling £1.435 million (£1.707 million in 2017/18) to nine voluntary organisations in which there are eleven declared interests by Members. Payments of £1.980 million (£3.608 million in 2017/18) were made to four Housing Associations and Tenant Management Organisations in which five controlling interests were declared by Members. In addition, payments totalling £2.252 million (£2.301 million in 2017/18) were made to five public-related organisations in which there are five declared interests by Members.

Officers

The Chief Executive of the Council, Tim Shields, is Chair of Hackney Crime and Disorder Partnership.

The Mayor of the Council, Philip Glanville, is Non-Executive Director of London Legacy Development Corporation, Board Member of Shoreditch Trust and Member of London Councils.

The Group Director of Finance and Corporate Resources, Ian Williams, is a member of the London Pension Collective Investment Advisory Committee, Director of Hackney Schools for the Future 1 & 2 and joint chair for the North London Waste Authority (NLWA) Partnership Board.

Entities Controlled or Significantly Influenced by the Council

Hackney Schools for the Future Limited

Hackney Schools for the Future Limited (HSFL) and Hackney Schools for the Future 2 Limited (HSF2L) were both set up by the Local Education Partnership (LEP) for Hackney. HSF2L was created primarily to deliver the Nile Street and Tiger Way mixed-use development schemes with LBH owning majority of the shares. HSFL was created primarily to deliver newly constructed secondary schools via the Building Schools for the Future initiative in Hackney. It continues to support the facilities and lifecycle services associated with these schools. HSFL is a public private partnership between the Council and Kier Education Services (formally Mouchel Babcock until September 2017), each holding an equity investment of £50,000 nominal £1 share capital at 20% and 80% retrospectively. The Board has 2 Council appointees. In addition to the construction of the Secondary Schools, Thomas Fairchild Primary School, and the mixed-use development at Nile Street and Tiger Way, HSFL delivers Facilities Management (FM) and ICT managed services for the phased schools. The ICT managed service is delivered to the phase 1 and 2 schools only and the Asset Management Services to the Local Authority Schools. The Authority has set up a property management company, Otto Management Company Limited to deliver the facility management service at the recently completed Nightingale School (Tiger Way). The Otto Management Company is a private accompany with a total number of ordinary shares of 1 and an aggregate nominal value of £1.

The total amount spent on HSFL and HSF2L related capital schemes was £77.993 million, of which £71.034 million is attributable to HSF2L and £6.959 million to HSFL. The total client fees paid to the LEP for the year 2017/18 was £0.270 million and the total Facilities and ICT Managed Services charged by the LEP and paid by the Authority were £3.703 million and £0.0236 million respectively. In relation to transactions with the Otto Management Company, payments have been made totalling £0.007 million.

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 2018/19, two Members and two Chief Officers were on the Health and Wellbeing Board. The Chief Executive of Homerton University Hospital NHS Foundation Trust and the Chief Executive of East London Foundation Trust 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. The balance outstanding at the start of 2018/19 was £0.016 million which has been fully repaid in year.

The City and Hackney Safeguarding Children Board (CHSCB) is a dual board covering the City of London and the London of Hackney. In accordance to Working Together (2015), the Board's partners include the LBH, The City of London and partners from the Metropolitan and City Police, Health Commissioners and providers, as well as Cafcass and Probation. The partners contributed the stated amount to the funding of the Board's activities.
Staff in the LBH CHSCB team work for the CHSCB and play an important role in ensuring the Board meets its statutory functions, through the co-ordination of activities, including the development of multi-agency policies, procedures and guidance, commissioning and delivering multi-agency training, managing safeguarding reviews and facilitating engagement with local communities. The Council contributed £0.111 million to the CHSCB (£0.116 million in 2017/18).

During the financial year 2018/19, the Council charged the Pension Fund £0.353 million (£0.286 million in 2017/18) 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 Sub 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 £6.765 million (£6.854 million in 2017/18). The council also incurred charges of £1.774 million (£1.650 million in 2017/18) towards non-household waste and £0.506 million (£0.480 million in 2017/18) towards household chargeable waste.

The Hackney Community Strategy Partnership Board is a local strategic partnership convened by the Council. The Board membership includes leaders from the Council, leaders from key local public services including the NHS, the Police and Education and leaders from the local voluntary and community sector and local business. Its core purpose is to provide leadership and strategic direction so that all partners are working towards a coherent, shared vision for the local area, as articulated in the Community Strategy. The Board was established in February 2018 and there are currently 17 Board Members including four Chief Officers.

The council is the seed investor in the Municipal Bond Agency during 2014/15, investing a total of £0.100 million worth of equity. Subsequently, the council has invested an additional

£0.100 million during the 2014/15 financial year. As a shareholder, the council has influence over the direction of the organisation. Although no influence has been used to date. No further investments were made during 2018/19.

The London Collective Investment Vehicle (CIV) is established by London Councils on behalf of the Council and the City of London Corporation. It consists of an Authorised Contractual Scheme (ACS) Operator, 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 Director of Finance held positions on the interim Board of the CIV prior to the establishment of the current Board on 8th September 2015. The Council paid £0.025 million Annual Services charge for CIV in 2018/19.

Entities Controlled or Significantly Influenced by the Council - wholly owned subsidiaries

The London Borough of Hackney has, in the last 18 months, established five wholly owned subsidiaries, limited by shares, to facilitate and enable its interests in the borough. Set out below are details of the 5 companies, and details of the associated related party transactions within the financial statements are detailed in two building management companies:

- Otto Management Company Limited and
- Makers Management Company Limited

and three housing rental companies

- Hackney Housing Company Limited (Holding company);
- Hackney PRS Housing Company Limited (Subsidiary); and
- Hackney LLR Housing Company Limited (Subsidiary)

The building management companies are to provide services to the private dwellings and schools at the Tiger Way and Nile Street mixed-use developments respectively. Otto Management Company Limited became operational in 2018/19 and Makers Management Company Limited will begin operations in 2019/20.

Once the developments are complete, the Council will grant a 999-year lease over both sites to the respective building management company. Each lease will be granted at a peppercorn rent. Then each building management company will grant a sub-lease over the schools to the respective governing bodies of the schools. The sub-lease will also be at a peppercorn rent, and will include an annual service charge that will be payable by the schools to each building management company.

There will also be contracts between the governing bodies and the Council for the day-to-day running of the schools.

Residents of the private for sale dwellings will also pay annual service charges and ground rent to the building management companies.

A group of housing companies (Hackney Housing Company Limited and two subsidiaries) that will deliver and manage Private Rented Sector and London Living Rent properties within the borough. The holding company was registered with Companies House on 21st December 2018, with the subsidiary companies registered on 4th January 2019. Full incorporation has not been completed for any of these companies at 31st March 2019.

As a result of the very limited financial activity, none of the subsidiaries are considered to be material, with none having produced accounts for the 2018/19 financial year, and as a result Group Financial Statements are not being prepared for 2018/19.

39. Impairment Losses

During 2018/19, the Council has recognised a net impairment/revaluation gain reversal (relating to losses recognised in prior years) of £229.218 million (£81,214 million in loss 2017/18) in relation to Property, Plant and Equipment and Investment Assets. Of this total net impairment/revaluation gain reversal, the following amounts were charged/credited to the Comprehensive Income and Expenditure Statement..

	2018/19	2017/18
	£'000	£'000
Children, Adults and Community Health Services		
Education & Schools	30,139	10,086
Children & Families	0	503
Adult Services	4,154	237
Public Health	0	0
Neighbourhoods and Housing		
Public Realm	9,334	(265)
Housing & Regeneration GF	0	(43)
Finance & Corporate Resources		
Revenues & Benefits/Housing Needs	9	282
Finance and Resources Other	48,339	7,428
Chief Executives		
Chief Executive	0	0
Housing Revenue Account		
HRA	137,244	62,986
Cost of Services		
Other operating expenditure	0	0
Financing and investment income and expenditure	0	0
Taxation and Non-Specific Grant Income and expenditure	0	0
Total	229,218	81,214

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.

