

# London Borough of Enfield

## Draft Statement of Accounts 2020/21



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### EXECUTIVE DIRECTOR'S NARRATIVE REPORT

The Council's Statement of Accounts is a lengthy document which sets out how the Council's financial position has changed since last year – how much it has spent, what on, how much the Council has in the bank, what the value is of the assets the Council owns. The way this information is recorded is prescribed by accounting bodies.

It is made up of narrative, which aims to summarise key information, and a number of tables and notes that set out the more detailed position.

In summary...

- The Council's General Fund Earmarked reserves have grown from £91.8m to £124.2m. This was driven by the Collection Fund reliefs of £13.8m and the decision to make in-year savings of £6.2m. The Council's General Fund Balance was maintained at its policy level of £13.950m. The Council's frugal position has put the Council on a firmer footing to be able to withstand the continued uncertainty and financial challenges ahead. It is important to remember that the Collection Fund reliefs are meant to offset the Collection Fund deficit of £17.9m so these monies are not available to fund services.
- A general rebound in property valuations of £94m was also a key story of the Accounts, as Property, Plant & Equipment grew from £1.835bn to £2.016bn. A similar growth of £33m in Investment Properties contained £14m of fair value movement demonstrated market resilience in Enfield. The remaining balance was delivered by the Council's ambitious capital programme.
- The Council saw its Cash & Cash equivalents reduce from £109m to £49m, as it chose to run down its balances rather than borrow unnecessarily. This showed up in the Treasury borrowing of £935m, down from £995m at the end of 2019/20.
- The Council's cautious approach can be seen in the growth in provisions from £13.7m to £20.8m, as the Council remains concerned about the wider economic environment. This growth in provisions also reflects a deeper understanding of the risks of the authority and Finance consulted on these items with colleagues in Legal, Human Resources and other services.
- The historically low interest rates has continued to cause the Pensions Liability to grow from £496m to £604m. However, the statutory IAS 19 calculation is based on interest rates and when they are low, the liability increases. While concerning, the actuaries assume higher rates of return and the most recent triennial valuation assumed over 100% funding level, even at the Council's conservative 80% probability of success approach.

#### 1. About Enfield

The borough is 12 miles from the centre of London and covers an area of 31.7 square miles, of which about 40% is designated as green belt. Enfield is the fifth largest London Borough by population, it has a population of 333,794. It is a diverse place, which has welcomed communities from across the world. In particular, it has large Turkish, Greek and Cypriot populations.

Life expectancy is above the London and UK averages but health outcomes vary significantly across the borough. Some of our wards are amongst the most deprived in England, while others are relatively affluent.

Enfield is amongst the most deprived 25% of all districts in England and is the ninth most deprived of the 33 London boroughs. The Economic Inactivity rate is higher than regional and national averages, and household incomes are lower than the average for London. Social Housing supply in Enfield is also relatively low, while Private Sector housing costs remain challenging for people on average and below-average incomes. There is significant economic inequality between the wards on the east and west of the borough. The Council's housing and growth strategy – More and Better Homes for Enfield and the Enfield Poverty and Inequality Commission set out the Council's approach to addressing these inequalities.

Enfield has a dynamic business base and is market leading in certain sectors such as industrial, logistics and distribution. It has good links to the national motorway system with the north of the borough being bounded by the M25, accessed at junctions 24 and 25. It also has two trunk roads – the A10 (London to Cambridge) and A406 (London's North Circular Road). These sectors are not, on the whole, employers of high-value or high-quality jobs and therefore the Council's Economic Development Strategy is at the heart of the Council's Covid-19 recovery strategy.

Enfield Council is a unitary authority, having responsibility for a wide range of services although as one of the London boroughs it is also served by the Greater London Authority group, for transport, police and emergency services.

A copy of Enfield's borough profile can be found from the link below:

<https://new.enfield.gov.uk/services/your-council/borough-and-wards-profiles/borough-profile-2020-your-council.pdf>

## 2. Corporate Objectives & Corporate Plan

Enfield Council's plan sets out the ambitions to create a "Lifetime of Opportunities" for residents of the borough. The objectives fall under three themes.

- i. Good homes in well-connected neighbourhoods
- ii. Safe, healthy and confident communities
- iii. An economy that works for everyone

In addition, there are four cross cutting themes that will inform the work to deliver transformation in the Borough and help the Council make the right decisions, and which are key approaches for all three of the ambitions:

- i. A modern council
- ii. Climate action
- iii. Fairer Enfield
- iv. Early help

A copy of the Council Plan can be found here:

<https://new.enfield.gov.uk/services/your-council/enfield-council-plan-2020-to-2022-your-council.pdf>

The Council's revenue and capital budgets are focussed on delivering against these priorities. Section 14 below sets out how the Council has performed against this plan during 2020/21.

## 3. External Environment

2020/21 was an unprecedented year, the immediacy of the Council's response to the global Covid-19 pandemic was unparalleled, ensuring that services that directly supported residents and businesses were prioritised. The Council's response included provision of food, prescription collection services, befriending support through Enfield Stands Together, setting up Covid-19 test centres throughout the borough, ensuring that vulnerable adults and children in need had access to services, housing rough sleepers as part of the "everybody in" approach, supporting care providers and supporting businesses through the allocation of government grants. Working with key partners such as schools, health, police and the voluntary sector was a key success factor.

### **Financial Impact of Covid-19**

As the year progressed, the full cost of Covid-19 on lost income, increased service costs and savings that were not able to be realised became apparent. These are set out in detail in our quarterly monitoring reports and totalled £65.2m by the close of March 2021.

Improving the financial resilience of the Council has been the focus over the last three years, the Covid-19 pandemic threatened this position and therefore, the financial uncertainty arising from Covid-19 was a key risk for the Council. In July 2020 the Medium Term Financial Strategy set out the Council's response to the Covid-19 financial risks with 13 point plan over five themes. This Covid-19 financial plan was fully implemented, all the key tasks completed by October 2020.

As the year progressed, and costs rose, so did the certainty of government funding and at the end of 2020/21 the Covid-19 expenditure was fully mitigated by government grants. Nonetheless, the early work of the Council's Covid-19 financial strategy significantly strengthened the Council's financial position. Building on the foundation of a more resilient budget, the Covid-19 13 point plan enabled the Council to set aside £10m for a specific reserve to smooth the impact of anticipated legacy costs of Covid-19.

### **Looking forward**

The financial context remains uncertain and there are a number of areas that the Council is closely monitoring during 2021/22:

- Ongoing anticipated impact of Covid-19 on council tax and business rate debt
- Anticipated impact of Covid-19 on adult social care costs, in particular, delayed operations and long Covid-19 and undetermined suppressed need such as mental health.
- Ongoing impact on Temporary Accommodation costs arising from the economic impact of Covid-19 and suppressed need.
- Expected increase in number of children in need as families bear the sustained economic impact of Covid-19 and increased need for respite packages for families with children with disabilities.
- Reduction in council fees and charges income arising from Covid-19.
- Changes in working patterns and lifestyle impacting on services such as car park income and waste services.
- Impact on businesses and residents when the furlough scheme ends in September 2021.

The Covid-19 pandemic has had a profound impact on all aspects of life in the borough. Through 2021/22 the Council will continue to adopt a proactive, evidence-led approach to how it prioritises its resources and ensures that it responds to the emerging needs of residents and businesses.

The Medium Term Financial Strategy 2021/22 to 2025/26 was agreed by Cabinet in July 2021; this set out the wider context for financial planning, including a budget gap of £46.7m over the next five years. The long term financial legacy of Covid-19 on the economy, residents and business financial

resilience and the potential increased need for social care and housing is uncertain. This uncertainty is compounded by a lack of progress in reviewing government's funding regime for local authorities (known as Fair Funding Review). Therefore, the ongoing financial strategy of ensuring a resilient and robust budget remains a high priority for the Council in order to protect resources targeted at the most vulnerable residents.

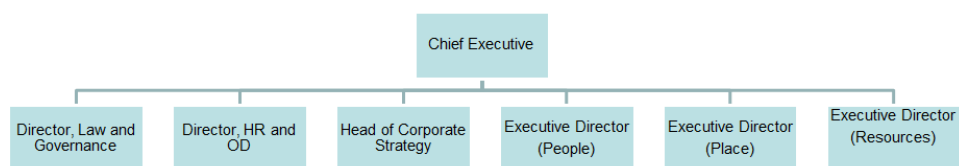
#### 4. Governance and Decision Making

The Council operates under a leader and Cabinet model for decision making. This means that Council elects the Leader, and the Leader appoints the other members of the cabinet. Each cabinet member holds a separate portfolio, such as housing, finance, or Adult Social Care. Decisions may be delegated to the individual members, or taken by the cabinet as a whole and this detail is set out in the Council's constitution that can be found here:

<http://governance.enfield.gov.uk/ecCatDisplay.aspx?sch=doc&cat=252>

These decisions are scrutinised by Overview and Scrutiny committees, in addition there is a General Purposes Committee (which key focus is audit and risk) and a number of panels which are dedicated to scrutinise specific areas such as Children's Services. There are key decisions that can only be made by Council such as setting the Council's budget including Council Tax levels.

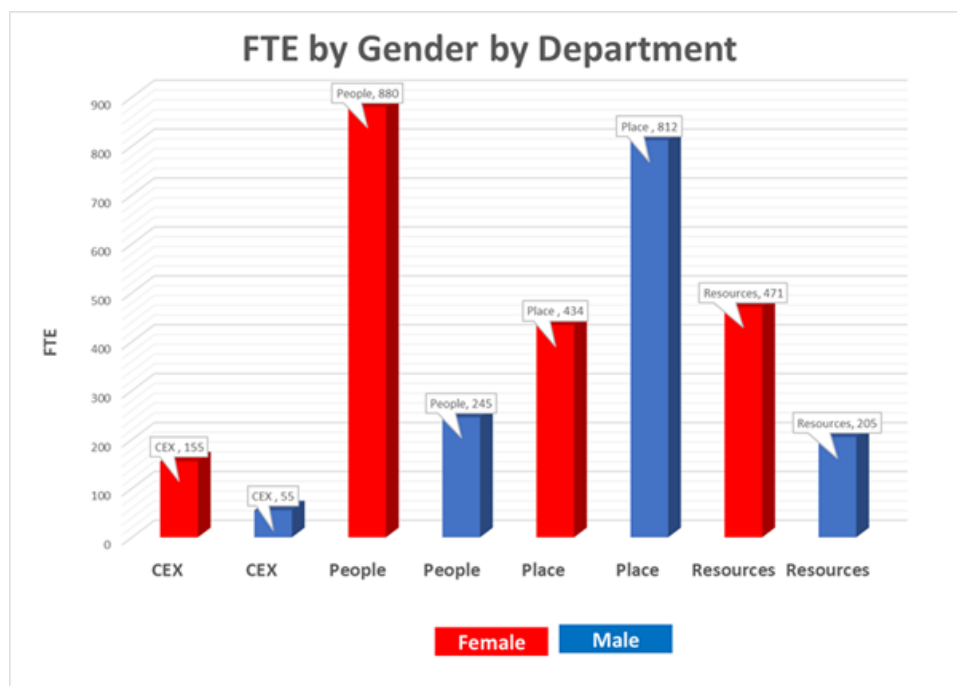
The Council's Senior Leadership Team structure is set out below:



There are a number of regulatory posts as follows: the Head of Paid Service is the Chief Executive, Monitoring Officer is held by the Director of Law and Governance and the role of Section 151 officer is held by the Executive Director Resources.

#### 5. About the Workforce / Human Resource Strategy

Enfield employs approximately 3,707 staff in full-time and part-time positions equating to 3,257 full-time employees (excluding schools). This number has increased by a quarter in the last year since bringing in house the Council's former companies – Norse and IWE. Staff development and a culture of lifelong learning and continuous improvement are integral to providing quality services. In support of this the Council has made significant investments towards the learning and development of its people across the council through initiatives such as the Leadership Programme.



## FINANCIAL PERFORMANCE

### 6. 2020/21

- **General Fund**
- The revenue outturn reported a balanced budget and strengthened financial position, following the Council's programme of ensuring robust financial management and resilience. This position was in spite of the uncertainty created by the pandemic over the last year.
- The Council has been able to achieve this because it acted early in identifying mitigating actions to manage the financial impact of Covid-19. In September 2020, savings totalling £6.3m were identified and set aside in anticipation of Covid-19 financial risk. In addition, the robust management of service budgets during the year enabled the £3.0m of central contingency to be set aside for financial impact of Covid-19. However, it should be noted that this £9.3m in total comprises one offs for 2020/21 only.
- The table below sets out the final position for each Council department specifying the underlying budget position (Net Variance Excluding Covid-19 column) and the impact of Covid-19. The detail for each department is set out in the Revenue Outturn report which can be found here:
- <http://governance.enfield.gov.uk/documents/s88220/General%20Fund%20DSG%202020-21%20Outturn%20Report%20Cabinet.pdf>

Department	Net Budget	Total Outturn	Flexible use of Capital Receipts	Total Variance	Net Variance excl. Covid-19 (Outturn)	Covid-19 Total Impact	Covid-19 Funding/Collection Fund
	£m	£m	£m	£m	£m	£m	£m
Chief Exec	11.564	14.149	(0.765)	1.820	1.301	0.626	(0.107)
People	124.257	127.217	(0.045)	2.915	(2.251)	18.270	(13.104)
Place	33.340	42.846	(0.157)	9.349	(3.946)	19.813	(6.518)



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Resources	25.210	35.984	(0.620)	10.154	0.516	18.274	(8.636)
<b>Service Net Costs</b>	<b>194.371</b>	<b>220.196</b>	<b>(1.587)</b>	<b>24.238</b>	<b>(4.380)</b>	<b>56.983</b>	<b>(28.365)</b>
Corporate Expenses	39.626	42.554	-	2.928	1.128	3.550	(1.750)
Bad Debt Provisions	0.791	(0.242)	-	(1.033)	(16.033)	-	-
<b>Net Expenditure</b>	<b>234.788</b>	<b>262.508</b>	<b>(1.587)</b>	<b>26.133</b>	<b>(4.285)</b>	<b>60.533</b>	<b>(30.115)</b>
<b>Expenditure financed by:</b>							
Business Rates	(98.666)	(98.666)	-	-	-	2.958	(2.958)*
Council Tax	(133.281)	(133.281)	-	-	-	1.743	(1.743)^
Other non-ring-fenced Government Grants	(10.345)	(40.763)	-	(30.418)	-	-	(30.418)
Reserves	(1.565)	-	-	1.565	1.565	-	-
<b>General Fund Corporate Financing</b>	<b>(9.069)</b>	<b>(10.202)</b>	<b>(1.587)</b>	<b>(2.720)</b>	<b>(2.720)</b>	<b>65.234</b>	<b>(65.234)</b>
<b>In Year Savings</b>	<b>6.069</b>	<b>(0.200)</b>	<b>-</b>	<b>(6.269)</b>	<b>(6.269)</b>	<b>-</b>	<b>-</b>
Contingency	3.000	-	-	(3.000)	(3.000)	-	-
<b>Covid-19 Reserve 2021/22 +</b>	<b>-</b>	<b>10.000</b>	<b>-</b>	<b>10.000</b>	<b>10.000</b>	<b>-</b>	<b>-</b>
<b>Risk Reserve</b>	<b>-</b>	<b>1.989</b>	<b>-</b>	<b>1.989</b>	<b>1.989</b>	<b>-</b>	<b>-</b>
<b>Final Outturn position</b>	<b>-</b>	<b>1.587</b>	<b>(1.587)</b>	<b>-</b>	<b>-</b>	<b>65.234</b>	<b>(65.234)</b>

\*These figures total £4.701m which represents the Collection Fund deficit that the Council can run based on the Government announcement. Though this benefits the finances for 2020/21, this will need to be recovered over the next three financial years, hence increasing future budget gap in the Medium Term Financial Plan.