	2018/19		2017/18	
	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement		398,856		328,968
Adjustment to opening CFR*		0		2,598
		398,856		**331,566**
Capital investment				
- Property, Plant and Equipment	261,948		263,184	
- Investment properties	322			
- Intangible Assets	4,134		3,531	
- Revenue Expenditure Funded from Capital under Statute	2,473		4,400	
- Assets acquired under finance leases	0	268,878	0	271,115
Sources of finance				
- Capital receipts	(93,725)		(92,952)	
- Government grants and other contributions	(32,221)		(49,778)	
- Direct revenue contributions	(14,240)		(18,761)	
- Major Repairs Allowance	(43,677)	(183,863)	(42,334)	(203,825)
Closing Capital Financing Requirement		**483,870**		**398,856**
Explanation of movements in year				
Increase in underlying need to borrow (unsupported by government		87,658		69,794
Assets acquired under finance leases		(2,644)		(2,505)
Increase / (decrease) in Capital Financing Requirement		**85,015**		**67,289**

41. Leases

Authority as Lessee

Finance Leases

The Council has reclassified four properties as finance leases following the introduction of the IFRS Code. As at 31st March 2018 the Council leased 15 non-property assets which have been reclassified as finance leases, this increased to 17 assets at 31 st March 2019. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	2018/19	2017/18
	£'000	£'000
Other Land and Buildings	5,732	2,791
Vehicles, Plant, Furniture and Equipment	394	230
Total	**6,126**	**3,021**

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.

	2018/19	2017/18
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)		
- current	169	134
- non-current	373	203
Finance costs payable in future years	34	97
Minimum lease payments	**576**	**434**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Less than one year	189	162	169	134
Between one year and not later than five years	365	208	351	180
Later than five years	23	24	22	23
Total	**577**	**394**	**542**	**337**

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 £10,000.

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

	2018/19	2017/18
	£'000	£'000
Not later than one year	23,472	598
Later than one year and not later than five years	66,639	2,165
Later than five years	17,173	427,272
Total	**107,284**	**430,035**

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.

	2018/19	2017/18
Children, Adults and Community Health Services		
Education & Schools	205	151
Children & Families	0	0
Adult Services	0	0
Public Health	0	0
Neighbourhoods and Housing		
Public Realm	0	13
Housing & Regeneration GF	0	0
Finance & Corporate Resources		
Revenues & Benefits/Housing Needs	0	0
Finance and Resources Other	1	1
Chief Executives		
Chief Executive	0	0
Housing Revenue Account		
HRA	0	0
	206	**165**

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 115 years, 18/20 Ashwin Street with a remaining term of 82 years and 242 Old Street with a remaining term of 44 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.

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	2018/19	2017/18
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments)		
- current	62	62
- non-current	5,100	5,161
Unearned finance income	15,736	15,946
Unguaranteed residual value of property	0	0
Gross investment in the lease	**20,898**	**21,169**

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	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Not later than one year	62	62	266	271
Later than one year and not later than five years	202	231	965	1013
Later than five years	4897	4931	19667	19885
Total	**5,161**	**5,224**	**20,898**	**21,169**

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 2018/19 contingent rents of £0k (£274k in 2017/18) 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.

	2018/19	2017/18
	£'000	£'000
Not later than one year	3,228	2,687
Later than one year and not later than five years	10,298	8,159
Later than five years	17,689	17,402
Total	**31,215**	**28,248**

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 2018/19 contingent rents of £846k (£610k in 2017/18) were receivable by the Council.

42. PFI and Similar Contracts

The Council has one PFI scheme for the Technology and Learning Centre (TLC). 2018/19 was the eighteenth 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 13.

Lifecycle costs have not been included in the model used to determine the principal and interest elements of the unitary payments made. There have been no changes to the scheme or refinancing in 2018/19.

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 2019 (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 2019/20	1,595	821	1,000	**3,416**
Payable within 2 to 5 years	7,255	3,947	3,337	**14,540**
Payable within 6 to 10 years	11,210	6,851	2,255	**20,315**
Payable within 11 to 15 years	11,592	1,730	127	**13,449**
Total	**31,651**	**13,349**	**6,720**	**51,720**

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.

	2018/19	2017/18
Balance at start of year	**(14,112)**	**(14,822)**
Payments during the year	763	710
Balance at end of year	**(13,349)**	**(14,112)**

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 2017/18 the Council paid £9.916 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2018/19 were £9.815 million.

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.

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	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Cost of Services				
- current service cost (incl.admin)	62,540	62,537	173	198
- Past Service cost incl settlement and curtailments	295	381	0	1
Total	62,835	62,918	173	199
Financing and Investment Income and Expenditure				
- Net interest cost	18,032	18,621	67	138
Total	18,032	18,621	67	138
Re-measurements of net defined benefit liability				
- Return on plan assets	(45,915)	(24,930)	(3,428)	(1,681)
- changes in demographic assumptions	0	0	(1,636)	0
- changes in financial assumptions	173,968	(44,402)	2,226	(1,678)
Other	(20)	458	2,596	0
Total	128,033	(68,874)	(242)	(3,359)

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	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Reversal of net charges made to the Surplus/Deficit for the Provision of Services in accordance with the Code	(80,867)	(81,539)	(240)	(337)
Actual amount charged for pensions in the year	61,481	60,443	340	353

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 2018/19 this amounted to £0.266 million (£0.285 million in 2017/18).

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 2018/19 accounts in respect of the above commitments was £5.173 million (£5.229 million in 2017/18).

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

	LBH		LPFA	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Balance as at 1st April	**1,419,877**	**1,342,861**	**52,861**	**52,665**
Interest Income	38,527	35,109	1,289	1,182
Remeasurement gain/loss				
- Return on assets	45,915	24,930	3,428	1,681
- Other Actuarial gains/losses	0	0	(2,596)	0
Employer contributions	57,705	56,543	340	353
Contributions by scheme participants	11,738	11,235	18	22
Unfunded benefit contributions	3,776	3,900	285	285
Unfunded benefit payments	(3,776)	(3,900)	(285)	(285)
Benefits paid	(53,283)	(50,803)	(2,953)	(2,974)
Other	(2)	2	(69)	(68)
Balance as at 31st March	**1,520,477**	**1,419,877**	**52,318**	**52,861**

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

	LBH		LPFA	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Balance as at 1st April	**(2,087,532)**	**(2,058,296)**	**(55,708)**	**(58,887)**
Current service cost	(62,540)	(62,537)	(104)	(130)
Interest cost	(56,559)	(53,730)	(1,356)	(1,320)
Contributions by scheme participants	(11,738)	(11,235)	(18)	(22)
Remeasurement (gains) and losses				
- Actuarial (gains) and losses arising in changes in demographic assumptions	0	0	1,636	0
- Actuarial (gains) and losses arising on changes in financial assumptions	(173,968)	44,402	(2,226)	1,678
- Other	20	(458)	0	0
Past service cost (including Curtailments)	(295)	(381)	0	(1)
Effects of settlements	0	0	0	0
Benefits paid	57,059	54,703	2,953	2,974
Balance as at 31st March	**(2,335,553)**	**(2,087,532)**	**(54,823)**	**(55,708)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

	2018/19	2017/18
	£'000	£'000
Present value of liabilities		
- LBH	(2,335,553)	(2,087,532)
- LPFA	(54,823)	(55,708)
Fair value of assets		
- LBH	1,520,477	1,419,877
- LPFA	52,318	52,861
Surplus / (deficit)		
- LBH	**(815,076)**	**(667,655)**
- LPFA	**(2,505)**	**(2,847)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £2,390.376 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 £817.581 million. 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 2020 is £55.479 million. Expected contributions for the London Pension Fund Authority scheme in the year to 31st March 2020 are £0.055 million.