^This figure is the General Fund in year savings, the remaining £0.200m were identified by the HRA. It is not possible to transfer budget between the two and therefore this was actioned as a journal in the accounts, hence is reflected as a £0.200m variance.

### Housing Revenue Account (HRA)

The Statement of Accounts also includes the ring-fenced Housing Revenue Account (HRA), which is used for the provision of council housing. The HRA consists of expenditure on Council-owned housing, which is paid for by rental income. Since 2012 the HRA has been self-financing and operates to a thirty-year business plan. The Council has circa 10,000 Council Homes which generated income of £57.5m in rent in 2020/21. This income is ringfenced to the HRA and can only be used for Social Housing purposes.

The HRA general balance has increased during 2020/21 to £9.9m from £4.6m in 2019/20.

The total HRA Earmarked reserves stand at £10.4m, reflecting the need of the Council to put aside resources to fund its ambitious regeneration programme, to build 3,500 homes over the next 10 years, including the Joyce and Snells development.

### Reserves

Enfield's reserves and balances have historically been lower than peers and have been the notable element of the CIPFA Financial Resilience Index. The work undertaken by the Council over the past three years to drive financial resilience to put the Council's finances on a much firmer footing has paid dividends with the Council's outturn being within budget for 2020/21 and reserves strengthened despite the challenges of Covid-19. The Council put in place an in-year financial strategy to support the risk of unfunded Covid-19 pressures – a review of all the reserve levels and



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purpose resulting in the Mid-Year Transfers set out below, strengthening the Risk Reserves. Secondly identifying £6.3m of in year savings and the fact that the £3m in year contingency was not utilised enabled a new Covid-19 Finance Risk Reserve to be set up of £10m.

### Summary of Enfield's Usable Reserves

Reserves	31 March 2020	Mid Year Review Transfers	In Year Transfers	Forecast Transfers 2020/21	Forecast Balance 31 March 2021
	£m	£m	£m	£m	£m
Risk Reserve	(8.304)	(10.451)	0.618	(4.006)	(22.143)
Covid-19 Risk Reserve 2021/22	0.000	0.000	0.000	(10.000)	(10.000)
Covid-19 Reserve 2020/21	(3.000)	2.567	0.000	0.000	(0.433)
Balance Sheet Management	(4.200)	2.200	0.000	0.000	(2.000)
MTFP Smoothing Reserves	(18.033)	0.000	(0.193)	(3.246)	(21.472)
Service Specific Reserves	(14.253)	2.157	1.548	(3.584)	(14.132)
Property	(2.125)	0.000	0.024	0.000	(2.101)
<b>Useable Reserves Sub total</b>	<b>(49.915)</b>	<b>(3.527)</b>	<b>1.997</b>	<b>(20.836)</b>	<b>(72.281)</b>
Capital Financing Reserves	(24.253)	3.527	0.000	(3.427)	(24.153)
S31 Reliefs Grant	0.000	0.000	(16.554)	2.715	(13.839)
Grants & Other Contributions	(18.278)	0.000	7.436	(4.288)	(15.130)
Insurance	(7.021)	0.000	0.000	(0.001)	(7.022)
General Fund Balance	(13.950)	0.000	0.000	0.000	(13.950)
<b>Total Reserves &amp; Balances</b>	<b>(113.417)</b>	<b>0.000</b>	<b>(7.121)</b>	<b>(25.837)</b>	<b>(146.375)</b>

## 7. Capital Strategy and Outturn

The Table below summarises the capital expenditure incurred and funding applied in 2020/21 compared to the approved programme (projection as at November 2020). The capital outturn will result in some re-profiling of the capital programme which will impact on the 2021/22 and future years' budgets.

Capital Expenditure	Projected £'000	Outturn £'000
Companies	23,155	11,355
Community Safety	381	347
Corporate Buildings and Improvements	7,710	5,733
Council Dwellings	74,869	54,269
Housing Grants	1,700	1,589
Housing Regeneration Projects	63,246	42,935
IT Infrastructure and Programmes	5,101	3,039
Leisure and Culture	188	21
Parks and Open Spaces	4,464	3,422
Regeneration Projects	12,297	9,476
Residential and Day Care Services	1,650	1,101
Schools and Educational Establishments	7,691	7,625
Transport and Environmental Schemes	18,306	16,121

<b>Total Capital Expenditure in 2020/21</b>	<b>220,758</b>	<b>157,033</b>
<b>Sources of Finance:</b>		
Capital Grants & Contributions	(33,798)	(38,030)
Capital Receipts	(3,074)	(8,315)
Earmarked and Capital Reserves	(6,107)	(14,489)
Major Repairs Reserves	(17,856)	(17,069)
Revenue Contribution	-	-
<b>Total Capital Funding 2020/21</b>	<b>(60,835)</b>	<b>(77,903)</b>
<b>Borrowing Requirement</b>	<b>159,923</b>	<b>79,130</b>

The principal elements of expenditure for the 2020/21 capital programme were expenditure on improving, maintaining and regenerating council housing stock through the Housing Revenue Account (HRA), continuing investment in the Council's flagship regeneration scheme, Meridian Water, further investment in school buildings to help meet increasing demand and increased Special educational needs places.

## 8. Treasury and Capital Financing Requirement

The increase in the Capital Financing Requirement (CFR) from £1,109m to £1,165m, or underlying need to borrow is a direct reflection of the Council's ambition to improve the lives of borough residents. The capital programme must be financed and all projects in the General Fund are designed to be repaid based on their asset lifespan. The Council's CFR is split £925m: £240m between the General Fund and the HRA respectively. The Council's debt is £930m, exclusive of interest, a decrease of £59m from the previous year. Treasury cash balances reduced from £95m to £35m. Consequently, net debt only grew from £894m to £895m, or by £1m.

The Council had £50m in cash and cash equivalents at year-end, which had reduced from £109m from the previous financial year. Holding high cash balances is a short-term situation and the Council will gradually run down these balances through spending on the capital programme to its preferred position of £25m cash in-hand rather than borrow unnecessarily.

During 2020/21 £40m was borrowed for the General Fund on a long-term basis at a very low rate. There are risks to increasing debt and that is why the Council established a £2bn debt ceiling for the entire organisation.

At the end of 2020/21, the Council still had £67m in the Capital Grants Unapplied Account, £12m in the Capital Receipts Reserve and £6m in the Major Repairs Reserve to finance capital. However, much of the £79m has strict conditions attached, meaning that it can only be used for certain projects.

## 9. Pension Liability

The pension liability reflects the underlying long-term commitment that the Council has to pay for the retirement benefits owed to its Pension Fund members. The net pension liability increased from £496.5m at 31 March 2020 to £604.6m as at 31 March 2021.

There is still volatility in equity markets because of the Covid-19 pandemic. The scheme assets increased by £218m from £1,030m to £1,248m. However, a fall in the discount rate, due to a reduced spread on corporate bonds, led to a £326m increase in scheme liabilities from £1,527m to £1,853m resulting in an overall increase in the liability.

### 10. Subsidiaries and Group Performance

The Council has 4 subsidiaries, Housing Gateway Limited (HGL), Energetik, Independence Wellbeing Enfield, Enfield Innovations (EIL). In addition, the Council is part of a Joint Venture with HBL (Henry Boot Ltd) to regenerate Montagu Industrial Estate. The Council will record its share of Montagu in the Accounts as a joint venture. The Council's group accounts consolidate all wholly owned active companies.

However, note that for 2021/22, IWE and EIL will no longer be active companies. EIL is no longer operational and the company winding up process has begun, having sold its remaining 3 properties during the financial year. IWE services and personnel transferred back in-house in June 2020, as the Council recognised that there were efficiencies from having a single social service structure in Adult Social Care. The company was dissolved on 1 June 2021.

HGL, the borough's largest company, purchases homes that can be entirely financed by the Local Housing Allowance, providing long-term affordable lets in the challenging local housing market. These homes are let to residents in need of temporary accommodation, resulting in savings to the Council's revenue budget. HGL is funded by loans and £5m of equity from the Council. The loan value to HGL is £122m and the underlying book value of the Fixed assets totalled £127m at the end of 2020/21. HGL had acquired 565 properties in total.

During 2020/21 HGL has expanded their business to provide an Ethical Lettings Agency, with 85 properties signed up to date; this is one of a number of strategies to increase the supply of quality, affordable housing to address the housing crisis.

The Council's commitment to the climate change agenda is in part being delivered through investment in connections to low carbon energy such as the Energetik heat network. The company has successfully attracted grants and low cost loans to support infrastructure into the borough.

During 2020/21 Energetik continued with its planned infrastructure works, including completing the planning process and detailed design of the Meridian Water Heat Network ready to commence construction in 2021/22 as well as completing the extension of the Ponders End Heat Network from the Alma Estate to Electric Quarter.

The total number of connections is 681. Energetik is funded by loans from the Council of £77m and is supported by assets of 12.6m.

## FORWARD LOOK

### 11. Medium Term Financial Strategy 2020/21+

#### Revenue Medium Term Financial Strategy 2022/23 – 2026/27

Covid-19 is expected to have a long term impact on the Councils' finances, however, the degree of that impact is difficult to predict. The MTFP has been revised to reflect current information and includes an estimate of cost pressures arising directly due to the economic impact of Covid-19. The crisis has also had some short and medium term impact on the tax base and this is considered in the commentary below.

Overall, rolling the Plan forward a year the Council is forecast to have a funding gap of £46.673m over the next five years. £13.685m of this is in 2022/23 and whilst the overall strategy is to have a balanced five year plan, the focus of attention will be on this first year.

#### Summary MTFP Forecast

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
<b>Funding</b>	14.728	(7.465)	(8.955)	(4.527)	(3.021)	(9.240)
<b>Spend</b>	(1.043)	14.697	15.573	13.804	12.882	55.913
<b>Gap</b>	<b>13.685</b>	<b>7.232</b>	<b>6.618</b>	<b>9.277</b>	<b>9.861</b>	<b>46.673</b>

The year one gap is unchanged from the £13.685m reported to Council in March 2021. A review will take place following quarter one budget monitoring and will be reported at October 2021 Cabinet. There will be continuous review of the ongoing impact of Covid-19, Council Tax and Business rate forecasts, demographic pressures and capital financing costs.

#### Capital 2021/22 to 2030/31

The Ten Year Capital Strategy was agreed in March 2021, setting out investment of over £2.8bn funded from grant, capital receipts and borrowing. The key investments include Meridian Water and investment in existing housing quality as well as new housing. Due diligence on the strategy is carried out via the Capital Financing Board who consider the prioritisation of schemes and monitor the progress of high risk schemes.

#### Treasury Management

The Council agreed its Ten-Year Treasury Management Strategy 2020/21 to 2029/30 in February 2020, a first for the Council. Previous years' strategies have focussed on a two or three year period only. The Council has high ambitions for the regeneration of the Borough and the Ten-Year Treasury Management Strategy supports the ten-year Capital Strategy in delivering such ambitions, and further gives greater visibility to the longer-term Capital Financing Requirement (CFR) of the Council's capital programme. The CFR is the underlying need to borrow to finance the capital programme and is forecasted to increase to circa £2.0bn by 2029/30.

## 12. Financial Management Code

Strong financial management is an essential part of ensuring public sector finances are sustainable. The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively.

It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The first full year of compliance will be 2021/22. This reflects the

recognition that organisations will need time to reflect on the contents of the code and can use 2020/21 to demonstrate how they are working towards compliance.

For 2020/21, Enfield has continued to work towards compliance. Examples of changes include the development of the capital investment project framework, business partnering training with the finance team and a review of the finance structure. For 2021/22, a project plan and programme of work are in place, working with CIPFA and reporting to the Finance and Performance Panel in December 2021.

### 13. Non-Financial Performance

#### Delivering our Council Plan during 2020/21

The [Enfield Council Plan](#), agreed by Cabinet in July 2020, sets out the vision for delivering a lifetime of opportunities for everyone in Enfield. The Plan shows the significant progress made over the previous two years and sets out the scale of our ongoing ambition to improve outcomes for everyone, in the context of huge financial challenges for local people, local businesses and organisations and local government.

During 2020/21, the first year of this new plan, we have made significant progress in delivering on our three priority areas and implementing our cross cutting themes across all the Council does.

##### I. Good homes in well-connected neighbourhoods

We are committed to delivering more and better homes for Enfield, where everyone benefits from the opportunities that growth can bring.

To improve the quality of properties across the private rented sector, our additional licensing scheme went live in 2020 and we will be phasing in a selective licensing scheme alongside this. We have also launched an ethical lettings agency, which offers accommodation regardless of credit histories or means to pay a deposit.

During 2020, we increased our support for people who are at risk of homelessness through early intervention being taken by our new Housing Advisory Service. This service now includes a dedicated team to improve relationships between tenants and landlords. The service works to prevent homelessness and reduce the numbers of households living in temporary accommodation, and also works to end rough sleeping in the borough. During the pandemic, as part of the “Everyone’s In” scheme, over 400 rough sleepers or residents at risk of rough sleeping were provided emergency accommodation.

##### II. Safe, healthy and confident communities

The Covid-19 crisis has highlighted how important our role is in the preservation and nurturing of safe, healthy and confident communities. Throughout the pandemic we have worked with our community and partners to support local people, including by delivering 79k parcels of food and essential items to isolated people through our ‘Enfield Stands Together’ programme.

We also continue to proactively engage and support young people. Between January 2020 and December 2020, 5,788 young people participated in the ‘Inspiring Young Enfield’ programme. These positive activities are supporting our most challenged young people to realise their true potential. In addition, our Summer University programme was delivered for a second year, with 604 young people accessing free online or socially distanced courses.

Keeping our residents' safe is of paramount importance; the installation of CCTV in Pymmes Park in July 2020 has led to a 46% reduction in reported crime in this hotspot area in July/August 2020 compared to May/June 2019.

### **III. An economy that works for everyone**

We are working with partners to create a dynamic economy that provides high quality employment opportunities for local people and makes Enfield a prime destination for businesses. This vision is outlined in our new [Economic Development Strategy](#).

We have partnered with Vistry and Troubadour to secure two new skills academies at Meridian Water to help local people access new employment opportunities. Furthermore, in partnership with The Job Centre, we set up the Kickstart Scheme, a six-month paid job with a local employer, for 16 to 24 year olds claiming Universal Credit at risk of long term unemployment.