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

	LBH		LPFA	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Cash and cash equivalents:	**7,112**	**19,285**	**1,922**	**2,575**
Equity instruments				
- Consumer	0	88,049	0	0
- Manufacturing	0	81,094	0	0
- Energy and Utilities	0	36,933	0	0
- Financial institutions	0	111,318	0	0
- Health and care	0	65,229	0	0
- Information technology	0	68840	0	0
- Other	0	0	0	0
	0	**451,463**	**0**	**0**
Debt Securities:				
- Corporate Bonds	85,846	78,451	0	0
- Government Bonds	137,044	112,054	0	0
- Other	9,064	19,122	0	0
	231,954	**209,627**	**0**	**0**
Property:				
- UK Property	175,316	148,768	0	0
	175,316	**148,768**	**0**	**0**
Other investment funds and Unit Trusts:				
- Equities	917,418	426,432	29,875	32,323
- Bonds	17,033	16,954	0	0
- Commodities	0	0	0	0
- Infrastructure	0	0	3,309	2,312
- Property	0	0	5,164	3,804
- Other	171,861	145,562	0	0
	1,106,312	**588,948**	**38,348**	**38,439**
Derivatives:				
- Foreign Exchange	(217)	1,786		0
Other				
- LDI/Cashflow matching	0	0	0	0
Target Return Portfolio	0	0	14,644	11,847
	(217)	**1,786**	**14,644**	**11,847**
Balance as at 31st March	**1,520,477**	**1,419,877**	**54,914**	**52,861**

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	
	2018/19	2017/18	2018/19	2017/18
Mortality assumptions				
Longevitiy at 65 for current pensioners (years)				
- male	22.2	22.2	19.8	20.8
- female	24.2	24.2	22.6	23.6
Longevitiy at 65 for future pensioners (years)				
- male	23.6	23.6	21.7	23.2
- female	25.7	25.7	24.6	25.9
Financial assumptions				
- Retail Price Index increase	3.5%	3.4%	3.5%	3.4%
- Consumer Price Index increase	2.5%	2.4%	2.5%	2.4%
- Rate of increase in salaries	3.6%	3.5%	4.0%	3.9%
- Rate of increase in pensions	2.5%	2.4%	2.5%	2.4%
- Rate for discounting scheme liabilities	2.4%	2.7%	2.3%	2.5%

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	0.10%	0.00%	-0.10%
- PV of total obligation	54,152	54,823	55,503
- Projected service cost	103	105	107
Adjustment to long term salary increase			
- PV of total obligation	54,840	54,823	54,806
- Projected service cost	105	105	105
Adjustment to pension increases and deferred revaluation			
- PV of total obligation	55,484	54,823	54,170
- Projected service cost	107	105	103
Adjustment to mortality age			
- PV of total obligation	56,791	54823	52,923
- Projected service cost	109	105	102

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%	240,548
0.5% increase in the Salary Increase Rate	1%	26,960
0.5% increase in the Pension Increase Rate	9%	209,981

Investment Strategy

The Pensions Committee of the London Borough of Hackney has reviewed the Fund's 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 2016, the Pension Fund maintains a policy statement (Investment Strategy Statement) which sets out how assets will be managed and the Fund's approach to risk management. The suitability of various types of investment have been considered along with 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 (55.8%) and bonds (20.7%). The proportion in equities has decreased slightly over the year (previously 61.0%) whilst bonds have increased from 16.2%. The Fund also invests in property, multi-asset and private debt funds as a part of the diversification of its investments.

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 16 years. Funding levels are monitored on a quarterly basis and reported to the Pensions Committee. The last triennial valuation took place as at 31st March 2016, with the next due in 2019. 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 continues 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 2019, 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.

The Council’s liability for providing pension benefits could be affected by a recent Court of Appeal judgement in the McCloud (The Lord Chancellor and Secretary of State and another v McCloud and Mostyn) case. The case relates to age discrimination in the judges pension scheme, but the ruling will be applicable to all other public sector schemes, such as the LGPS, teachers and NHS schemes. When the public service pension schemes moved from final salary to career average revalued earnings (CARE), members approaching retirement were given protected benefits, which has been challenged due to the differential treatment based on the age of members in the scheme. The Government intends to appeal the ruling, however, should it stand, it has the potential to increase the liabilities in any of the public service pension schemes, increasing the costs for employers.

This ruling could therefore have the effect of increasing the pension deficit reflected in the balance sheet for the Hackney Pension Fund. The precise size and scale of such liabilities are currently unknown; the Government Actuary's Department (GAD) estimates that the impact across the LGPS as a whole could be an increase in scheme liabilities of 0.5 – 1%. This is a source of uncertainty nationally, and the Council will follow developments closely.

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 complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

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

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government / Scottish Government / Welsh Government / Department for Communities Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk - Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect

predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.
A limit of £25m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a limit of £40m applies. The Council also sets limits on investments in certain sectors. No more than £90m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31.3.2019 Long-term £000s	31.3.2019 Short-term £000s	31.3.2018 Long-term £000s	31.3.2018 Short-term £000s
AAA	0	27,934	0	29,128
A+	0	2,372	2,697	4,544
A	0	15,304	0	18,218
Unrated local authorities	6,546	17,052	6,546	33,121
Unrated other	0	3,000	0	3,000
Unrated housing associations	15,087	20,136	0	25,176
Total	**21,633**	**85,798**	**9,243**	**113,187**
Credit risk not applicable	30	0	73	0
Total Investments	**21,663**	**85,798**	**9,316**	**113,187**

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 122% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by [three] or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2019, £22k of loss allowances related to treasury investments.

Credit Risk: Trade and Lease Receivables and Contract Assets

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	31.3.2019 Trade receivables	31.3.2019 Lease receivables	31.3.2018 Trade receivables	31.3.2018 Lease receivables
Neither past due nor impaired	0	20,898	0	21,169
Total Receivable	**0**	**20,898**	**0**	**21,169**

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31.3.2019 Liabilities £000s	31.3.2019 Assets £000s	31.3.2019 Net £000s	31.3.2018 Liabilities £000s	31.3.2018 Assets £000s	31.3.2018 Net £000s
Not over 1	(80,567)	85,798.00	5,231.00	(30,448)	113,188.00	82,740.00
Over 1 but not over 2	(800)	8,090.00	7,290.00	(800)	2,696.00	1,896.00
Over 2 but not over 5	(1,200)	13,543.00	12,343.00	(1,200)	6,546.00	5,346.00
Over 5 but not over 10	(400)	0.00	(400)	(800)	0.00	(800)
Uncertain date	0.00	30.00	30.00	0.00	73.00	73.00
Total	**(82,967)**	**107,461.00**	**24,494.00**	**(33,248)**	**122,503.00**	**89,255.00**

Market Risk - Interest Rate Risk

The Council is exposed to risk in terms of its exposure 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 fixed rates – the fair value of the liabilities will fall
- investments at fixed rates – the fair value of the assets will fall.

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

At 31 March 2019, £82.9m (2018: £33.2m) of principal borrowed was exposed to fixed rates.

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

	31.3.2019 £000s	31.3.2018 £000s
Increase in interest receivable on variable rate investments	(263)	(715)
Impact on Surplus or Deficit on the Provision of Services	**(263)**	**(715)**
Decrease in fair value of investments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure	**(263)**	**(715)**
Decrease in fair value of loans and investments at amortised cost	**368**	**0**
Decrease in fair value of fixed rate borrowing	**(311)**	**(262)**

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

Market Risks - Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the re-measurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

	IAS 39 31.3.18	Reclassi-fication	Remeasu-rement	IFRS 9 1.4.18
Financial Assets				
Investments				
L&R /Amortised cost	0	57,950	127	58,077
Available for sale / FVOCI	0	7,241	(249)	6,992
Total investments	0	65,191	(122)	65,069
Cash & cash equivalents				
L&R /Amortised cost	0	53,541	(127)	53,414
Available for sale / FVOCI	0	3,771	0	3,771
FVPL	0	0	0	0
Total cash & equivalents	0	57,312	(127)	57,185
Total Financial Assets	0	122,503	(249)	122,254
Financial Liabilities				
Borrowing				
Amortised cost	(33,248)	0	0	(33,248)
Total Financial Liabilities	(33,248)	0	0	(33,248)
Net Financial Assets	**(33,248)**	**122,503**	**(249)**	**89,006**

RESERVES	IAS 39 31.3.18	Re-measurement
Unusable Reserves		
Available for sale reserve	(248)	248.00
Total unusable reserves	**(248)**	**248.00**

48. Trust Funds

The Council administers, as sole trustee, a small 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 following table shows the balances held:

	Other Trust Funds	
	2018/19	2017/18
	£'000	£'000
Balance as at 1st April	**(3)**	**(33)**
Receipts	**(0)**	**(0)**
Payments / Transfers	**0**	**30**
Balance as at 31st March	**(3)**	**(3)**

During financial year 2017/18 payments were made to transfer the full balances held on the Saunders Trust Fund and Chalmers Trust Fund to the COIF Charities Deposit Foundation, leaving a small balance remaining on other trust funds. There were no material liabilities outstanding as at 31st March 2019 in respect of the Trust Funds.