We know that the ability to make and export culture is an increasingly important economic driver for Enfield and in November 2020, we published a new five-year [culture strategy](#) which focuses on connecting the borough's rich and diverse heritage with its people, town centres and green spaces.

### **A lifetime of opportunities for everyone – our cross-cutting themes**

In our Council Plan, we identify four cross cutting themes that will inform our work to deliver transformation in the borough and help us make the right decisions.

#### **A Modern Council**

We are making changes within the organisation to support our workforce to be empowered, responsive and happy. During 2020/21, we supported our staff through a hugely challenging year, moving onto remote working where possible, and enabling staff to continue to be safe and deliver high quality public services during a year where the importance of these became more vital than ever. To support continuing organisational development, we launched two new leadership programmes and supported staff well-being.

#### **Climate Action**

Our [Climate Action Plan 2020](#) explains how we will become a carbon neutral organisation by 2030, and a carbon neutral borough by 2040.

In June 2021, we published our [Blue and Green Strategy](#) which sets out our 10-year strategy to protect, maintain and enhance the borough's network of blue and green assets. In autumn/ winter 2020, the first 50,000 trees have been planted as part of the Chase re-wilding project.

Work has been ongoing to deliver "Cycle Enfield" to promote active forms of travel in the borough and in 2020 we launched 12 new school streets, implemented two Low Traffic Neighbourhoods and installed a cycle route on the A1010.

#### **Fairer Enfield**

In [Fairer Enfield 2021-25](#), we set out how Enfield Council will tackle inequality, support an inclusive workplace and communities and create new opportunities for everyone in Enfield. This new policy includes eight specific and measurable equalities objectives that show how we are tackling inequality. In May 2021, we published an [overview](#) of the work the Council has done to deliver on the 27 recommendations from the Poverty and Inequality Commission, highlighting the impact we can make when we work together with our communities and partners, in the most challenging of years.

#### **Early Help**



In March 2021, we published our [Early Help for All Strategy](#), which outlines how we will work with our communities and partners to help everyone in Enfield to be resilient, overcome challenges and lead happy and fulfilling lives.

This strategy will help us to build on our approach so far, and in March 2020 we created a new Welfare Advice and Debt Support Team to ensure vulnerable residents can access all the income and benefits they are entitled to. During 2020/21 we supported over 3,100 residents. This helped us pay out almost £36m in Council Tax Support Scheme, £5,330 in crisis payments; £190k in Council Tax Support Hardship Fund Payments; and £3.1m in Discretionary Housing Payments to those most in need.

## 14. Top Strategic Risks

A risk management strategy is in place to evaluate risk, the likelihood and potential mitigations. The Risk Register is continually reviewed and considered at the General Purposes Committee meetings regularly. The key strategic risks for the upcoming year are set out below.

Risk	Mitigation
<b>Financial Resilience</b>  The financial legacy of Covid-19 in terms of potential pressures and lost income remains is a key risk. This is compounded by the lack of certainty in long term plans for government funding for local authorities.	<i>We have a Medium Term Financial Strategy that ensures the funding gap is addressed and actioned. The level of financial reserves has been strengthened at the end of 2020/21 to recognise the increased risk. We continue to monitor and challenge key areas of financial risk and identify actions to reduce the impact.</i>
<b>Fraud/Corruption</b>  If there are ineffective internal controls and governance arrangements in place this could lead to the Council being subjected to an incident of organised or high value fraud, bribery and/or corruption, resulting in financial and reputational loss.	<i>We have an Anti-Fraud strategy and action plan in place along with comprehensive anti-fraud policies. We provide Fraud awareness training, regular reporting to EMT &amp; GPC and have qualified anti-fraud staff. We continue to take a pro-active approach to minimising fraud.</i>
<b>Information Governance</b>  If there are inadequate security controls and/ or staff training, then this could lead to a loss, corruption, disclosure or breach of data, resulting in reputational damage, legal action and/or fines due to non-compliance with Data Protection / GDPR / PCI legislation	<i>We have several policies in place and mandatory training for all staff. We have an Information Governance Board (IGB) which oversees and monitors activities around information governance and our qualified Data Protection Officer (DPO) also sits on the board. Non-compliance is reported to Assurance Board. We continue to embed a culture of best practice around information governance.</i>
<b>Duty of Care</b>  If the Council fails in its statutory duties to Adults & Children within the borough, this could result in potential harm to individuals / families, potential legal challenges and reputational damage.	<i>We have Safeguarding procedures and Policies in place. Relevant staff and volunteers have DBS checks. We have quality assurance processes, a comprehensive programme of internal audits and we regularly provide updates and</i>



	<i>reports to Assurance Board. We continue to monitor, improve and implement best practice in our duty of care.</i>
<b>Loss of IT</b>  Failure of the Councils ICT and/or Digital systems (due to cyberattack, hardware failure etc.) will lead to a severe disruption of service delivery.	<i>We have policies in place and provide training for all staff to ensure the policies are understood. We carry out regular audits to ensure systems and processes are fit for purpose. We have resilient infrastructure in place along with a data recovery service. We continue to embed a culture of best practice amongst our staff and we have a programme of upgrades to further modernise our infrastructure.</i>
<b>Emergency Incident</b>  If there is a failure to respond adequately following a major incident within the borough that adversely affects residents / businesses, or the Council is subject to a significant event that causes business interruption and fails to respond adequately, then this could lead to significant financial loss, disruption of services and significant reputational damage.	<i>We have staff that are trained to respond along with additional staff volunteers to assist. Incident management policies are in place, Corporate and Departmental Business Continuity Plans are in place and all services have recently updated their plans. We continue to monitor and disseminate information from relevant agencies.</i>
<b>Coronavirus</b>  Any further outbreak could lead to a significant number of people being infected within a short period of time. This could lead to severe consequences including; - Deaths to vulnerable people - Overload on Adult Social care service - Severe disruptions to services and staff shortages.	<i>We have ensured that Government advice has been followed throughout the pandemic and have developed a phased return for staff returning to offices. Face to Face customer access has been provided to our most vulnerable customers via libraries to receive assistance nearer their homes. We continue to monitor and disseminate information from relevant agencies and have set up a weekly Public Health Strategic Management Group to review coronavirus data. This ensures the Council maintains a strategic overview of the situation and can agree action as and when necessary.</i>
<b>Housing</b>  If there is a failure to deliver the housing strategy, then this will result in an inadequate supply of social and private sector properties within the borough.	<i>We have a Housing Strategy in place, with teams and resources in place to deliver. The strategy includes delivery of new homes and regeneration of existing estates. We hold regular meetings to monitor service delivery capacity among management and HR. We continue to review policies to keep abreast of current climate and good practice.</i>
<b>Major Capital Projects</b>  If there is a failure of key schemes (Meridian Water, Electric Quarter, Joyce Avenue and Snells Park Estates, etc.) to regenerate the borough this will lead to a reputational damage and financial loss.	<i>We have robust procurement controls in place. We pay close attention to recruitment and skills of staff and where necessary we use independent specialist advisors. We have Boards set up with regular reporting to them and we have executive oversight of all major schemes along with risk registers for all major projects. We continue to hold regular risk review meetings for all major projects and we continue to build in-house capacity to deliver these projects more resiliently.</i>

<p><b>Trading companies</b></p> <p>If the Council's trading companies fail or perform poorly then this will result in significant reputational damage and financial loss.</p>	<p><i>We have representation from Council members and officers on all company Boards. Quarterly reporting of company performance against business plan targets takes place and there is requirement of an annual submission of company business plans. We have governance review and action plan in place and separate risk register for each company have been developed to support risk monitoring. We continue to Review Public Interest Reports from other authorities and draw up action plans for Enfield, and this is shared with Assurance Board on a regular basis.</i></p>
<p><b>Financial Management</b></p> <p>If the Council fails to maintain its financial controls and or has its Statement of Accounts (SOA) qualified, then it could suffer significant reputational damage with its partners (customers, residents, suppliers and public bodies). This is because the Statement of Accounts reflects that the Council is a 'going concern'.</p>	<p><i>The Director of Finance has oversight of the Statement of Accounts and Bi-weekly meetings take place between the three most senior finance officers. We have a Plan of improvement that is regularly reviewed and we continue to report this to General Purposes Committee and Assurance Board.</i></p>

## 15. Explanation of the Financial Statements

The Statement of Accounts summarises the financial performance for the financial year 2020/21 and the overall financial position of the Council. This Narrative Report explains the most significant matters reported in the accounts and provides a simple summary of the Council's overall financial position.

The Statement of Accounts for 2020/21 has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which is based on International Financial Reporting Standards.

Whilst these accounts are presented as simply as possible, the use of some technical terminology cannot be avoided. To aid a better understanding of the terminology used, a glossary of the terms used is included at the end of the document. An explanation of the key financial statements including explanatory notes and other relevant supplementary information is also provided.

The key financial statements set out within this document include:

- **Movement in Reserves Statement (MiRS)** – this statement sets out the movement on the various reserves held by the Council which are analysed into usable and unusable reserves. It analyses the increase or decrease in net worth of the Council as a result of incurring expenses, gathering income and from movements in the fair value of the assets. It also analyses the movement between reserves in accordance with statutory provisions.
- **Comprehensive Income and Expenditure Statement (CIES)** – this statement brings together all the functions of the Council and summarises all the resources it has generated, consumed

or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and the ability to divert particular expenditure to be met from capital resources.

- **Balance Sheet** – this records the Council’s year-end financial position. It shows the balances and reserves at the Council’s disposal, its long-term debt, net current assets or liabilities, and summarises information on the non-current assets held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council can 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 is those that the Council cannot 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.
- **Cash Flow Statement** – this summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue.
- **Notes to the Financial Statements** – the notes provide more detail about the items contained in the key financial statements, the Council’s Accounting Policies and other information to aid the understanding of the financial statements.
- **Housing Revenue Account (HRA)** – this records the Council’s statutory obligation to account separately for the cost of the landlord role in respect of the provision of Council Housing.
- **Collection Fund** – the Council is responsible for collecting Council Tax and local Business Rates.

The proceeds of Council Tax are distributed to the Council and the Greater London Authority (GLA). Local Business Rates are distributed between the Council, the Government and the GLA. The Fund shows the income due and application of the proceeds.

- **Group Accounts** – these consolidate the accounts of the Council with its four subsidiary companies, Housing Gateway Ltd; Enfield Innovations Ltd; Independence and Wellbeing Enfield Ltd; and Lee Valley Heat Network.

## Independent Auditor's Report

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### Independent Auditor's Report to The Members of London Borough of Enfield

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## Statement of Responsibilities

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### The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. For this Council, that officer is Fay Hammond, the Executive Director of Resources
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the Statement of Accounts

### The Executive Director of Resources' Responsibilities

The Executive Director of Resources 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 Executive Director of Resources 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 Executive Director of Resources 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 the Executive Director of Resources

I certify that this Statement of Accounts gives a true and fair view of:

- The Financial Position of the Authority as at 31 March 2021, and
- The Authority's Income and Expenditure for financial year 2020/21

Signed

**Fay Hammond**

**Executive Director of Resources**

**XX July 2021**

## Core Financial Statements

### Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost, for the year, of providing services in accordance with proper accounting practices, as set out in the CIPFA/LASAAC Code of Accounting Practice, rather than the amount to be funded from taxation.

2019/20			On its services the council spent:	Note	2020/21		
Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s			Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s
16,109	(3,456)	12,653	Chief Executive		16,779	(2,443)	14,336
2,921	(7,678)	(4,757)	Corporate		(54,083)	133,138	79,055
458,103	(326,949)	131,154	People		673,586	(546,729)	126,857
195,360	(94,755)	100,605	Place		115,663	(109,489)	6,174
337,782	(285,456)	52,326	Resources		310,447	(273,153)	37,294
<b>98,418</b>	<b>(73,987)</b>	<b>24,431</b>	<b>Housing Revenue Account</b>		<b>75,436</b>	<b>(67,708)</b>	<b>7,728</b>
<b>1,108,693</b>	<b>(792,281)</b>	<b>316,412</b>	<b>Total Cost of Services</b>		<b>1,137,828</b>	<b>(866,384)</b>	<b>271,444</b>
90,368	(15,348)	75,020	Other Operating Expenditure	<b>3</b>	42,402	(49,887)	(7,485)
62,889	(50,953)	11,936	Financing and Investment Income and Expenditure	<b>4</b>	74,718	(67,226)	7,492
-	(313,569)	(313,569)	Taxation and non-specific grant income	<b>5</b>	0	(323,858)	(323,858)
		<b>89,799</b>	<b>Deficit on the Provision of Services</b>				<b>(52,407)</b>
			<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>				
		4,377	(Surplus) / Deficit on revaluation of non-current assets				(54,290)
		(108,170)	Remeasurement of the net defined pension liability				78,884
		<b>(103,793)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>24,594</b>
		<b>(13,994)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(27,813)</b>

## Core Financial Statements

### Group 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.

2019/20			On its services the council spent:	Note	2020/21		
Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s			Gross Expenditure £'000s	Gross Income £'000s	Net Expenditure £'000s
16,109	(3,456)	12,653	Chief Executive		20,359	(8,100)	12,259
3,609	(7,977)	(4,368)	Corporate		(58,099)	136,289	78,190
198,437	(101,677)	96,760	People		678,904	(554,332)	124,572
337,782	(285,456)	52,326	Place		45,138	(62,133)	(16,995)
458,713	(327,578)	131,135	Resources		365,703	(319,170)	46,533
<b>97,020</b>	<b>(72,589)</b>	<b>24,431</b>	<b>Housing Revenue Account</b>		<b>87,371</b>	<b>(64,891)</b>	<b>22,480</b>
<b>1,111,670</b>	<b>(798,733)</b>	<b>312,937</b>	<b>Total Cost of Services</b>		<b>1,139,376</b>	<b>(872,337)</b>	<b>267,039</b>
90,368	(15,348)	75,020	Other Operating Expenditure				(6,139)
66,223	(50,983)	15,240	Financing and Investment Income and Expenditure				10,905
-	(313,569)	(313,569)	Taxation and non-specific grant income				(334,108)
		<b>89,628</b>	<b>Deficit on the Provision of Services</b>				<b>(62,303)</b>
		(928)	Group Tax				(164)
			<b>Deficit on the Provision of Services after Tax</b>				<b>(62,467)</b>
			<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>				
		13,453	(Surplus) / Deficit on revaluation of non-current assets				(54,290)
		(115,877)	Remeasurement of the net defined pension liability				78,884
		<b>(102,424)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>24,594</b>
		<b>(13,724)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(37,873)</b>

## Core Financial Statements

### Movement in Reserves Statement (MiRS)

This 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.