49. Heritage Assets – Five Year Summary

	2018/19	2017/18	2016/17	2015/16	2014/15
	£000	£000	£000	£000	£000
Cost of acquisitions of heritage assets					
Civic Regalia	588	566	520	485	482
Artefacts	490	484	450	415	420
Total cost of purchases	**1,078**	**1,050**	**970**	**900**	**902**
Value of heritage assets acquired by donation					
Artworks	853	850	848	845	815
Artefacts	224	223	192	172	150
Total donations	**1,077**	**1,073**	**1,040**	**1,017**	**965**
Carrying value of heritage assets					
Total	**2,155**	**2,123**	**2,010**	**1,916**	**1,866**

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 long 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.

2017/18	HRA Income & Expenditure Statement	2018/19	
£'000		£'000	£'000
	Expenditure		
43,704	Repairs and maintenance	44,785	
39,531	Supervision and management	42,223	
2,607	Rents, rates, taxes and other charges	2,007	
105,970	Depreciation and impairment of non-current assets	161,579	
47	Debt Management Costs	106	
1,062	Movement in the allowance for bad debts	1,483	
375	Sums directed by the Secretary of State that are expenditure in accordance with the Code	337	
193,296	**Total Expenditure**		**252,520**
	Income		
(111,285)	Dwelling rents	(110,416)	
(4,002)	Non-dwelling rents	(4,322)	
(15,778)	Charges for services and facilities	(15,748)	
(9,862)	Contributions towards expenditure	(11,235)	
(140,927)	**Total Income**		**(141,722)**
52,369	**Net Cost of HRA Services as included in the Comprehensive Income**		**110,798**
547	HRA service share of Corporate and Democratic Core		547
4,041	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		4,972
56,957	**Net Income / (Cost) for HRA Services**		**116,317**
	HRA share of operating income and expenditure included in the Comprehensive I&E Statement		
(72,193)	(Gain) or loss on sale of HRA non-current assets		(104,468)
121	Interest payable and similar charges		1,925
(312)	Interest and investment income		(118)
1,232	Net Interest on the net defined benefit liability (asset)		2,343
(11,368)	Capital grants and contributions receivable		(6,747)
(25,563)	**(Surplus) or deficit for the year on HRA services**		**9,252**

2017/18	Movement on the HRA Statement	2018/19	
		£'000	£'000
(10,200)	**Balance on the HRA at the end of the previous year**		**(10,200)**
(25,562)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	9,252	
	Adjustments between accounting basis and funding basis under statute		
(146)	- Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	207	
72,193	- Gain or (loss) on sale of HRA non-current assets	104,468	
(1,632)	- HRA share of contributions to or from the Pensions Reserve	(2,971)	
42,335	- Transfer to/(from) Major Repairs Reserve	43,677	
(92,876)	- Transfer to/(from) Capital Adjustment Account	(153,414)	
4,624	- Capital expenditure funded by the HRA	5,582	
(1,766)	- 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	(1,454)	
(2,829)	Net increase or (decrease) before transfers to or from reserves	5,346	
	Transfers to or (from) reserves		
2,599	- HRA Rightsizing reserve	(10,078)	
(15)	- Tenants Levy Reserve	29	
0	- Utilities Reserve	(259)	
81	- HRA Insurance Reserve	0	
164	- Aerial Mast income reserve	163	
0	Increase or (decrease) in year on the HRA		(4,800)
(10,200)	**Balance on the HRA at the end of the year**		**(15,000)**

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	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Expenditure	145,692	138,392	3,160	5,716
	145,692	**138,392**	**3,160**	**5,716**
Funded by				
Borrowing	10,139	0	0	0
Usable capital receipts	81,733	82,229	1,474	2,198
Grants and contributions	10,143	28,416	1,686	1,306
Major Repairs Reserve	43,677	27,747	0	2,212
	145,692	**138,392**	**3,160**	**5,716**

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.

	2018/19	2017/18
	£'000	£'000
Dwellings	119,493	137,808
Other Property	0	0
	119,493	**137,808**

3. Land, Housing Stock and Other Property

	2018/19	2017/18
Number of dwellings	No.	No.
Hostels	59	59
Houses and bungalows	2,109	2,112
Flats and maisonettes	19,638	19,713
Stock at 31st March	**21,806**	**21,884**
Value of assets	£'000	£'000
Dwellings	2,377,655	2,395,016
Other Property	172,830	139,002
Investment Property	1,605	1,588
Values at 31st March	**2,552,090**	**2,535,606**

4. Vacant Possession Value

The vacant possession value of dwellings within the HRA as at 31st March 2019 was £9,429 million (£9,459 million as at 31st March 2018). The difference of £7,057 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.

5. 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.

	2018/19	2017/18
	£'000	£'000
Operational assets		
Dwellings	39,453	38,953
Other land and buildings	4,224	3,381
	43,677	**42,334**

There was £116.466 million debited to the HRA for the net impairment loss reversals of HRA fixed during 2018/19 (£59.505 million debited in 2017/18). This was due to a decrease in the balance sheet valuation of HRA assets in 2018/19.

6. Revenue Costs funded from Capital

There is an amount of £1.188 million (£0.110 million in 2017/18) 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.

7. Pension Reserve

The pension reserve was reduced by £2.97 million in 2018/19 (£1.630 million in 2017/18). This is based on an actuarial valuation of the council's pension liability at year end.

8. Rent Arrears

During 2018/19 permanent tenants and licence arrears, as a proportion of gross income due is 6% (6% in 2017/18). The Arrears as at the 31st March 2019 are set out below.

	2018/19	2017/18
	£'000	£'000
Type of tenancy		
Permanent (including licences)	6,680	6,298
Temporary	396	378
Total arrears	7,076	6,676
Less Provision for bad and doubtful debts	(5,935)	(5,603)
Net Arrears	**1,141**	**1,073**

The average rent for permanent tenants was £111.48 per week in 2018/19, a reduction of £0.80 (0.70%) from the 2017/18 average rent of £112.26 per week.

The total provision included in the Balance Sheet in respect of HRA uncollectible debts is £6.19 million (£5.72 million as at 31st March 2018).

9. Exceptional Items and Prior Period Adjustments

There were no exceptional items. There is a £15.125m debtor/deferred capital receipt that has been included within the 2018/19 balance sheet as a prior period adjustment, relating to HRA land.

2017/18 CTAX £000	2017/18 NNDR £000	The Collection Fund	Note	2018/19 CTAX £000	2018/19 NNDR £000
		Amounts required by statute to be credited to the Collection Fund			
(97,360)		Council Tax (net of discounts for prompt payment and transitional relief)	2	(102,672)	
		Transfers from General Fund			
0		- Council Tax benefits		0	
0		- Transitional relief		2	
	(99,822)	Non-domestic rates	1		(120,802)
	(26,659)	Transitional protection payments non-domestic rates			(17,361)
	(3,079)	Income collectable in respect of Business Rate Supplements (BRS)			(3,744)
0	(4,060)	Contributions towards previous year's estimated Collection Fund deficit			0
		Amounts required by statute to be debited to the Collection Fund			
		Precepts & demands from GLA & LBH and Shares of non-domestic rates			
71,749	35,870	- London Borough of Hackney	1	76,868	79,309
19,153	44,240	- Greater London Authority	1	20,933	44,612
	39,457	Payment in respect of central share of non-domestic rates to Central Gov	1		0
	0	Transitional protection payments non-domestic rates			0
	3,071	- Payments to levying authority's BRS Revenue Account			3,736
	8	- Administration costs			8
		Impairment of debts and appeals for council tax & non-domestic rates			
1,911	2,674	- Allowance for impairment	3	1,745	2,968
	535	Charge to General Fund for allowable collection costs for non-domestic rates			547
4,481	0	Contributions towards previous year's estimated Collection Fund surplus		5,000	12,169
(66)	**(7,765)**	**Movement on fund balance**		**1,876**	**1,442**
(5,796)	5,250	Opening fund Balance at 1st April		(5,862)	(2,515)
(5,862)	**(2,515)**	**Closing fund balance at 31st March**	4	**(3,986)**	**(1,073)**

1. National Non-Domestic Rates

NNDR is organised on a national basis. From 1st April 2013 the Business Rates Retention (BRR) 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; on 1st April 2018, all London Authorities entered into a pooling arrangement for NNDR purposes. Under the NNDR London Authorities Pooling arrangement: Hackney keeps 64% of its non-domestic rating income and 36% goes to the Greater London Authority. Any benefits arising from NNDR pooling will be credited to the General Fund. Under the new BRR system, the rateable value on the rating list on 10th January 2018 was £362.773 million (25th September 2016 £354.524 million), this value is multiplied by small business non-domestic rating multiplier for 2018/19 of 48.0 pence (46.6 pence for 2017/18) to arrive at the council's gross rates of £174.131 million (£165.208 million in 2017/18) gross of mandatory and discretionary relief's, unoccupied property relief, and transitional arrangements/adjustments. After applying all relief's the net rates payable was £112.955 million (£96.961 million in 2017/18). After 2018/19 estimated losses and repayments/refunds (NNDR appeals) collectable rates (net rates) payable was £106.955 million (£92.834 million in 2017/18). After factoring in if any transitional protection payments and cost of collection allowance the resulting 2018-19 non-domestic rating income for sharing between Hackney Council (64%) and the Greater London Authority (36%) was £123.921 million (£119.567 million in 2017/18).

In 2018/19 any NNDR (surplus)/deficit is shared between Hackney Council and the Greater London Authority.

The aggregate rateable value on the rating list as at 27th March 2019 was £382.610 million (£365.043 million as at 30th March 2018). The small business non domestic rating multiplier for 2018/19 was 48.0 pence (46.6 pence in 2017/18). Net rates payable (before write-offs, allowance for non-collection, losses on appeal was £139.278 million (£108.154 million in 2017/18). Non-Domestic Rating Income for sharing inclusive of transitional protection payments was £134.648 million (£123.272 million 2017/18). The actual 2018/19 surplus for sharing was £1.073 million (£2.515 million surplus in 2017/18) and will be shared between Hackney Council and Greater London Authority (GLA); with Central Government (MHCLG) having to pay a contribution.

Revaluations are carried out every 5 years, the last one being in April 2017.

Under the Business Rates Retention Scheme 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 2018/19 totalled £72.766m (£67.730m in 2017/18) and have been credited to the General Fund.

2. Council Tax Base

Council Tax income was received from the following sources.

	2018/19	2017/18
	£'000	**£'000**
Gross bills	102,670	97,360
Less Council Tax Benefit	n/a	n/a
Add Transitional relief adjustment	2	0
Income from Council Tax	**102,672**	**97,360**

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 71,145 for 2018/19 (68,399 for 2017/18). This basic amount of Council Tax for Band D property, £1,374.67 for 2018/19 (£1,328.99 for 2017/18), 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.	
	£	£				2018/19	2017/18
A	up to	40,000	7,662	3,540	0.67	2,359	2,287
B	40,001	52,000	31,663	18,491	0.78	14,382	14,048
C	52,001	68,000	34,175	24,780	0.89	22,026	20,987
D	68,001	88,000	22,775	18,333	1.00	18,333	17,178
E	88,001	120,000	11,555	9,105	1.22	11,128	10,852
F	120,001	160,000	4,305	3,385	1.44	4,890	4,868
G	160,001	320,000	1,137	1,011	1.67	1,685	1,695
H	320,001	and above	48	43	2.00	86	85
			113,320	78,689		74,890	71,999

	2018/19	2017/18
Estimated band D equivalent assumed changes		
Band D equivalent for Taxbase calculation	74,890	71,999
Collection rate assumed in the budget setting	95%	95%
Council Tax base	**71,145**	**68,399**

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
	2018/19		2017/18	
	£'000	£'000	£'000	£'000
Provision brought forward at 1st April	(17,522)	(20,041)	(16,548)	(17,367)
Provision (made)/released	(1,745)	(2,968)	(1,911)	(2,674)
Write-offs /(write backs) charged directly to the bad debt provision	2,367	0	937	0
Provision carried forward at 31st March	**(16,900)**	**(23,009)**	**(17,522)**	**(20,041)**

4. Collection Fund (Surplus)/Deficit

Surplus on Council tax

The estimate of the surplus on the Collection Fund as at 31st March 2019, which was made on the 15th January 2019 for the purposes of the 2019/20 budget, was £3.236 million (£5.000 million at 31st March 2018). An element of this surplus amounting to £0.693 million will be paid to the Greater London Authority (GLA) in 2019/20.

The actual overall surplus on the Collection Fund at 31st March 2019 is £3.986 million (£5.862 million at 31st March 2018). 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 2020 for the purposes of the 2020/21 budget. The amount of the increase which will be payable to the GLA in 2020/21 is estimated at £0.165 million.

The total actual cumulative surplus to 31st March 2019 was £3.986 million, the amount which will therefore be paid to the GLA is estimated at £0.858 million. This amount has been included in the Council's Balance Sheet as a creditor (GLA). Hackney's Share of £3.128 million at 31st March 2019 (£4.624 million at 31st March 2018) represents the estimated amount available to support the Council's budget in 2019/20 and 2020/21.

Surplus on NNDR

The estimate of the surplus on the Collection Fund as at 31st March 2019, which was made on the 31st January 2019 for the purposes of the 2019/20 budget, was £11.337 million (£12.169 million at 31st March 2018). This will be shared out and distributed in 2019/20 as follows: Greater London Authority (GLA) £3.985 million and Hackney Council £10.538 million; and with Central Government (MHCLG) having to pay a contribution of £3.186 million.

The actual overall surplus on the Collection Fund at 31st March 2019 is £1.073 million (£2.515 million as at 31st March 2018). The reduction in 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 2020 for the purposes of the 2020/21 budget. The reduction in surplus will negatively impact on 2020/21 budget.

The total actual cumulative surplus to 31st March 2019 was £1.073 million (£2.515 million as at 31st March 2018) which will be distributed in part to Greater London Authority £0.290 million, with Central Government needing to pay a contribution of £3.186 million. These amounts have been included in the Council's Balance Sheet as a creditor and debtor (GLA & MHCLG). Hackney's share of the closing fund balance of £3.969 million as at 31st March 2019 (£0.754 million surplus as at 31st March 2018) represents the estimated amount available to support the Council's budget in 2019/20 and 2020/21.

2017/18 £'000	The Pension Fund Account	Notes	2018/19 £'000
	Dealings with members, employers and others directly involved in the Scheme		
(74,901)	Contributions	7	(75,803)
(8,079)	Transfers in from other pension funds	8	(8,841)
(82,980)			(84,644)
52,533	Benefits	9	56,192
5,754	Payments to and on account of leavers	10	4,418
0	Group Transfers out to other Pension Schemes	10	0
58,287			60,610
(24,693)	**Net (additions)/withdrawals from dealings with members**		**(24,034)**
8,729	**Management Expenses**	11	**8,176**
	Returns on investments		
(15,683)	Investment income	12	(12,316)
(52,664)	(Profit) and losses on disposal of investments and changes in the market value of investments	13c	(71,953)
81	Taxes on Income		204
(68,266)	**Net returns on investments**		**(84,065)**
(84,230)	**Net (increase)/decrease in the Fund during the year**		**(99,923)**
1,391,079	**Opening net assets of the Scheme**		**1,475,309**
1,475,309	**Closing net assets of the Scheme**		**1,575,232**

2017/18 £'000	Net Asset Table	Notes	2018/19 £'000
1,414,799	Investment Assets	13a	1,522,217
150	Long-Term Investment		150
33,132	Cash Deposits	13a	26,817
1,448,081			**1,549,184**
(8,217)	Investment Liabilities	13a	**(1,365)**
1,439,864	**Net Value of Investment Assets**	13a	**1,547,819**
39,162	Current Assets	18	33,366
(3,717)	Current Liabilities	19	(5,952)
35,445			**27,413**
1,475,309	**Net Assets of the Fund available to fund benefits at the period end**		**1,575,232**

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 2018/19, 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 2016.