	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance At 1 April 2019</b>	<b>(92,269)</b>	<b>(16,784)</b>	<b>1</b>	<b>(9,364)</b>	<b>(29,278)</b>	<b>(147,694)</b>	<b>(601,781)</b>	<b>(749,475)</b>
Total Comprehensive Income and Expenditure (CIES Page XX)	71,811	17,988	0	0	0	89,799	(103,793)	(13,994)
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note XX)	(85,285)	(28,147)	(15,962)	3,329	(31,607)	(157,672)	157,672	0
(Increase)/Decrease In 2019/20	(13,474)	(10,159)	(15,962)	3,329	(31,607)	(67,873)	53,879	(13,994)
<b>Balance At 31 March 2020</b>	<b>(105,743)</b>	<b>(26,943)</b>	<b>(15,961)</b>	<b>(6,035)</b>	<b>(60,885)</b>	<b>(215,567)</b>	<b>(547,902)</b>	<b>(763,469)</b>
<b>GF and HRA Balance analysed over</b>								
Earmarked Reserves (Note XX)	(99,468)	(22,320)						
LMS (Schools) Balance	7,675							
Balances not earmarked	(13,950)	(4,623)						
<b>Balance At 31 March 2020</b>	<b>(105,743)</b>	<b>(26,943)</b>						

	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance At 1 April 2020</b>	<b>(105,743)</b>	<b>(26,943)</b>	<b>(15,961)</b>	<b>(6,035)</b>	<b>(60,885)</b>	<b>(215,567)</b>	<b>(547,902)</b>	<b>(763,469)</b>
Total Comprehensive Income and Expenditure (CIES Page XX)	(74,888)	22,481	0	0	0	(52,407)	24,594	(27,813)
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note XX)	42,452	(12,541)	2,901	(5,955)	(10,715)	16,142	(16,142)	0
(Increase)/Decrease In 2020/21	(32,436)	9,940	2,901	(5,955)	(10,715)	(36,265)	8,452	(27,813)
<b>Balance At 31 March 2021</b>	<b>(138,179)</b>	<b>(17,003)</b>	<b>(13,060)</b>	<b>(11,990)</b>	<b>(71,600)</b>	<b>(251,832)</b>	<b>(539,450)</b>	<b>(791,282)</b>
<b>GF and HRA Balance analysed over</b>								
Earmarked Reserves (Note XX)	(124,227)	(14,103)						
LMS (Schools) Balance								
Balances not earmarked	(13,952)	(9,900)						
<b>Balance At 31 March 2021</b>	<b>(138,179)</b>	<b>(24,003)</b>						

## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves (including those of Subsidiary Companies).

<b>2019/20</b>	<b>LBE Usable Reserves £'000</b>	<b>LBE Unusable Reserves £'000</b>	<b>Total Authority Reserves £'000</b>	<b>Usable Reserves of Subsidiaries £'000</b>	<b>Total Reserves £'000</b>
<b>Balance at 31 March 2019</b>	<b>(147,800)</b>	<b>(601,675)</b>	<b>(749,475)</b>	<b>462</b>	<b>(749,013)</b>
Opening Balance adjustment	106	(106)	0	-	0
<b>Adjusted Opening Balance</b>	<b>(147,694)</b>	<b>(601,781)</b>	<b>(749,475)</b>	<b>462</b>	<b>(749,013)</b>
<b>Movement in Reserves during 2019/20:</b>					
Total comprehensive income and expenditure	89,799	(103,793)	<b>(13,994)</b>	270	<b>(13,724)</b>
Adjustments between accounting basis and funding basis under regulations	(157,672)	157,672	<b>0</b>	-	<b>0</b>
(Increase)/decrease in year	(67,873)	53,879	<b>(13,994)</b>	270	<b>(13,724)</b>
<b>Balance at 31 March 2020</b>	<b>(215,567)</b>	<b>(547,902)</b>	<b>(763,469)</b>	<b>732</b>	<b>(762,737)</b>
<b>Movement in Reserves during 2020/21:</b>					
Total comprehensive income and expenditure	<b>(52,406)</b>	<b>(15,007)</b>	<b>(67,413)</b>	(10,060)	<b>(77,473)</b>
Adjustments between accounting basis and funding basis under regulations	<b>55,743</b>	<b>(55,743)</b>	<b>0</b>	39,601	<b>39,601</b>
(Increase)/decrease in year	3,337	(70,750)	(67,413)	29,541	<b>(37,872)</b>
<b>Balance at 31 March 2021</b>	<b>(212,230)</b>	<b>(618,652)</b>	<b>(830,882)</b>	<b>30,273</b>	<b>(800,609)</b>

## Consolidated Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council and the group as at 31 March.

31 March 2020		Note	31 March 2021	
Group £'000	Council £'000		Council £'000	Group £'000
1,878,984	1,835,069	12	1,973,355	2,015,590
5,319	5,319		5,430	5,430
244,356	160,415	13	193,993	283,933
32,155	26,112	42	22,233	29,122
-	25,631	15	55,825	9,703
3,262	101,296	15	91,719	3,224
<b>2,164,076</b>	<b>2,153,842</b>		<b>2,342,555</b>	<b>2,347,002</b>
5,900	5,900		970	970
581	581		2,228	2,228
4,844	4,844	15	144	144
110,761	125,376	17	125,963	123,217
122,276	110,551	16	51,297	64,923
<b>244,362</b>	<b>247,252</b>		<b>180,602</b>	<b>191,482</b>
(1,437)	(1,437)	16	(1,441)	(1,441)
(110,202)	(105,699)	15	(31,064)	(31,491)
(95,390)	(92,653)	19	(110,579)	(110,582)
(1,520)	(1,520)	20	(8,261)	(8,261)
<b>(208,549)</b>	<b>(201,309)</b>		<b>(151,345)</b>	<b>(151,775)</b>
(34,171)	(34,058)	19	(30,458)	(30,486)
(12,159)	(12,159)	20	(12,517)	(13,457)
(885,817)	(889,465)	15	(904,599)	(904,617)
(496,479)	(496,479)	41	(604,576)	(604,576)
(8,527)	(4,155)		(28,384)	(32,966)
<b>(1,437,153)</b>	<b>(1,436,316)</b>		<b>(1,580,534)</b>	<b>(1,586,102)</b>
<b>762,736</b>	<b>763,469</b>		<b>791,278</b>	<b>800,607</b>
6,147	6,147		8,607	8,607
(397,942)	(397,942)		(464,781)	(464,781)
2,883	2,883		17,912	17,912
496,480	496,480		604,576	604,576
(655,470)	(655,470)		(699,603)	(699,603)
			(6,160)	(6,160)
<b>(547,902)</b>	<b>(547,902)</b>	21	<b>(539,449)</b>	<b>(539,449)</b>
(60,885)	(60,885)		(71,600)	(71,600)
(6,035)	(6,035)		(11,989)	(11,989)
(13,950)	(13,950)		(13,950)	(13,950)
(91,060)	(91,793)	11	(124,227)	(134,476)
(4,623)	(4,623)		(9,894)	(8,972)
(22,320)	(22,320)	11	(14,110)	(14,110)
(15,961)	(15,961)		(6,061)	(6,061)
<b>(214,834)</b>	<b>(215,567)</b>		<b>(251,831)</b>	<b>(261,158)</b>
<b>(762,736)</b>	<b>(763,469)</b>		<b>(791,280)</b>	<b>(800,607)</b>

**Certification by the Chief Financial Officer**

I confirm that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2020 and its income and expenditure for the year then ended.

**Fay Hammond**

Executive Director of Resources  
Section 151 Officer

**XX July 2021**

Draft



## Consolidated Cash Flow Statement

The Cash Flow Statement shows the cash flows of the Council and the Group during the reporting period. The Statement shows how both have generated and used cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities shows how the Council and the Group have funded their operations from taxation and grant income or from the recipients of services provided. Investing activities refer to expenditure that contributes to future service delivery. Cash flows arising from financing activities refer to the raising and repayment of loans and other long-term liabilities.

2019/20 Group £'000	2019/20 Council £'000	Note	2020/21 Council £'000	2020/21 Group £'000
(88,700)	(89,799)	<b>Net Deficit on the provision of services</b>	<b>52,407</b>	<b>62,466</b>
200,057	199,600	Adjust to deficit on the provision of services for non-cash movements	96,367	89,751
(82,946)	(86,619)	Adjustments for items included in net deficit in the provision of services that are investing & financing activities.	(61,594)	(68,406)
<b>28,411</b>	<b>23,182</b>	<b>Net cash outflow/(inflow) from operating activities</b>	<b>87,180</b>	<b>83,811</b>
(90,283)	(92,290)	Investing activities	(83,337)	(89,871)
133,300	138,222	Financing activities	(63,101)	(51,296)
		<b>Net cash outflow/(inflow) from COVID Grant activities</b>		
		Covid Grant Activities - Income	(84,463)	(84,463)
		Covid Grant Activities - Expenditure	60,500	60,500
		Covid Grant Activities - Creditor	23,963	23,963
<b>71,428</b>	<b>69,114</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(59,258)</b>	<b>(57,357)</b>
<b>49,411</b>	<b>40,000</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>109,114</b>	<b>120,839</b>
<b>120,839</b>	<b>109,114</b>	<b>Cash and cash equivalents at the end of the reporting period:</b>	<b>49,856</b>	<b>63,482</b>

**NOTE 1. 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 local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes amongst the Council's four directorates plus the corporate budgets:

- Chief Executive
- People
- Place
- Resources
- Corporate

Draft

## Notes to the Core Financial Statements

Net Expenditure Chargeable to General Fund and HRA Balances £'000	2019/20 Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000	Segment	Net Expenditure Chargeable to General Fund and HRA Balances £'000	2020/21 Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
10,170	2,483	12,653	Chief Executive	13,024	(765)	12,259
(26,432)	21,675	(4,757)	Corporate	75,620	(51,087)	24,533
125,545	5,610	131,155	People	127,220	59	127,279
44,185	56,420	100,605	Place	35,871	(157)	35,714
41,715	10,611	52,326	Resources	47,152	(620)	46,532
4,177	20,252	24,429	HRA	(9,293)	(16,817)	(26,110)
<b>199,360</b>	<b>117,051</b>	<b>316,411</b>	<b>Net Cost of Service</b>	<b>289,594</b>	<b>(69,387)</b>	<b>220,207</b>
(222,993)	(3,620)	(226,613)	Other Operating Expenditure		51,050	(266,080)
			Financing and Investment Income and Expenditure			
			Taxation and non-specific grant income			
<b>(23,633)</b>	<b>113,431</b>	<b>89,798</b>	<b>Deficit/(Surplus)</b>	<b>289,594</b>	<b>(18,337)</b>	<b>(45,873)</b>
(109,100)			Opening General Fund & HRA Balance			(132,686)
47			Opening balance adjustment			
(23,633)			In year surplus / (deficit)			(29,496)
<b>(132,686)</b>			<b>Closing General Fund &amp; HRA Balance</b>			<b>(162,182)</b>

The adjustments of £XXX are explained below and further analysed in the table following.

### Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for other operating expenditure adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. Financing and investment income and expenditure on the statutory charges for capital financing i.e. Minimum Revenue Provision (MRP) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices. Taxation and non-specific grant income and expenditure – capital grants are adjusted

## Notes to the Core Financial Statements

for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivables without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Adjustments Pension Benefits

This represents the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income. For services this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs. For financing and investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

### Other Adjustments

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised according to the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

2019/20				Net Cost of Service		2020/21			
Adjustments for Capital Purposes	Adjustments for Pension Benefits	Other Adjustments	Total Adjustments			Adjustments for Capital Purposes	Adjustments for Pension Benefits	Other Adjustments	Total Adjustments
£'000	£'000	£'000	£'000	Segment		£'000	£'000	£'000	£'000
1,461	1,022	-	2,483	Chief Executive		(765)	0	0	(765)
21,069	606	-	21,675	Corporate		46,664	(40,280)	(57,471)	(51,087)
6,860	(1,250)	-	5,610	People		59	0	0	59
50,000	3,920	-	53,920	Place		(157)	0	0	(157)
8,040	2,571	-	10,611	Resources		(620)	0	0	(620)
21,756	997	-	22,753	HRA		12,803	(29,212)	(409)	(16,818)
<b>109,186</b>	<b>7,866</b>	<b>0</b>	<b>117,052</b>	<b>Net Cost of Service</b>		<b>57,984</b>	<b>(69,492)</b>	<b>(57,880)</b>	<b>(69,388)</b>
(15,139)	13,465	(1,947)	(3,621)	Other Operating Income and Expenditure		(15,139)	13,465	(1,947)	(3,621)
			0	Financing and Investment Income and Expenditure					0
			0	Taxation and non-specific grant income					0
<b>94,047</b>	<b>21,331</b>	<b>(1,947)</b>	<b>113,431</b>	<b>Deficit/(Surplus)</b>		<b>42,845</b>	<b>(56,027)</b>	<b>(59,827)</b>	<b>(73,009)</b>

**Notes to Expenditure Funding Analysis tables****Adjustments between Internal Reporting & Statutory Position**

These relate to

- i) Amounts transferred from earmarked reserves to Directorates - which were included in the movement on General Fund and HRA Balances reported internally but under the Code do not form part of the net cost of service in the CIES
- ii) In-year overspend on School Delegated Budgets which was included in the net cost of services in the CIES but not included in the General Fund outturn report to management. There is a DSG deficit, which is treated as a debit reserve, within Earmarked Reserves.
- iii) Net revenue income from investment properties which was included in the General Fund outturn report to management but excluded from the net cost of service in the CIES.

The movement in General Fund and HRA balances is analysed by subjective nature of income and expenditure in the tables below.

**NOTE 2. Expenditure and Income Analysed by Nature**

2019/20 £'000	Nature of Expenses	2019/20 £'000
330,758	Employee Related Expenses	352,005
639,026	Other Service Expenses	753,162
47,212	Depreciation & Amortisation	35,975
100,902	Impairment & Revaluation	(29,839)
59,984	Interest Payments	31,016
8,259	Precepts & Levies	7,540
26,635	Loss on the Disposal of Assets	13,450
<b>1,212,776</b>	<b>Expenditure Total</b>	<b>1,163,309</b>
(197,164)	Fees, Charges & Other Service Income	(224,443)
(48,018)	Interest & Investment Income	(3,720)
(216,290)	Income from Council Tax & Non-Domestic Income	(191,479)
(661,506)	Government Grants & Contributions	(789,538)
<b>(1,122,978)</b>	<b>Income Total</b>	<b>(1,209,180)</b>
<b>89,798</b>	<b>Deficit on Provision of Services</b>	<b>(45,871)</b>

**NOTE 3. Other Operating Income and Expenditure**

2019/20			2020/21		
Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
£'000	£'000	£'000	£'000	£'000	£'000
2,513	-	2,513	1,365	-	1,365
8,259	-	8,259	7,540	-	7,540
41,983	(15,348)	26,635	33,497	(20,048)	13,449
29,719	-	29,719	-	(29,839)	(29,839)
7,894	-	7,894	-	-	-
<b>90,368</b>	<b>(15,348)</b>	<b>75,020</b>	<b>42,402</b>	<b>(49,887)</b>	<b>(7,485)</b>
<b>Total</b>			<b>Total</b>		

**NOTE 4. Financing and Investment Income and Expenditure**

2019/20			2020/21		
Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
£'000	£'000	£'000	£'000	£'000	£'000
19,477	-	19,477	19,948	-	19,948
39,447	(25,982)	13,465	34,742	(23,674)	11,068
-	(4,746)	(4,746)	-	(3,720)	(3,720)
-	(6,691)	(6,691)	1,310	(7,653)	(6,343)
-	(10,599)	(10,599)	-	(14,099)	(14,099)
3,965	(2,935)	1,030	562	-	562
<b>62,889</b>	<b>(50,953)</b>	<b>11,936</b>	<b>56,562</b>	<b>(49,146)</b>	<b>7,416</b>
<b>Total</b>			<b>Total</b>		

**NOTE 5. Taxation and Non-Specific Grant Income**

2019/20	2020/21
£'000	£'000
(125,571)	(134,174)
(90,719)	(57,306)
(26,008)	(83,143)
(71,271)	(49,236)
<b>(313,569)</b>	<b>(323,859)</b>
<b>Total</b>	<b>Total</b>

**NOTE 6. Grants credited to Taxation and Non-Specific Grant Income**

Grants, contributions and donations credited to the CIES are as follows:

(i)

2019/20 £'000	Non-Specific Revenue Grant Income	2020/21 £'000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
(4,656)	CIL Income	(1,777)
(8,521)	Covid-19 General Grant	(22,067)
-	Revenue Support Grant	(17,570)
(1,347)	Pool Benefit	(13,837)
-	Social Care Grant	(7,667)
(7,386)	S31 Business Rates Grants	(6,676)
-	Support for lost Sales, Fees and Charges	(5,752)
	Local Tax Losses 2020-21 Grant	(2,981)
(1,575)	Housing Benefit Administration Grant	(1,816)
(1,594)	New Homes Bonus	(646)
(638)	Council Tax Administration Grant	(647)
(291)	Other Grants & Contributions (under £1m each)	(1,391)
<b>(26,008)</b>	<b>Total Non-Specific Revenue Grant Income</b>	<b>(82,827)</b>

(ii)

2019/20 £'000	Capital Grants and Contributions	2020/21 £'000
<b>Government Grants</b>		
(10,320)	School Condition Allocations	(14,462)
(7,089)	Housing infrastructure Fund	(12,066)
(8,486)	Transport for London Grant	(4,814)
(12,256)	Building Council Homes for Londoners	(4,298)
-	BEIS PS Decarbonisation Scheme	(3,819)
(4,120)	Disabled Facilities Grant	(3,708)
(12,294)	School Basic Need Grant	(2,008)
(16,706)	Other Capital Grants and Contributions	(4,061)
<b>(71,271)</b>	<b>Total Capital Grants and Contributions</b>	<b>(49,236)</b>



**NOTE 7. Grant Income Credited to Services**

Grants, contributions and donations credited to the CIES are as follows:

2019/20 £'000		2020/21 £'000
(264,615)	Housing Benefit Subsidy	(242,471)
(200,222)	Dedicated Schools Grant	(213,305)
(16,384)	Public Health Grant	(17,290)
(13,565)	NCL CCG Section 75 Schemes	(14,560)
(4,615)	Adult Social Care Grant	(11,381)
(10,604)	Education Funding Agency- Learning & Skills Grant	(10,677)
(17,941)	Pupil Premium Grant	(8,923)
(7,163)	Flexible Homelessness Grant	(8,348)
(6,800)	PFI Grants	(6,800)
(3,153)	Teachers' Pension Grant (new 19/20)	(5,706)
(3,412)	Asylum Seekers Grant (Unaccompanied?)	(4,020)
(2,537)	Discretionary Housing Payment	(2,974)
(2,445)	Universal Infant Free School Meals Grant	(2,450)
(1,635)	Teachers Pay Grant (new 18/19)	(1,901)
0	Covid Catch Up Premium	(1,345)
(1,953)	Troubled Families Grant	(1,095)
(6,877)	Other Grants and Contributions (under £1m)	(11,333)
<b>(563,921)</b>	<b>General Government Grants</b>	<b>(564,579)</b>

Covid-19 General Grant, which is non-service specific was incorrectly reflected in this note in 2019/20 and has now been moved to note XX with other non-specific grant income.

The Council has received several grants and contributions that have yet to be recognised as income as they have conditions outstanding as at 31 March 2021. These are detailed in Notes XXX and XXX on page XX.

**NOTE 8. Dedicated Schools' Grant**

The Council's expenditure on schools is funded primarily by grant money 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 councils' 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 (England) Regulations 2011.

The schools budget includes elements for a range of educational services provided by the Council and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2018/19 are as follows:

	Total £'000	Individual Schools Budget (ISB) £'000	Central Expenditure £'000
Final DSG for 2020/21 before Academy Recoupment	351,599		
Academy Figure recouped for 2020/21	(138,552)		
<b>Total DSG after Academy Recoupment 2020/21</b>	<b>213,047</b>		
Plus brought forward from 2019/20	(4,482)		
Less carry forward to 2021/22 agreed in advance	0		
<b>Agreed initial budget distribution 2020/21</b>	<b>208,565</b>	<b>167,479</b>	<b>41,086</b>
In year adjustments	258	258	0
<b>Final budget distribution for 2020/21</b>	<b>208,823</b>	<b>167,737</b>	<b>41,086</b>
Less: Actual Central Expenditure	46,131		46,131
Less: Actual ISB Deployed to Schools	170,740	170,740	
<b>Carry forward to 2021/22</b>	<b>(8,048)</b>	<b>(3,003)</b>	<b>(5,045)</b>

DSG, made under section 14 of the Education Act 2002, has been deployed in accordance with regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) and paragraph 1(7)(b) of Schedule 14 to the School Standards and Framework Act 1998. Cumulative balances held by schools as at 31 March 2021 were in a £XXm deficit position (£3.2m deficit position, 31 March 2020). Under regulations, the deficit has been reversed out through the MiRS and is being held in the Dedicated Schools Grant Reserve.

**NOTE 9. Material Items of Income and Expenditure**

**NOTE 10. Members Allowances**

Regulations require the annual publication of members' allowances. Detailed information is available at the Civic Centre and at all public libraries. A summary of this information is shown in the table below. Further details can be found at this link to the Council website, Part 6 of the Constitution:W

<http://governance.enfield.gov.uk/documents/s82506/PART6MembersAllowancesScheme.doc.pdf>

2019/20	2020/21
£'000	£'000
666 Basic allowances	655
314 Special responsibility allowances	306
<b>980 Total</b>	<b>961</b>

**NOTE 11. Senior Officers' Remuneration**

i) **Senior Employees' Earnings.** Taxable remuneration, expense allowances and employers pension contributions in respect of Senior Employees is detailed below. Officers' names do not need to be declared if their salary is under £150,000.

Senior Employee Designation	Year	Taxable Pay £	Performance Related Pay £	Pension Contribution £	Total £
Ian Davies (Chief Executive)	2020/21	206,679	-	-	206,679
	2019/20	195,870	-	-	195,870
Tony Theodoulou (Executive Director of People - Note 1)	2020/21	164,196	-	-	164,196
	2019/20	159,801	-	-	159,801
Sarah Cary - (Executive Director of Place)	2020/21	164,196	-	-	164,196
	2019/20	160,092	-	39,703	199,795
Fay Hammond - (Executive Director of Resources - Note 2)	2020/21	143,301	-	-	143,301
	2019/20	132,931	-	13,438	146,369
Jeremy Chambers – (Director of Law & Governance – Note 3)	2020/21	125,875	-	-	125,875
	2019/20	120,947	1,103	-	122,050
Stuart Lines Director of Public Health (Note 4)	2020/21	112,720	-	-	112,720
	2019/20	107,717	794	26,910	135,421
Ray James - Executive Director of Health, Housing & Adult Social Care - External Secondment - Left Dec 2020 (Note 5)	2020/21	234,850	-	-	234,850
	2019/20	156,170	2,542	-	158,712

**Note 1:** The Executive Director of People fills the Statutory roles of Director of Children's Services and Director of Adult Social Services.

**Note 2:** Fay Hammond was Acting Executive Director of Resources from October 2018 to March 2020. This post fulfils the role of s151 Officer.

**Note 3:** This is a statutory role.

**Note 4:** This is a statutory role

**Note 5:** Ray James, The Executive Director of Health and Adult Social Care was seconded to NHS England in October 2017. For 20/21 his total salary was £235k includes compensation for loss of office, with £139k being recharged to NHS England (including on costs).

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**NOTE 12. Other Employees with Remuneration over £50,000**

ii) **Other Employee Earnings.** The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts.

2019/20			Taxable Remuneration Band	2020/21		
Non Schools	Schools	Total		Non Schools	Schools	Total
86	153	239	£50,000 - £54,999	89	142	231
75	75	150	£55,000 - £59,999	58	108	166
38	33	71	£60,000 - £64,999	98	46	144
26	31	57	£65,000 - £69,999	28	31	59
17	21	38	£70,000 - £74,999	24	27	51
16	10	26	£75,000 - £79,999	25	16	41
6	7	13	£80,000 - £84,999	8	13	21
1	1	2	£85,000 - £89,999	4	4	8
2	5	7	£90,000 - £94,999	7	2	9
2	7	9	£95,000 - £99,999	1	5	6
1	-	1	£100,000 - £104,999	2	4	6
2	2	4	£105,000 - £109,999	2	2	4
-	2	2	£110,000 - £114,999	3	3	6
4	-	4	£115,000 - £119,999	1	1	2
3	-	3	£120,000 - £124,999	-	-	-
-	-	-	£125,000 - £129,999	6	-	6
1	-	1	£130,000 - £134,999	2	1	3
-	-	-	£135,000 - £139,999	-	-	-
-	-	-	£140,000 - £144,999	1	-	1
-	-	-	£145,000 - £149,999	-	-	-
-	-	-	£150,000 - £154,999	-	-	-
-	-	-	£155,000 - £159,999	-	-	-
-	-	-	£160,000 - £164,999	3	-	3
-	-	-	£165,000 - £169,999	-	-	-
-	-	-	£170,000 - £179,999	-	-	-
-	-	-	£175,000 - £179,999	-	-	-
-	-	-	£180,000 - £184,999	-	-	-
-	-	-	£185,000 - £189,999	-	-	-
-	-	-	£190,000 - £194,999	-	-	-
-	-	-	£195,000 - £199,999	-	-	-
1	-	1	£200,000 - £204,999	-	-	-
-	-	-	£205,000 - £209,999	1	-	1
-	-	-	£235,000 - £239,999	1	-	1
281	347	628	Totals	364	405	769

The above figures include severance payments to staff whose employment was terminated in the financial year. They exclude remuneration for the most senior officers, whose details are shown in Note XX.

**NOTE 13. Termination Benefits and Exit Packages**

Termination benefits are employee benefits payable as a result of the Council's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.

If an employee is aged 55 or over and is a member of the pension scheme, they are entitled to receive their occupational pension at the point at which their employment was terminated. This gives rise to an extra strain on the Pension Fund, the cost of which is reimbursed from the General Fund or HRA. Redundancy payments and the pension strain effect are the key components of the cost of exit packages.

The number and cost of exit packages in 2020/21 and 2019/20 were as follows:

No. of Redundancies	No. of Other Departures	2019/20		Exit Package Cost Band (including special payments)	No. of Redundancies	No. of Other Departures	2020/21	
		Total No. of Exit Packages by Band	Total Cost of Exit Packages by Band £'000				Total No. of Exit Packages by Band	Total Cost of Exit Packages by Band £'000
46	20	66	404	£0 - £20,000	24	8	32	234
6	2	8	265	£20,000 - £40,000	13	1	14	403
2	1	3	142	£40,000 - £60,000	3	0	3	132
-	-	0	-	£60,000 - £80,000	0	0	0	0
2	-	2	175	£80,000 - £100,000	1	0	1	82
1	-	1	100	£100,000 - £150,000	1	0	1	142
-	-	0	-	Over £150,000	0	0	0	0
<b>57</b>	<b>23</b>	<b>80</b>	<b>1,086</b>	<b>Total</b>	<b>42</b>	<b>9</b>	<b>51</b>	<b>993</b>

In addition to the 51 terminations in 2020/21 totalling £992,950 there were 4 redundancies which occurred in previous years where capital early retirement costs were finalised and paid in 2020/21. These costs amounted to £68,000.

**NOTE 14. External Audit Costs**

The fees paid and payable to BDO LLP in respect of their audit of the Statement of Accounts, certification of grant claims and statutory inspections are as follows:

2019/20		2020/21
£'000		£'000
232	Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor for the year	132
-	Fees payable to the External Auditors for the certification of grant claims and returns for the year	-
<b>232</b>	<b>Full Year Audit Cost Total</b>	<b>132</b>

\*Included in the audit fee amount of £232k is £100k for unbilled work carried out in respect of the 2019/20 audit.

**NOTE 15. Related Parties and Group Structure**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. The Council's Statement of Accounts is freely available to all Related Parties via the Council's offices and its website.

**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, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). The principal grants received from Central Government are set out in Note 32.

**Members and Officers**

Council Members and senior staff are required to make declarations of interest concerning third party transactions, both in the form of an annual statement and by disclosing interests at Cabinet and other Council Meetings.

For financial year 2020/21 several members and senior officers declared they had interests with Local Voluntary Bodies, Charities, schools and other organisations. Transactions between the Council and the vast majority of these organisations were not materially significant and in all cases the member or officer was not in a position to control or direct them. Details of these interests are recorded in the Register of Members Interests which is open to public inspection.

**Group Structure**

For a variety of legal, regulatory and service delivery reasons, local authorities may conduct their activities through other legal entities that fall under their ultimate control. For this reason, the financial statements of the local authority alone do not in themselves, present a full picture of its economic activities or financial position, which is why it is necessary to produce Group Accounts.

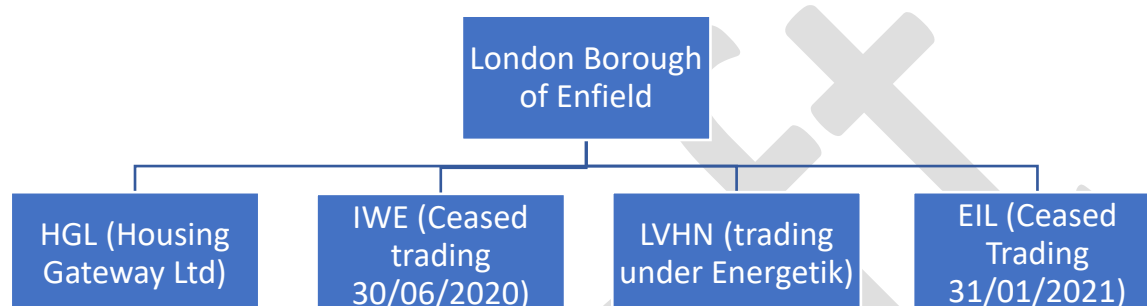
## Notes to the Core Financial Statements

The Group Account statements, notes and disclosures have been juxtaposed next to their equivalent single entity figures in order to aid the reader's understanding. The Council's single entity accounts substantially reflect the substance of the Group for most notes, and so new notes to the Group have only been published where they are materially different.