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 Group Director of Finance and Corporate 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 31st March 2019 there are 37 active employer organisations within the Fund, including the London Borough of Hackney.

London Borough of Hackney Pension Fund	31 March 2019	31 March 2018
Number of Employers with active members	37	35
Number of Employees in scheme		
Council	6,066	6288
Scheduled bodies	581	561
Admitted bodies	81	87
Total	**6,728**	**6936**
Number of pensioners		
Council	6,237	6106
Scheduled bodies	37	33
Admitted bodies	27	22
Ceased Employers	741	472
Total	**7,042**	**6633**
Deferred members		
Council	8,606	7723
Scheduled bodies	629	522
Admitted bodies	74	68
Ceased Employers	1,043	1031
Total	**10,352**	**9344**

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 2019. 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 2016 with the next valuation due to take place at 31 March 2019. 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 2018/19 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 were based on final pensionable pay and length of service.

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.

Details of the schemes are 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.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2018/19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* 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 Council discloses its pension fund management expenses in accordance with the CIPFA guidance: *Accounting for Local Government Pension Scheme Management Expenses*

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 invoice 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 2018/19, there were no fees based on such estimates (2017/18 no fees estimated). A similar procedure is used for custodian fees, and in 2018/17 there were no fees payable (2017/18: no fees estimated).

The Fund requests that non-invoiced investment management fees (plus other associated costs such as transaction costs) are disclosed via the LGPS Transparency Code template. Where cost information is not readily available for the year ending 31st March 2019 (e.g. for pooled funds using different accounting dates), an estimate will be made using the most recent information available.

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 direct 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.

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(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 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 2018-19 for which there is a significant risk of material adjustment in the forthcoming financial years are as follows:

Change in assumptions at 31 March 2019	Approximate % increase to Employer Liability	Approximate monetary amount (£m)
0.5% decrease in ‘real discount rate’	8%	205
0.5% increase in the ‘salary increase rate’	1%	32
0.5% increase in the ‘pension increase rate’	10%	251

- In order to quantify the impact of a change in the financial assumptions used, the Fund's actuary has calculated and compared the value of scheme liabilities as at 31 March 2019 on varying bases. The approach taken is consistent with that adopted for IAS19.
- The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, it has been estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%.
- In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).
- 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 2019 and up to the date when these accounts were authorised, which require any adjustments to these accounts.

7. CONTRIBUTIONS RECEIVABLE

By Category	2018/19	2017/18
	£'000	£'000
Employers' Contributions split by:		
Normal Funding	(29,246)	(26,442)
Deficit Funding	(33,907)	(36,295)
Members' Contributions	(12,650)	(12,164)
Total	**(75,803)**	**(74,901)**

By Employer	2018/19	2017/18
	£'000	£'000
London Borough of Hackney	(70,144)	(71,274)
Scheduled Bodies	(4,040)	(2,980)
Admitted Bodies	(1,619)	(647)
Total	**(75,803)**	**(74,901)**

8. TRANSFERS IN

	2018/19	2017/18
	£'000	£'000
Individual Transfers	(8,841)	(8,079)
Total	**(8,841)**	**(8,079)**

9. BENEFITS PAYABLE

By Category	2018/19 £'000	2017/18 £'000
Pensions	44,773	42,565
Commutation and Lump Sum Retirement Benefits	10,024	8,796
Lump Sum Death Benefits	1,394	1,172
Total	**56,192**	**52,533**

By Employer	2018/19 £'000	2017/18 £'000
London Borough of Hackney	52,108	47,343
Scheduled Bodies	2,768	2,553
Admitted Bodies	1,315	2,637
Total	**56,192**	**52,533**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2018/19 £'000	2017/18 £'000
Refunds to Members leaving service	194	174
Payments for Members joining state scheme	-	-
Group Transfers	-	-
Individual Transfers	4,223	5,580
Total	**4,418**	**5,754**

11. MANAGEMENT EXPENSES

	2018/19 £'000	2017/18 £'000
Administrative Costs	776	826
Investment Management Expenses*	6,578	7,248
Oversight and Governance Costs	822	655
Total	**8,176**	**8,729**

The investment management expenses disclosed above include non-invoiced transaction and other costs paid/payable to the Fund's investment managers of £4,562k (£4,582k in 17/18). The disclosure of the non-invoiced costs is made to the Fund via the LGPS Cost Management Template. The introduction of the template is helping to ensure more accurate fee disclosures by managers, with greater detail provided with regards to transaction costs. Audit Fees of £16k (£21k in 2017-18) were incurred and are included in Oversight and Governance Costs in the above table.

Investment Management Expenses*	2018/19 £'000	2017/18 £'000
Management Fees	5,449	7,208
Performance Related Fees	81	0
Custody and Banking Fees	247	40
Transaction Costs	801	0
Total	**6,578**	**7,248**

12. INVESTMENT INCOME

	2018/19 £'000	2017/18 £'000
Fixed Interest Securities	(4,199)	(4,423)
Equity Dividends	(6,610)	(9,968)
Index Linked Securities	(392)	(386)
Pooled Investment Income	(209)	0
Interest on Cash Deposits	(108)	(102)
Other Income	(798)	(804)
Total	**(12,316)**	**(15,683)**

2017-18 Investment Income is inclusive of withholding tax £81k compared to £54k in 2016-17.

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 2019 £'000	Market value 31 March 2018 £'000
Investment Assets:			
Fixed Interest Securities	UK		
	Public Sector - quoted	53,357	58,250
	Corporate - quoted	32,444	36,547
	Overseas		
	Public Sector – quoted	6,822	10,493
	Corporate - quoted	58,090	47,611
		150,713	**152,901**
Index Linked Securities	UK		
	Public Sector - quoted	65,269	62,780
	Corporate - quoted	-	-
	Overseas		
	Public Sector – quoted	-	-
	Corporate - quoted	7,621	7,621-
		72,891	**62,780**
Equities	UK - quoted	193	33,668
	Overseas - quoted	0	407,664
		193	**441,332**
Pooled Investments	Corporate Fixed Interest	94,665	17,186
	Diversified Growth Funds	164,757	168,740
	Property	162,676	155,106
	EM Equity - Active	79,063	78,130
	Global Equity - Active	207,750	0
	Global Equity -Passive	430,961	0
	UK Equity – Passive	147,657	330,881
	Private Debt	8,376	0
		1,295,903	**750,043**
	Derivative Contracts:		
	Forward Currency	0	909
Other Investments	Futures	319	173
	Cash deposits	26,817	33,132
	Other Investment balances	2,348	6,811
		29,484	**41,025**
Total investment assets		**1,549,184**	**1,448,081**
Investment Liabilities:			
Derivative Contracts: Forward Currency		(342)	(841)
Futures		(982)	(542)
Other investment balances		(42)	(6,834)
Total investment liabilities		**(1,366)**	**(8,217)**
Net Investment Assets		**1,547,819**	**1,439,864**

b. Investments analysed by fund managers

As at 31 March 2019 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
	2018/19	2018/19	2017/18	2017/18
Lazard (Global Equities)	0	0.0%	235,053	16.3%
Wellington (Global Equities)	0	0.0%	234,649	16.3%
UBS (UK Equity Index)	0	0.0%	330,881	23.0%
BlackRock (UK Equity Index)	147,685	9.5%	0	0.0%
BlackRock (Global Equity Index)	430,961	27.8%	0	0.0%
BlackRock (Ultra Short Bond Fund)	77,781	5.0%	0	0.0%
LCIV/RBC (Global Active Equity)	207,750	13.4%	0	0.0%
RBC (Global Emerging Market Equities)	79,063	5.1%	78,130	5.4%
BMO (Fixed Interest)	242,721	15.7%	233,195	16.2%
Threadneedle (Property)	162,676	10.5%	155,106	10.8%
GMO (Global Real Return)	98,748	6.4%	101,857	7.1%
Invesco (Global Multi Asset)	66,009	4.3%	66,883	4.6%
Churchill (Private Debt)	8,376	0.5%	0	0.0%
Total	**1,547,819**	100%	**1,439,864**	100%