The Council has 5 companies (2 of which are active), while 2 are being wound up and one (Enfotec) is dormant. These companies were set up to meet the Council's strategic objectives as an authority. It also has 2 other significant ventures.

Each company is 100% owned by the Council (parent body). All companies have been consistently consolidated into the group accounts by line-by-line analysis with intercompany transactions, balances and cash flows eliminated.

### 2020/21 Structure



The Council has both loans and equity investment in its subsidiaries. Its investments are noted below:

### The Council's Investment in its Subsidiary

2019/20	Subsidiary	Accounting Valuation Basis	Fair Value Level	2020/21
£'000				£'000
25,405	HGL (Loans)	Amortised Cost	2	44,759
0	HGL (Equity `)	Fair Value through Profit & Loss (FVPL)	3	4,906
225	LVHN (Loans)	FVPL	3	1,363
0	LVHN (Equity)	FVPL	3	4,798
<b>25,630</b>	<b>Total</b>			<b>55,825</b>

### Housing Gateway Limited (HGL)

HGL was formed in March 2014 with the purpose of acquiring properties to increase the availability of value for money social housing for Enfield residents and to discharge its statutory duties for homelessness. HGL commenced trading in financial year 2014/15. During 2020/21 the Management Board included Councillor Tim Leaver and Officers Jayne Middleton-Albooye (Head of Legal Services) and Joanne Drew (Director of Housing & Regeneration). As at 31 March 2021, HGL had outstanding loan balances of £122.0m with the Council and received in-year net loan advances of £3.6m.



## Notes to the Core Financial Statements

The Council restructured its financing arrangements in 2020/21 to simplify them for HGL. Outstanding loans as at 31 March 2020 were merged into a single 75 year Annuity Loan at a 2.5% interest rate, which is at lower than market rates (soft loan). The impact of that meant that £44.8m of the loan was considered to be the Council's investment in the subsidiary, as it represented the benefit of the interest rate.

Subsequent to this, the Council purchased a £5.0m equity share in HGL and the proceeds have been used for capital purposes. In accordance with Fair Value accounting this equity share is valued at £4.9m based on a perceived level of risk.

### Lee Valley Heating Network (LVHN)

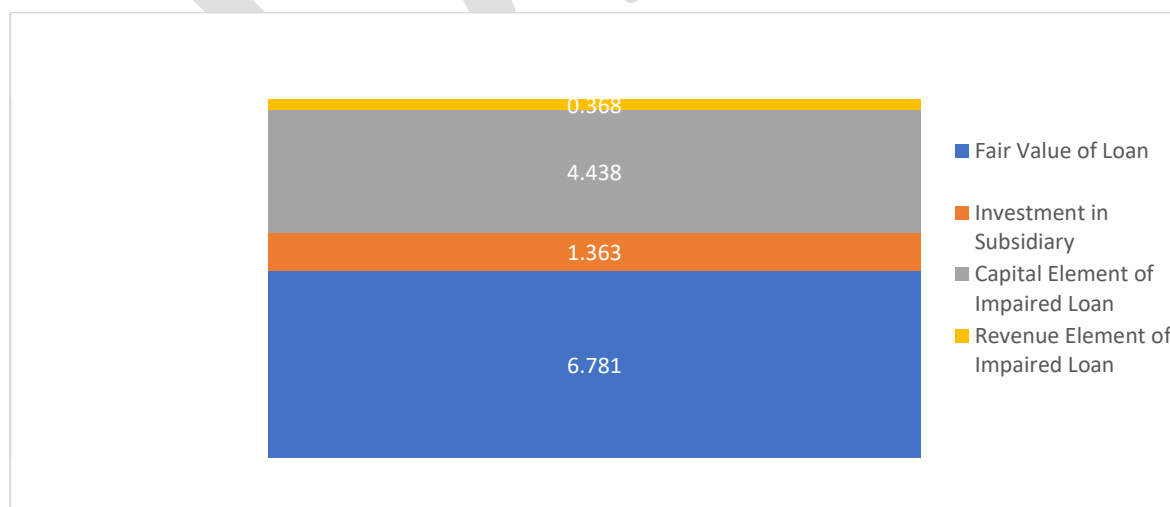
In 2011, the Council set up New River Services Ltd with the Board made up of Councillors and Senior Officers. The Company provided a legal platform to enable the Council to trade its services with other public bodies on a commercial basis. The Company was renamed Lea Valley Heat Network Ltd in June 2013 and is also known commercially as Energetik. The Company began trading in 2016/17.

During 2020/21, the Management Board included Mrs C Clare, Mr I Guest, Mr M King, Cllr Doug Taylor and Mrs T Groth. As at 31 March 2021 Energetik had outstanding loans with the Council of £13.0m, a growth of £1.5m over the previous year. The company also had accrued interest of £0.4m outstanding on loan balances as at 31 March 2021 and this is included on the Council's balance sheet within the current assets value.

During 2020/21 the Council injected £5.0m equity into Energetik. In accordance with Fair Value accounting this equity share is valued at £4.8m based on a perceived level of risk as noted in the above paragraph.

Similar to HGL, £1.3m are deemed to be an "investment in subsidiary" under proper accounting practice that is valued on a fair value through the profit & loss accounting basis. The accounting basis recognises the company being an innovative start-up company, which by its very nature is deemed to be of a higher risk. Furthermore, there is an impairment of £4.8m to the loan, which is split £0.4m to revenue and £3.4m to capital, which is reversed out of the General Fund to the Capital Adjustment Account. The loan is reviewed annually for possible impairments

### Breakdown of £12.950m Loan to Energetik



### Enfield Innovations Limited (EIL)

In 2015 Members approved the creation of EIL – a Special Purpose Vehicle to develop, own and manage property as part of a wider strategy to increase the supply of value for money quality accommodation for Enfield Residents. However, it proved to be less economic than other options and the decision was made to wind

down the company. It ceased trading, all loans were repaid bar a small amount of principal and interest (£0.2m) that needed writing off and it was waiting HMRC agreement of its final VAT position to be struck off Companies House. The directors were Mr. Embling, Mr. Bradbury, Mr Bowmer as the two other directors resigned (Mr Nwosu and Cllr Ozaydin) March 31<sup>st</sup> 2021.

### **Independence and Wellbeing Enfield (IWE) Ltd**

IWE commenced trading in September 2016 with the purpose of providing Adult Social Care Services for the people of Enfield. The last remaining director was Mr B Nagra. Unfortunately, it proved not to be as financially advantageous as anticipated and it ceased trading at the end of June 2020.

### **Associates**

#### **Enfield Norse Limited**

The Council previously owned 40% of shares in Enfield Norse but a decision was made to wind up the company in 2020/21. This was due to a borough led decision to insource cleaning and maintenance services, in line with Corporate objectives of operating services inhouse, where it offered fair value to the Council. The Management Board had previously included Councillor Charith Gunawardena and Officer Doug Wilkinson (Director of Environment and Operational Services), both of whom have now stood down.

### **Joint Venture**

#### **Montagu 406 Regeneration LLP**

The Council has entered into a 50:50 Joint Venture with Henry Boot Construction Ltd to redevelop the Montague Industrial Estate. Montague 406 Regeneration LLP was incorporated on the 1 February 2018 and the Joint Special Purpose Vehicle agreement signed on 22 February 2018. The company is currently dormant pending the commencement of trading.

In 2020/21, LBE granted the lease for Phase 1 land valued at £6.160m in Montagu's books and there was a further £1.234m spent on construction costs and professional fees.

#### **Meridian Water**

This is not a separate entity but the Council's flagship development project. All assets are contained directly within the single entity's financial accounts.

## Notes to the Core Financial Statements

### **NOTE 16. Adjustments Between Accounting Basis and Funding Basis Under Regulations**

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement (MiRS) so that usable reserves reflect the funding available at the year-end. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The material adjustments are:

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Property, plant and Equipment	Depreciation and revaluation/impairment losses	Minimum revenue provision (MRP) to cover historical cost determined in accordance with the 2003 Regulations	Capital Adjustment Account
Intangible Assets	Amortisation and impairment	MRP to cover historical cost determined in accordance with the 2003 Regulations	Capital Adjustment Account
Investment Properties	Movements in fair value	MRP to cover historical cost determined in accordance with the 2003 Regulations	Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in 2020/21	MRP to cover historical cost determined in accordance with the 2003 Regulations	Capital Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in 2020/21 or were received in 2020/21 without conditions	No credit	Capital Grants Unapplied Reserve (amounts unapplied at 31 March 2021)  Capital Adjustment Account (other amounts)
Financial Instruments	Premiums payable and discounts receivable on the early repayment of borrowing in 2020/21  Losses on soft loans granted in 2020/21 and Interest receivable in 2020/21 on an amortised cost basis	Deferred debits and credits of premiums and discounts from earlier years in accordance with the 2003 Regulations  Interest due to be received on soft loans in 2020/21	Financial Instruments Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities (see Note 32)	Employer's pensions contributions payable and direct payments made by the Council to pensioners for 2020/21	Pensions Reserve
Council Tax	Accrued income from 2020/21 bills	Demand on the Collection Fund for 2020/21 plus share of estimated surplus for 2019/20	Collection Fund Adjustment Account
Business Rates	Accrued income from 2020/21 bills	Budgeted income receivable from the Collection Fund for 2019/20 plus share of estimated surplus for 2018/19	Collection Fund Adjustment Account
Holiday Pay	Projected cost of untaken leave entitlements at 31 March 2021	No charge	Accumulated Absences Adjustment Account

## Notes to the Core Financial Statements

2019/20	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000	Corresponding Unusable Reserve
<b>Adjustments to Revenue Resources</b>							
Amounts by which income and expenditure included in the CIES differ from increases / decreases in revenue for the year calculated in accordance with statutory requirements:							
· Pensions costs	(20,334)	(997)	-	-	-	21,331	Pensions Reserve
· Council tax & business rates	(1,947)	-	-	-	-	1,947	Collection Fund Adjustment Account
· Holiday pay	-	-	-	-	-	-	Accumulated Absences Account
· Capital expenditure	(71,625)	(24,637)	(7,454)	(15,962)	(71,428)	191,106	Capital Adjustment Account
<b>Capital and Revenue Financing</b>							
Resources set aside for capital financing	11,342	-	5,549	-	39,821	(56,712)	Capital Adjustment Account
Use of capital receipts for revenue purposes	(2,721)	(2,513)	5,234	-	-	-	
<b>Total adjustments</b>	<b>(85,285)</b>	<b>(28,147)</b>	<b>3,329</b>	<b>(15,962)</b>	<b>(31,607)</b>	<b>157,672</b>	

2020/21	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000	Corresponding Unusable Reserve
<b>Adjustments to Revenue Resources</b>							
Amounts by which income and expenditure included in the CIES differ from increases / decreases in revenue for the year calculated in accordance with statutory requirements:							
· Pensions costs	(27,920)	(1,292)	-	-	-	29,212	Pensions Reserve
· Council tax & business rates	(15,029)	-	-	-	-	15,029	Collection Fund Adjustment Account
· Schools deficit	-	-	-	-	-	-	Dedicated Schools Grant Reserve
· Holiday pay	(2,301)	(159)	-	-	-	2,460	Accumulated Absences Account
· Capital expenditure	65,765	(28,255)	(17,222)	(11,405)	(43,811)	34,928	Capital Adjustment Account
<b>Capital and Revenue Financing</b>							
Resources set aside for capital financing	18,643	17,252	8,315	14,306	33,096	(91,612)	Capital Adjustment Account
Use of capital receipts for revenue purposes	(1,587)	(1,365)	2,952	-	-	-	
Recognition of deferred capital receipts	6,160	-	-	-	-	(6,160)	Deferred Capital Receipts Reserve
<b>Total adjustments</b>	<b>43,730</b>	<b>(13,819)</b>	<b>(5,955)</b>	<b>2,901</b>	<b>(10,715)</b>	<b>(16,143)</b>	

## Notes to the Core Financial Statements

### **NOTE 17. Unusable Reserves**

The tables below summarise the unusable reserves as disclosed in the Balance Sheet:

Unusable Reserves	Adjustments between Accounting and Funding Basis 2019/20					Closing Balance 31 March 2020
	Opening Balance 1 April 2019	Other Comprehensive Income and Expenditure	Adjustments to Revenue Resources	Capital and Revenue Financing	Other Movements*	
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(690,201)	4,377			30,354	(655,470)
Capital Adjustment Account	(501,774)		191,106	(56,712)	(30,562)	(397,942)
Collection Fund Adjustment Account	900		1,947		36	2,883
Dedicated Schools Grant Reserve	0		0			0
Accumulated Absences Account	6,100		0		47	6,147
Pensions Reserve	583,300	(108,170)	21,331		19	496,480
<b>Total</b>	<b>(601,675)</b>	<b>(103,793)</b>	<b>214,384</b>	<b>(56,712)</b>	<b>(106)</b>	<b>(547,902)</b>

Unusable Reserves	Adjustments between Accounting and Funding Basis 2020/21					Closing Balance 31 March 2021
	Opening Balance 1 April 2020	Other Comprehensive Income and Expenditure	Adjustments to Revenue Resources	Capital and Revenue Financing	Other Movements*	
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(655,470)	(93,891)	-	-	10,157	(739,204)
Capital Adjustment Account	(397,942)	-	34,929	(91,612)	(10,157)	(464,782)
Collection Fund Adjustment Account	2,883	-	15,029	-	-	17,912
Dedicated Schools Grant Reserve	-	-	-	-	-	-
Accumulated Absences Account	6,147	-	2,460	-	-	8,607
Pensions Reserve	496,480	78,884	29,212	-	-	604,576
Deferred Capital Receipts Reserve	-	-	-	(6,160)	-	(6,160)
<b>Total</b>	<b>(547,902)</b>	<b>(15,007)</b>	<b>81,630</b>	<b>(97,772)</b>	<b>-</b>	<b>(579,051)</b>

**NOTE 18. Transfers To/ (From) Earmarked Reserves**

This note shows 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 future years.

Reserves and Balances	31 March 2020	Net Transfers 2020/21	31 March 2021
	£'000	£'000	£'000
<b>General Fund</b>			
01 - MTFP Smoothing Reserves	(33,537)	(36,350)	(69,887)
02 - Capital Financing	(24,253)	100	(24,153)
03 - Service Specific	(14,253)	121	(14,132)
04 - Insurance	(7,021)	(1)	(7,022)
05 - Property	(2,125)	24	(2,102)
06 - Grants & Other Contributions	(18,278)	3,148	(15,130)
07 - Schools	7,675	615	8,290
<b>Sub Total</b>	<b>(91,792)</b>	<b>(32,343)</b>	<b>(124,136)</b>
08 - General Fund Balance	(13,950)	0	(13,950)
<b>Total General Fund Earmarked Reserves</b>	<b>(105,742)</b>	<b>(32,343)</b>	<b>(138,086)</b>
<b>Housing Revenue Account</b>			
09 - Insurance	(322)	0	(322)
10 - Property	(21,998)	8,211	(13,787)
<b>Sub Total</b>	<b>(22,320)</b>	<b>8,211</b>	<b>(14,109)</b>
11 - HRA Balance	(4,623)	(5,277)	(9,900)
<b>Total HRA Earmarked Reserves</b>	<b>(26,943)</b>	<b>2,934</b>	<b>(24,009)</b>
<b>Total Earmarked Reserves</b>	<b>(132,685)</b>	<b>(29,409)</b>	<b>(162,095)</b>

A brief description of significant **General Fund** Earmarked Reserves is below.