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 31/03/2019	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2019
	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	152,902	100,536	(104,583)	1,859	150,714
Index Linked Securities	62,780	12,068	(5,614)	3,656	72,891
Equities	441,332	1,388,273	(1,860,021)	30,609	193
Pooled Investment Vehicles	750,042	1,790,800	(1,287,891)	42,951	1,295,903
Derivative Contracts					
Forward Currency Contracts	68	19,731	(9,575)	(10,566)	(342)
Futures	(369)	3,202	(2,123)	(1,372)	(662)
	1,406,755	**3,314,610**	**(3,269,806)**	**67,137**	**1,518,695**
Other Investment balances:					
Cash Deposits	33,132				26,817
Receivable for Sales	3,755				809
Investment Income due	3,056				1,538
Payable for Purchases	(6,834)				(42)
Net Investment Assets	**1,439,863**			**67,137**	**1,547,819**

The change in market value of £48,440k is £4,224k lower than the change in market value on the Fund Account of £52,664k, as a result of the netting off of indirect manager fees.

Investment type	Market Value 31/03/2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value 31/03/2018
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Fixed Interest Securities	150,333	167,138	(163,770)	(800)	152,901
Index Linked Securities	59,670	30,910	(28,134)	335	62,780
Equities	432,957	131,678	(126,132)	2,829	441,332
Pooled Investment Vehicles	698,030	24,367	(4,120)	31,765	750,042
Derivative Contracts					
Forward Currency Contracts	3,931	7,605	(26,695)	15,227	68
Futures	249	2,461	(2,164)	(915)	(369)
	1,345,170	**364,159**	**(351,014)**	**48,440**	**1,406,755**
Other Investment balances:					
Cash Deposits	11,096				33,132
Receivable for Sales	1,898				3,755
Investment Income due	3,349				3,056
Payable for Purchases	(2,920)				(6,834)
Net Investment Assets	**1,358,592**				**1,439,864**

Derivative payments and receipts correspond to the sterling equivalent amount of forward foreign exchange and futures 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 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 2018 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					
		0		0	0
Total Assets					**0**
Liabilities					
One to six months	GBP	7,416	EUR	(8,697)	(86)
	GBP	7,414	EUR	(8,697)	(88)
	GBP	4,102	USD	(5,425)	(55)
	GBP	4,100	USD	(5,425)	(57)
	GBP	4,101	USD	(5,425)	(56)
Total Liabilities					**(342)**
Net Forward Contracts 2018/19					**(342)**

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Fair Value
		£'000		**£'000**	**£'000**
Assets					
Up to one month	GBP	74,053	USD	(103,086)	631
	GBP	15,727	EUR	(17,710)	191
	GBP	6,164	JPY	(911,000)	56
	GBP	6,068	EUR	(6,897)	16
	GBP	6,068	EUR	(6,897)	16
Total Assets					**909**
Liabilities					
Up to one month	GBP	10,467	EUR	(11,947)	(13)
	GBP	8,377	USD	(11,907)	(104)
	GBP	57,814	USD	(82,155)	(700)
	GBP	7,054	JPY	(1,052,467)	(3)
One to six months	GBP	1,740	USD	(2,452)	(6)
	GBP	1,739	USD	(2,452)	(7)
	GBP	1,739	USD	(2,452)	(7)
Total Liabilities					**(841)**
Net Forward Contracts 2016/17					**68**

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 2019	% of total fund	Market Value 31 March 2018	% of total fund
	£'000		£'000	
UBS UK Equities Index Tracker Fund	0	0.0%	330,881	23.0%
Threadneedle Property Fund (TPEN)	136,226	8.8%	129,505	9.53%
GMO (Global Real Return)	98,748	6.4%	101,857	7.1%
BlackRock Aquila Life UK Equity Fund	147,685	9.5%		
BlackRock ACS World Low Carbon Equity Fund	155,496	10.1%		
BlackRock Aquila Life MSCI World Equity Fund	275,465	17.8%		
LCIV RBC Sustainable Equity Fund	207,750	13.4%		

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.

	2018/2019			2017/2018		
Investment type	Designated as Fair Value through Profit & Loss	Loans & Receivables	Financial Liabilities at amortised costs	Designated as Fair Value through Profit & Loss	Loans & Receivables	Financial Liabilities at amortised costs
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Fixed Interest Securities	150,713	0	0	152,901	0	0
Index Linked Securities	72,891	0	0	62,780	0	0
Equities	0	0	0	441,304	0	0
Pooled Investments	1,133,421	0	0	750,072	0	0
Pooled Property funds	162,676	0	0	0	0	0
Derivative Contracts	319	0	0	1082	0	0
Cash	0	27,086	0		57,799	0
Other Investment Balances	26,197	0	0	9,627	0	0
Debtors	0	9,247	0	0	11,678	0
	1,546,217	36,333	0	1,417,766	69,477	

Financial Liabilities						
Derivative Contracts	(1,324)	0	0	(1,383)	0	0
Other Investment Balances	(42)	0	0	(6,834)	0	0
Creditors	0	0	(5,952)	0	0	(3,717)
	(1,365)	0	(5,952)	(8,217)	0	(3,717)
Total	**1,544,852**	**36,333**	**(5,952)**	**1,409,549**	**69,477**	**(3,717)**
Grand Total		**1,575,232**			**1,475,309**	

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 2019	31 March 2018
	£'000	**£'000**
Fair Value through Profit and Loss	67,137	48,440
Loans and Receivables	0	0
Financial Liabilities measured at amortised cost	0	0
Total	**67,137**	**48,440**

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 2019		31 March 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Fair Value through Profit and Loss	1,546,217	1,546,217	1,417,766	1,417,766
Loans and Receivables	36,333	36,333	69,477	69,477
Total Financial Assets	**1,582,550**	**1,582,550**	**1,487,243**	**1,487,243**
Financial Liabilities				
Fair Value through Profit and Loss	(1,365)	(1,365)	(8,217)	(8,217)
Financial Liabilities measured at amortised cost	(5,952)	(5,952)	(3,717)	(3,717)
Total Financial Liabilities	**(7,318)**	**(7,318)**	**(11,934**	**(11,934**
Grand Total	**1,575,232**		**1,475,309**	

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 2019	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**
Financial Assets			
Fair Value through Profit and Loss	26,516	1,511,215	8,485
Loans & Receivables	36,333	0	0
Total Financial Assets	**62,849**	**1,511,215**	**8,485**
Financial Liabilities			
Fair Value through Profit and Loss	(1,024)	(342)	0
Financial Liabilities measured at amortised cost	0	(5,952)	0
Total Financial Liabilities	**(1,024)**	**(6,294)**	**0**
Net Financial Assets	**61,826**	**1,504,921**	**8,485**

	Quoted market price	Using observable inputs	With significant unobservable inputs
Values at 31 March 2018	**Level 1**	**Level 2**	**Level 3**
	£'000	**£'000**	**£'000**
Financial Assets			
Fair Value through Profit and Loss	451,104	966,524	138
Loans & Receivables	69,477		-
Total Financial Assets	**520,581**	**966,524**	**138**
Financial Liabilities			
Fair Value through Profit and Loss	(7,376)	(841)	0
Financial Liabilities measured at amortised cost		(3,717)	0
Total Financial Liabilities	**(7,376)**	**(4,558)**	**-**
Net Financial Assets	**513,205**	**961,966**	**138**

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 Investment Strategy Statement (ISS) 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	16.6	9.7
Global Equities (ex UK)	16.9	42.1
Emerging Market Equities	25.3	5.2
Property	14.3	10.7
Corporate Bonds (short term)	4.4	3.5
Corporate Bonds (medium term)	10.5	2.7
Corporate Bonds (long term)	12.8	1.2
UK Fixed Gilts (medium term)	9.7	0.1
UK Fixed Gilts (long term)	12.9	3.6
UK Index Linked Gilts (medium term)	7.2	2.0
UK Index Linked Gilts (long term)	9.2	2.8
Cash	0.5	4.8
Diversified Growth Fund	12.5	10.6
Senior Loans	5.9	0.6
Total fund volatility	**10.3**	**100**

The volatilities for each asset class and correlations used to create the total fund volatility have been estimated using the Economic Scenario Service, a proprietary stochastic asset model maintained by Hymans Robertson LLP. The model uses probability distributions to project a range of possible outcomes for the future behaviour of asset returns and economic variables. 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 2018. 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 2019		Percentage change	Value on Increase	Value on Decrease
	£'000	**%**	**£'000**	**£'000**
Net Investment Assets	1,547,819	10.3	1,707,244	1,388,394
	1,439,864	**10.7**	**1,593,929**	**1,285,799**

31 March 2018		Percentage change	Value on Increase	Value on Decrease
	£'000	**%**	**£'000**	**£'000**
Net Investment Assets	1,439,864	10.7	1,592,929	1,285,799
Total assets available to pay benefits	**1,358,592**	**10.5**	**1,501,244**	**1,215,940**

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 2017 and 31 March 2018 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 2019	Balance at 31 March 2018
	£'000	£'000
Cash Deposits	26,817	33,132
Cash Balances	18,348	27,484
Fixed Interest Securities	245,380	,170,089
Total	**290,544**	**230,705**

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 2019	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000		£'000
Cash & Cash Equivalents	26,817	268	(268)
Cash Balances	18,348	183	(183)
Fixed Interest Securities*	245,380	(31,507)	31.507
Total	**290,544**	**(31,055)**	**31,055**

Asset Type	Carrying amount as at 31 March 2018	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000		£'000
Cash & Cash Equivalents	33,132	331	(331)
Cash Balances	27,484	275	(275)
Fixed Interest Securities*	170,087	(21,839)	21,839
Total	**230,703**	**(21,233)**	**21,233**

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 2019 and as at the previous period end:

Currency Exposure – asset type	Asset Value as at 31 March 2019	Asset Value as at 31 March 2018
	£'000	**£'000**
Equities	0	407,762
Fixed Interest Securities	19,936	19,487
Indexed Linked Securities	7,621	0
Pooled Investment Vehicle	8,375	0
Cash and Deposits	502	668
Total	**36,434**	**427,917**

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 2019		Potential Change v GBP	Value on increase	Value on decrease
	£'000	**%**	**£'000**	**£'000**
Currency Exposure	36,434	10	40,077	32,791
Total change in assets			**3,643**	**3,643**

31 March 2018		Potential Change v GBP	Value on increase	Value on decrease
	£'000	**%**	**£'000**	**£'000**
Currency Exposure	427,917	10	470,708	385,125
Total change in assets			**42,792**	**42,792**

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 2019	Balance at 31 March 2018
		£'000	**£'000**
Cash (Current Assets)			
Lloyds Plc	A+	18,348	27,484
Cash Deposits (Investment Assets)			
Cash held outside fund managers and custodian			
Money Market Funds (Various)	AAA	23,850	2,817
Cash held by fund managers and custodian			
Cash	AA-	2,967	30,315
Call Accounts (Various)	AA- to A	-	-
Total		**45,165**	**60,616**

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 2016. The next valuation will take place as at 31 March 2019.

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 TBC).

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 2016 valuation was based on a market value of the Fund's assets as at 31 March 2016, which amounted to £1,172 million and revealed a pension deficit of £349 million, representing a funding level of 77.1% 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 whole fund primary contribution rates applying from 1 April 2017 until 31 March 2020 and based on the 2016 valuation report are as follows:

Year	Employer Contribution rate
2017/2018	15.8%
2018/2019	15.8%
2019/2020	15.8%

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 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 minimum required contributions (both primary and secondary) payable by each employer are set out in the Rates and Adjustments Certificate. Each employer must pay the percentage rate or monetary amount specified in the certificate, whilst the frequency of payment is prescribed by the Local Government Pension Scheme Regulations 2013.

The principal 2016 valuation report assumptions which informed the contributions payable from 1 April *2017 were:*

Financial Assumptions based on 2016 Valuation Report

Assumption	Rate	Explanation
Investment return (discount rate)	3.85%	Based on 25-Year bond returns extrapolated to reflect the duration of the Fund's liabilities
Inflation	2.1% – CPI	
Salary increases*	3.3%	1.2% pa over CPI
Pension increases	In line with CPI	Assumed to be 1.0% less than RPI

*plus an allowance for promotional pay increases. The long term assumption for salary increases is RPI plus 0.2% p.a which translates to CPI plus 1.2% 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	22.2	24.2
Future pensioners (assumed current age 45)	23.6	25.7

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.

The actuarial present value of promised retirement benefits at the accounting date, calculated in line with IAS 19 assumptions, is estimated to be £2,431 million (£2,179 million in 2017/18). 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 2019 valuation have been revised from the 2018 valuation report as set out in the table below:

Assumption	2019	2018
Pension increase rate assumption	2.5%	2.4%
Salary increase rate*	3.6%	3.5%
Discount rate	2.4%	2.7%
Inflation rate based on CPI**	2.5%	2.4%

* Also includes an additional allowance for promotional pay increases

** CPI is based on RPI less 1.0% at 31 March 2018

18. CURRENT ASSETS

The following is an analysis of the **non-investment** debtor and cash balances carried on the Net Asset Statement.

	31 March 2019 £'000	31 March 2018 £'000
Debtors:		
Contributions due	6,065	5,830
Sundry debtors	3,099	5,848
Cash Balances	24,119	27,484
VAT	83	0
Total	**33,366**	**39,162**

19. CURRENT LIABILITIES

The following is an analysis of the non-investment creditors balance carried on the Net Asset Statement.

Creditors	31 March 2019 £'000	31 March 2018 £'000
Benefits Payable	(793)	(647)
Sundry Creditors	(5,159)	(3,070)
Total	**(5,952)**	**(3,717)**

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(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. 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 2019 was £5.453 million (£5.323 million as at 31 March 2018). Contributions received into the AVC facility during the year amounted to £0.47 million (£0.21 million in 2017/18). 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 £53.85 million to the Fund in 2018/19 (2017/18: £56.39 million). Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.35 million in 2018/19 (£0.29 million in 2017/18) 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.

London Collective Investment Vehicle

The London CIV is a collective investment vehicle established by London Councils on behalf of the London Boroughs 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 is therefore a shareholder in the operating company. During 2015/16, the Pension Fund made an investment of £150k in the CIV to provide it with sufficient regulatory capital.

The Fund incurred costs of £90k in 2018/19 in relation to charges from the London CIV Ltd (the operating company).

Governance

The following Pensions Committee Members were also deferred members of the Local Government Pension Scheme (LGPS) during the year; Cllr Robert Chapman (Chair) and Cllr Ben Hayhurst.

Jonathan Malins-Smith, Scheme Member Representative, is also a deferred 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 2019 these employees included:

Ian Williams	**Group Director of Finance and Corporate Resources**
Michael Honeysett	**Director, Financial Management**
Rachel Cowburn	**Head of Pension Fund Investment**
Julie Stacey	**Head of Pensions Administration**
Sam Masters	**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 2019	31 March 2018
	£'000	**£'000**
Short term benefits	207	137
Long term/post-retirement benefits	32	21
Total	**158**	**184**

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

Outstanding capital commitments (investments) at 31 March 2019 were £151.623m (31 March 2018: £0). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private debt parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between one and three years from the date of each original commitment.

24. IMPAIRMENT LOSSES

During 2018/19 there were £7,119 impairment losses to recognise (2017/18: £0k) for non-recovery of pension overpayments.

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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 a local authority must statutorily charge to its income and expenditure account each year, for the repayment of borrowing. See Note 1. Accounting Policies (XXXII Minimum Revenue Provision, page 49).

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.