**MTFP Smoothing Reserves**

These reserves are kept aside to smooth out the ebbs and flows of the Collection Fund and the timing of savings delivery (Risk Reserve).

**Capital Financing**

The Capital Financing Reserves (MRP, Interest, NLWA and SALIX) are maintained to manage the timing of the capital financing flows of the authority.

**Service Specific**

These reserves are put aside to fund one-off items of spending. They are reviewed annually, especially in light of Covid-19 to determine whether they still remain necessary.

**Insurance Reserve**

This reserve is set aside for potential although not absolutely quantifiable (or it would be a provision) liabilities with respect to Insurance.

**Property Reserve**

These are kept aside to meet contractual commitments and to meet potential liabilities in relation to building works.

**Grants & Other Contributions**

These reserves are grant monies for which the Council has met the conditions but not the restrictions and so cannot utilise the resources. This includes the Covid-19 Grant from Central Government.

### **Schools**

These are two reserves that represent the deficits of the Dedicated Schools Grant and the School Balances' deficit.

### **General Fund Balance**

This balance represents the unallocated balance, which represents the working capital of the authority and to manage emergency situations. It is not anticipated to be utilised except in extreme emergencies.

**Housing Revenue Account** Reserves include:

#### **Insurance**

Similar to the General Fund, the HRA maintains a small but important Insurance Reserve

#### **Property**

The Council's Housing Estate has significant needs to form repairs and spend on capital works and this is the reserve where these resources are maintained.

#### **Housing Revenue Account Balance**

This reserve is similar in function to the General Fund Balance.

## Notes to the Core Financial Statements

### **NOTE 19. Property, Plant and Equipment**

Balances as at 31 March 2020	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation	647,075	610,343	39,769	316,719	60,738	218,417	109,363	2,002,424
Accumulated Depreciation	-	(4,925)	(21,884)	(140,546)	-	-	-	(167,355)
<b>Carrying Amount</b>	<b>647,075</b>	<b>605,418</b>	<b>17,885</b>	<b>176,173</b>	<b>60,738</b>	<b>218,417</b>	<b>109,363</b>	<b>1,835,069</b>

Owned	647,075	558,375	17,885	155,063	60,738	218,417	109,363	1,766,916
PFI	-	47,043	-	21,110	-	-	-	68,153
<b>Carrying Amount</b>	<b>647,075</b>	<b>605,418</b>	<b>17,885</b>	<b>176,173</b>	<b>60,738</b>	<b>218,417</b>	<b>109,363</b>	<b>1,835,069</b>

Movement in Carrying Amount	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets*	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>As at 1 April 2019</b>	<b>670,192</b>	<b>648,167</b>	<b>20,100</b>	<b>169,188</b>	<b>64,800</b>	<b>218,600</b>	<b>76,917</b>	<b>1,867,964</b>
Additions	22,281	9,680	3,163	19,910	327	1,285	105,045	161,691
Revaluation increases / (decreases) recognised in Revaluation Reserve	(20,518)	10,842	-	-	-	3,955	-	(5,721)
Revaluation increases / (decreases) recognised in the CIES	(44,774)	(22,598)	-	-	(1,803)	(31,939)	54	(101,060)
Depreciation	(10,722)	(7,001)	(8,716)	(12,925)	-	-	-	(39,364)
Disposals and Decommissioning	(2,505)	(38,558)	(10)	-	-	(930)	-	(42,003)
Reclassifications								0
Reclassifications	33,121	4,886	3,348	-	(2,586)	27,446	(72,653)	(6,438)
<b>As at 31 March 2020</b>	<b>647,075</b>	<b>605,418</b>	<b>17,885</b>	<b>176,173</b>	<b>60,738</b>	<b>218,417</b>	<b>109,363</b>	<b>1,835,069</b>



## Notes to the Core Financial Statements

Balances as at 31 March 2021	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation	725,160	630,012	40,425	334,122	61,420	292,355	118,668	2,202,162
Accumulated Depreciation	0	(8,350)	(27,242)	(153,486)	0	0	0	(189,078)
<b>Carrying Amount</b>	<b>725,160</b>	<b>621,662</b>	<b>13,183</b>	<b>180,636</b>	<b>61,420</b>	<b>292,355</b>	<b>118,668</b>	<b>2,013,084</b>

Owned	725,160	575,938	13,183	161,197	61,420	292,355	118,668	1,947,921
PFI	0	45,724	0	19,439	0	0	0	65,163
<b>Carrying Amount</b>	<b>725,160</b>	<b>621,662</b>	<b>13,183</b>	<b>180,636</b>	<b>61,420</b>	<b>292,355</b>	<b>118,668</b>	<b>2,013,084</b>

Movement in Carrying Amount	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets*	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>As at 1 April 2020</b>	<b>647,075</b>	<b>605,418</b>	<b>17,885</b>	<b>176,173</b>	<b>60,738</b>	<b>218,417</b>	<b>109,363</b>	<b>1,835,069</b>
Additions	24,734	11,222	656	17,403	682	1,497	81,740	137,934
Revaluation increases / (decreases) recognised in Revaluation Reserve	27,092	7,052	0	0	0	45,093	0	79,237
Revaluation increases / (decreases) recognised in the CIES	(12,445)	2,482	0	0	0	29,839	0	19,876
Depreciation	(10,947)	(7,197)	(5,358)	(12,940)	0	0	0	(36,442)
Disposals and Decommissioning	(3,111)	0	0	0	0	0	0	(3,111)
Reclassifications	52,762	0	0	0	0	(791)	(51,971)	0
Reclassifications (to) / from Investment Property	0	2,685	0	0	0	(1,700)	(20,464)	(19,479)
<b>As at 31 March 2021</b>	<b>725,160</b>	<b>621,662</b>	<b>13,183</b>	<b>180,636</b>	<b>61,420</b>	<b>292,355</b>	<b>118,668</b>	<b>2,013,084</b>

## Notes to the Core Financial Statements

\*The stated carrying value of Surplus Assets reflects their highest and best use as Level 2 inputs in the IFRS 13 Fair Value measurement hierarchy. Meridian Water represents £200m of the net book value in 2019/20 and £245m in 2020/21.

### NOTE G2 Property, Plant and Equipment

Within the consolidation of the group accounts, £43.4m of Investment Properties are reclassified as PPE because they are used for operational purposes within the group. So rather than an extensive table of movements (which are materially the same as the single entity's accounts), the following table should help illuminate the content of PPE.

31 March 2020 £'000		31 March 2021 £'000
1,835,069	Council's PPE	2,012,957
32,055	Reclassified from Investment Property (HGL)	32,005
5,008	Reclassified from Investment Property (Social Care)	5,008
260	HGL	156
3,286	LVHN	5,065
3,356	EIL	
	IWE	
<b>1,878,984</b>	<b>Total</b>	<b>2,055,191</b>

### NOTE 20. Capital Commitments

The Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment. Significant contractual commitments at 31 March 2021 total £59.8m (£26.6m as at 31 March 2020).

31 March 2020 £000	Schemes	31 March 2021 £000
8,560	HRA	45,049
2,459	Meridian Water	9,697
1,010	Environment & Operations	3,521
13,715	Property & Economy	880
810	Education	507
0	Resources & other	142
<b>26,554</b>	<b>Total</b>	<b>59,795</b>

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## Notes to the Core Financial Statements

### **NOTE 21. Movement in Investment Property, Heritage Assets and Intangible Assets**

Balances as at 31 March 2020	Investment property	Heritage Assets	Assets Held for Sale	Intangible Assets
	£'000	£'000	£'000	£'000
Cost or Valuation	160,415	5,319	5,900	47,047
Accumulated Depreciation	-	-	-	(20,935)
<b>Carrying Amount</b>	<b>160,415</b>	<b>5,319</b>	<b>5,900</b>	<b>26,112</b>

Movement in Carrying Amount	Investment property	Heritage Assets	Assets Held for Sale	Intangible Assets
	£'000	£'000	£'000	£'000
<b>As at 1 April 2019</b>	<b>149,162</b>	<b>3,600</b>	<b>-</b>	<b>30,649</b>
Additions	210	278	-	3,144
Revaluation increases / (decreases) recognised in Revaluation Reserve	-	1,344	-	-
Revaluation increases / (decreases) recognised in the CIES	10,599	-	-	-
Depreciation	-	-	-	(7,680)
Disposals and Decommissioning	-	-	-	-
Reclassifications	-	-	-	-
Reclassifications (to) / from Investment Property and Surplus Assets	444	97	5,900	(1)
<b>As at 31 March 2020</b>	<b>160,415</b>	<b>5,319</b>	<b>5,900</b>	<b>26,112</b>

## Notes to the Core Financial Statements

Balances as at 31 March 2021	Investment property	Heritage Assets	Assets Held for Sale	Intangible Assets
	£'000	£'000	£'000	£'000
Cost or Valuation	193,993	5,430	970	50,083
Accumulated Depreciation	0	0	0	(27,850)
<b>Carrying Amount</b>	<b>193,993</b>	<b>5,430</b>	<b>970</b>	<b>22,233</b>

Movement in Carrying Amount	Investment property	Heritage Assets	Assets Held for Sale	Intangible Assets
	£'000	£'000	£'000	£'000
<b>As at 1 April 2020</b>	<b>160,415</b>	<b>5,319</b>	<b>5,900</b>	<b>26,112</b>
Additions	0	111	255	3,035
Revaluation increases / (decreases) recognised in Revaluation Reserve	14,099	-	-	-
Revaluation increases / (decreases) recognised in the CIES	-	-	-	-
Depreciation	-	-	-	(6,914)
Disposals and Decommissioning	-	-	(5,185)	-
Reclassifications	-	-	-	-
Reclassifications (to) / from Investment Property and Surplus Assets	19,479	-	-	-
<b>As at 31 March 2021</b>	<b>193,993</b>	<b>5,430</b>	<b>970</b>	<b>22,233</b>

**NOTE 22. Non-Current Assets Valuation**

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years.

Valuations have been undertaken on behalf of the Council by external valuers having specialised knowledge in particular property types.

- |                       |                                   |
|-----------------------|-----------------------------------|
| • Housing stock       | Strutt & Parker                   |
| • Green belt property | Knight Frank LLP                  |
| • Retail portfolios   | Spencer Craig Partnership Limited |
| • All other property  | Avison Young                      |

All property has been valued as at 31<sup>st</sup> March 2021.

The valuations of land and buildings have been carried out in accordance with the methodologies and bases for estimation set out in the professional standards in the Red Book of the Royal Institution of Chartered Surveyors (RICS). Valuations of vehicles, plant, furniture and equipment are based on cost prices.

The following table demonstrates the year of valuation of the various categories of the Council's non-current assets, where applicable.

## Notes to the Core Financial Statements

Revaluations	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Investment property	Heritage	Assets Held for Sale	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carried at Historical / Depreciated Historical Cost</b>	-		40,425	334,122	61,420	47,255	118,666		1,578	970	50,083	<b>654,519</b>
<b>Valued at current value as at:</b>												
31 March 2021	725,160	208,032				245,100		193,993				1,372,285
31 March 2020		150,042	-	-	-	-	-		-	-	-	<b>150,042</b>
31 March 2019	-	271,937	-	-	-	-	-		277		-	<b>272,214</b>
31 March 2018	-	-	-	-	-	-	-		3,575	-	-	<b>3,575</b>
<b>Total Cost or Valuation</b>	<b>725,160</b>	<b>630,011</b>	<b>40,425</b>	<b>334,122</b>	<b>61,420</b>	<b>292,355</b>	<b>118,666</b>	<b>193,993</b>	<b>5,430</b>	<b>970</b>	<b>50,083</b>	<b>2,452,635</b>

## Notes to the Core Financial Statements

### **NOTE 23. Surplus Assets**

The surplus assets are recorded at fair value and are classified according to the level of observable inputs, as per RICS and CIPFA guidance.

The value of Meridian Water, the main asset in this category, is calculated based on a combination of commercial land values (£242m) and the combination of costs (£42m) to bring it to the point of sale.

The reason it is level 3 is due to the inclusion of estimated costs that are not easily observable.

#### **2019/20 Level 3**

	31 March 2019 £'000	Transfers In £'000	Transfers Out £'000	Additions £'000	Disposals £'000	Fair Value Movements £'000	31 March 2020 £'000
Land	200,000	29,719	-	79	-	(29,798)	200,000
Buildings	-	-	-	-	-	-	-
	<b>200,000</b>	<b>29,719</b>	<b>-</b>	<b>79</b>	<b>-</b>	<b>(29,798)</b>	<b>200,000</b>

#### **2020/21 Level 3**

	31 March 2020 £'000	Transfers In £'000	Transfers Out £'000	Additions £'000	Disposals £'000	Fair Value Movements £'000	31 March 2021 £'000
Land	200,000	39,601	-	-	-	5,428	245,029
Buildings	-	-	-	-	-	-	-
	<b>200,000</b>	<b>39,601</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,428</b>	<b>245,029</b>

### **NOTE 24. Investment Properties**

The fair value of the Council's investment property is measured annually at each reporting date. For 2020/21 the fair value for investment properties has been certified by RICS qualified valuers (Knight Frank, Spencer Craig, Strutt & Parker & Avison Young) based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use. There has been no change in the valuation techniques used during the year for investment properties.

The fair value of investment properties at 31 March is analysed as follows:

2019/20 £'000		2020/21 £'000
50,788	Land	71,504
34,078	Commercial Units	61,263
29,510	Shops	32,157
46,039	Other	29,068
<b>160,415</b>	<b>Total</b>	<b>193,992</b>



## Notes to the Core Financial Statements

The following items are included in the investment property lines in the CIES and Balance Sheet:

2019/20 £'000		2020/21 £'000
(9,409)	Rental and Service Charge Income from Investment Property	(7,653)
2,718	Related Operating Expenses	1,310
(10,599)	Changes in Fair Value	(14,099)
<b>(17,290)</b>	<b>Net (gain)/loss</b>	<b>(20,442)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on its right to the remittance of income and the proceeds of disposal, except for a number of covenants and other contractual restrictions attached to the rural estate that do not have a material impact on fair value. The movement in the fair value of investment properties over the year is summarised above.

Market conditions for these asset types are such that the levels of observable inputs are significant leading to the majority of the properties being categorised at Level 2 in the fair value hierarchy. This is because the Council's shops and residential properties are assessed with readily available market data with the vast majority of professional judgement calls in relation to that market data. However, the Council's rural estate relies on confidential information of private sales and detailed reviews of covenants, contracts and legislative terms and conditions of various agricultural Acts and are Level 3 valuations.

There were no transfers between any of the three levels during 2020/21 or the preceding year.

The breakdown of the Level 3 Properties for 2019/20 and 2020/21 is as follows

2019/20	Land £'000	Commercial Units £'000	Other £'000	Total £'000
<b>Opening Balances</b>	<b>27,069</b>	<b>5,908</b>	<b>179</b>	<b>33,156</b>
Additions	194	-	-	194
Disposals	-	-	-	0
Unrealised Gains/Losses	(223)	(294)	9	(508)
<b>Closing Balances</b>	<b>27,040</b>	<b>5,614</b>	<b>188</b>	<b>32,842</b>

2020/21	Land £'000	Commercial Units £'000	Other £'000	Total £'000
<b>Opening Balances</b>	<b>27,040</b>	<b>5,614</b>	<b>188</b>	<b>32,842</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Unrealised Gains/Losses	(701)	421	(103)	(383)
<b>Closing Balances</b>	<b>26,339</b>	<b>6,035</b>	<b>85</b>	<b>32,459</b>

**NOTE G1 Investment Properties**

The fair value for investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the levels of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy, except for the Rural Estate, which was assessed at Level 3. There were no transfers between any of the three levels during 2019/20 or the preceding year.

In estimating the fair value of the Group's Investment Properties, the highest and best use of the properties is their current use. There has been no change in the valuation techniques used during the year for investment properties.

The fair value of investment properties at 31<sup>st</sup> March are analysed as follows;

2019/20 £'000		2020/21 £'000
<b>231,260</b>	<b>Balance at the start of the year</b>	<b>244,356</b>
4,735	Capital expenditure	24,005
-	Write out of disposals	(377)
12,904	Nets gains/(losses) from fair value adjustments	15,949
-	Transfers:	
(3,803)	From Property, Plant and Equipment	
(740)	To Property, Plant and Equipment	
-	From Assets Under Construction	
<b>244,356</b>	<b>Balance at the end of the year</b>	<b>283,933</b>

**NOTE 25. Intangible Assets**

The Council's intangible assets comprise only internally generally software, whose cost is amortised over a three to five year period.

Movements in the carrying value over the year are summarised in note 21

**NOTE 26. Capital Expenditure and Capital Financing**

2019/20		2020/21
£'000		£'000
<b>991,918</b>	<b>Opening Capital Financing Requirement</b>	<b>1,108,993</b>
	<b>Capital Investment</b>	
161,490	Property, Plant and Equipment	137,934
210	Investment Properties	-
3,144	Intangible Assets	3,035
-	Assets Held for Sale	255
-	Long Term Investment	-
12,743	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	4,352
278	Heritage Assets	111
7,537	Companies Investment	16,355
<b>185,402</b>	<b>Total Capital Investment</b>	<b>162,042</b>
	<b>Sources of Finance</b>	
(5,549)	Capital Receipts	(8,315)
(39,821)	Government Grants and Contributions	(38,030)
-	HRA Major Repairs Reserve	(24,069)
-	Direct Revenue Contributions	(7,489)
(8,152)	Minimum Revenue Provision	(14,446)
(8,997)	Repayment of Loans	(4,779)
(3,190)	Decrease in PFI Contract Liabilities	(3,540)
(2,618)	REFCUS – Non Financing	-
-	Adjustment for impairment of Companies Equity Share	297
-	Adjustment for impairment of Energetik loan	2,109
<b>(68,327)</b>	<b>Total Sources of Finance</b>	<b>(98,262)</b>
<b>1,108,993</b>	<b>Closing Capital Financing Requirement</b>	<b>1,172,773</b>
117,075	Increase in underlying need to borrow	63,780
<b>117,075</b>	<b>Increase in Capital Financing Requirement</b>	<b>63,780</b>

**NOTE 27. Financial Instruments**

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

**Financial Instruments - Assets**

The financial assets disclosed in the Balance Sheet are analysed in the table below by basis of valuation:

31-Mar-20			31-Mar-21	
Long-term	Short-term		Long-term	Short-term
£'000	£'000		£'000	£'000
<b>Fair Value through Profit or Loss</b>				
<b>Debtor</b>				
6,728	-	Loan to LVHN	6,781	-
<b>Amortised Cost</b>				
<b>Debtor</b>				
-	-	Loans to LVHN	-	-
92,990	-	Loans to HGL	77,253	-
-	3,678	Loans to EIL	-	-
-	1,166	Accrued Interest on above loans	-	144
106	-	School Loans	63	-
-	76,712	Trade debtors	-	60,736
1,473	-	Finance lease	1,462	-
-	-	Other Long-term debtors	6,160	-
-	110,551	Cash and Cash Equivalents	-	50,925
<b>101,297</b>	<b>192,107</b>	<b>Total</b>	<b>91,719</b>	<b>111,805</b>

As at 31<sup>st</sup> March 2021 EIL had repaid the Council £3.5m of loans. A further £0.2m of loans were written off to revenue as EIL had ceased trading at 31 March 2021 and was unable to repay the outstanding loan balance. The loan write off was absorbed by the Council's general revenue balances.

The Council has entered into a 50:50 Joint Venture with Henry Boot Construction Ltd to redevelop the Montagu Industrial Estate. Montagu 406 Regeneration LLP was incorporated on the 1 February 2018 and the Joint Special Purpose Vehicle agreement signed on 22 February 2018. The company is currently dormant pending the commencement of trading. The Council has transferred land to Montague 406 Regeneration LLP to support the development of the estate. The land was valued at £6.16m and a long-term has been created on the balance sheet.

Cash and cash equivalents moved by £59.6m. Most of this reduction related to cash balances that were held in Money Market Funds and Call Accounts reducing during the year (a reduction of £60m) as cash was drawn down by the Treasury Management Team to finance the Council's daily cashflow. Cash advances were of £4.1m were made to LBE schools to support school cashflow. A high-level summary of the change is provided below.

## Notes to the Core Financial Statements

2019/20		2020/21	Change
£'000	Cash and Cash Equivalents movement	£'000	£'000
21	Petty Cash	0	(21)
70,500	Money Market Funds	13,940	(56,560)
24,850	Call Accounts	21,536	(3,314)
(5,787)	Cash In Transit	(7,002)	(1,215)
12,427	Bank	9,971	(2,456)
191	Imprest Accounts	0	(191)
8,349	School Loans	12,480	4,131
<b>110,551</b>	<b>Cash and Cash Equivalents</b>	<b>50,925</b>	<b>(59,626)</b>

Loans advanced to HGL were valued on a cash basis at £122.0m at 31<sup>st</sup> March 2021 and were categorised as soft loans, i.e. loans that are issued at sub-market interest rate. However, of this valuation, and in accordance with soft loan accounting, £44.8m was categorised as a long-term investment and is deemed as equity. Equity investments are not classed as a financial instrument and are considered outside of this note. The equity investment has arisen due to a difference between amortised cost valuation and cash basis valuation. A high-level reconciliation is shown below.

2019/20		2020/21
£'000	HGL Loan Accounting	£'000
113,912	Opening loan balance (cash basis)	118,394
5,503	New loans advanced in year	4,700
(1,021)	Loans repaid in year	(1,082)
<b>118,394</b>	<b>Closing loan balance (cash basis)</b>	<b>122,012</b>
(25,405)	Value of long-term investment (Equity) that has risen upon soft loan accounting	(44,759)
<b>92,989</b>	<b>Value of long-term debtor loans</b>	<b>77,253</b>

Although there was a net change of £3.6m in the overall loan balance, the value of the element that is classified as a long-term debtor loan changed by £15.7m from £93.0m to £77.3m. This was due to the opening loan balance being refinanced by HGL at the beginning of the 2020/21 financial year. The opening loan balance is comprised of many loans with varying maturity profile and loan rates. Upon refinancing, a single consolidated loan was issued by the Council over a 75-year term at an interest rate that is below the market rate for similar type of business. Subsequently the revised loan and change in loans terms has had an impact on the soft loan accounting resulting in a higher equity investment being created within HGL (from £25.4m to £44.8m) as a result of a difference between amortised cost valuation and cash basis valuation.

### Financial Instruments - Liabilities

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

31-Mar-20			31-Mar-21	
Long-term	Short-term		Long-term	Short-term
£'000	£'000		£'000	£'000
<b>Amortised Cost</b>				
<b>Borrowings</b>				
(889,465)	(99,527)	Principal	(904,599)	(25,501)
-	(6,172)	Accrued interest	-	(5,563)
<b>Creditors</b>				
(6,366)	(992)	PFI - Highlands School	(5,167)	(1,199)
(11,283)	(1,136)	PFI - Street lighting	(10,304)	(979)
(16,264)	(1,308)	PFI - Starksfield & Refurbishment	(14,843)	(1,420)
(145)	-	Finance leases	(145)	-
-	(64,870)	Trade creditors	-	(168,955)
-	(1,437)	<b>Cash and Cash Equivalents</b>	-	(1,441)
<b>(923,523)</b>	<b>(175,442)</b>	<b>Total</b>	<b>(935,058)</b>	<b>(205,058)</b>

During the reported financial year the Council had repaid short-term principal debt of £99.5m. This was mainly comprised of short-term loans from other local authorities (£76m), which were raised to support the Council's daily cashflow needs; and reclassified long-term PWLB debt (£21m) that was due during the year. As at 31<sup>st</sup> March 2021 short term debt was valued at £25.5m, which consisted of reclassified long-term debt and is due in 2021/22 financial year, consisting mainly of PWLB debt (£22.6m). The Council did not hold any local authority debt at 31<sup>st</sup> March 2021. There were no changes in contract terms for financial instrument liabilities.

### Soft Loans made by the Council

A soft loan is where the rate of interest charged is below that of market rates for comparable organisations and the Council has made material soft loans to two subsidiaries, HGL and LVHN.

For HGL, of the total £122.0m outstanding nominal loan, proper accounting practice requires that £44.8m is deemed to be "investment in the subsidiary" and this is detailed in Note 15B. It represents the benefit of the reduced interest rate.

For LVHN, the valuation has been more complex due to it being an innovative start-up company, which by their very nature are deemed to be of a higher business risk. Of the total £13.0m outstanding nominal loan, proper accounting practice required that £1.4m be deemed to be investment in subsidiary, £6.8m as debtor, with the balance (£4.8m) being a prudent assessment of the inherent business risk of lending to an organisation that does not yet have large cash inflows and will be substantially dependent on events in the medium-term future.

Full movements on loans, and their recognition on the balance sheet, are given below.

## Notes to the Core Financial Statements

The basis of the fair value valuation is an assessment of the recoverable amounts in the case of a default, and then taking the probability of default happening, estimated by means of standard industry benchmarks. This assessment was undertaken by the Council's treasury management advisor, Arlingclose Limited.

2019/20			2020/21		
HGL	LVHN		HGL	LVHN	
£'000	£'000		£'000	£'000	
<b>Total Loans (nominal values)</b>					
113,912	8,874	Opening Balance	118,394	11,502	
5,503	2,744	New Loans Granted	4,700	1,655	
(1,021)	(116)	Loans Repaid	(1,082)	(207)	
<b>118,394</b>	<b>11,502</b>	<b>Closing Balance of nominal loans</b>	<b>122,012</b>	<b>12,950</b>	
... of which:					
-	5,992	Loans at Market Rates	-	5,964	
118,394	5,510	Loans at Sub-Market Rates	122,012	6,986	
<b>118,394</b>	<b>11,502</b>		<b>122,012</b>	<b>12,950</b>	
<b>Loans are shown on the Balance Sheet as:</b>					
92,990	-	Debtors at Amortised Cost	77,253	-	
-	6,728	Debtors at Fair Value	-	6,781	
<b>92,990</b>	<b>6,728</b>	<b>Total</b>	<b>77,253</b>	<b>6,781</b>	
(25,404)	(4,774)	Difference to nominal loan value	(44,759)	(6,169)	
25,404	225	Loan element classified as investment in subsidiary (Equity) and not deemed as a financial instrument	44,759	1,363	
-	2,329	Impairment charged to Capital Adjustment Account (Cumulative)	-	4,438	
-	2,220	Impairment charged to CIES (Cumulative)	-	368	
-	-	<b>Soft Loan Reconciliation Total</b>	-	-	

Under IFRS 9 the Council is required to undertake an annual impairment assessment of qualifying financial assets for expected credit losses occurring over the lifetime of the asset. Accordingly, at 31 March 2020 the Council had advanced loans of £13.0m to LVHN, but the loans on the Balance Sheet were valued at £8.1m. The residual amount of £4.9m has been charged to the CIES over the last four years, of which £4.4m has been reversed to the Capital Adjustment Account, as these were capital charges. As the loans are reviewed annually, impairments may be reversed in the future. The loan schedule has remained at the original nominal amount, all principal payments to date have still been received to date and the Council expects the entire loan to be repaid in full, with interest.

The Council has also assessed the HGL loans under IFRS 9 for an expected credit loss allowance provision. As at 31<sup>st</sup> March 2021 there was no requirement to set aside a provision to cover twelve months expected credit losses for HGL as the assessment had proved the impact to be immaterial. Any such losses, should they occur as evidenced in the IFRS 9 assessment, would be absorbed by Council balances. There were no EIL loans to assess as the company had ceased trading at 31<sup>st</sup> March 2021. At 1<sup>st</sup> April 2020 EIL had £3.7m of loans outstanding with the Council and had repaid £3.5m of loans during the year. The Council had written off the remaining £0.2m of loans as EIL was unable to repay the balance prior to cease trading.

### Financial Instruments - Gains and Losses

The gains and losses recognised in the surplus or deficit on the provision of services in relation to financial instruments consist of the following items:

2019/20		2020/21
£'000	Net (gains)/losses on:	£'000
(443)	Financial Assets at Fair Value in Profit and Loss	(1,844)
-	Financial Assets at Amortised Cost	-
-	Financial Liabilities at Amortised Cost	-
(4,555)	Interest Revenue	(3,627)
26,871	Interest Expense	28,038
<b>21,873</b>	<b>Total</b>	<b>22,567</b>

The £1.84m credit against Financial assets at fair value in profit and loss relates the credit impairment assessment of the LVHN loans. The credit has arisen due to the amount of impairment that has been reversed back to General Fund balances upon credit assessment of the loans and relates to the revenue elements of the loan. Loans advanced to LVHN are used for capital and revenue purposes. Both revenue and capital categorised loans are impairment, with capital impairment being reversed out of the Comprehensive Income & Expenditure Statement and into the Capital Adjustment Account. Impairment associated with revenue loans is charged directly to the General Fund and impacts on Council balances.

### Financial Instruments - Fair Values

The Council's financial instrument assets are all classified and carried in the Balance Sheet at amortised cost except for the loans to LVHN, which are held at fair value through profit and loss. This note provides a comparison of those valuations with fair values estimated by calculating the net present value of the remaining contractual cash flows at 31st March using the following methods and assumptions:

- Borrowings of 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 (Public Works Loan Board (PWLb) new loan rate). The calculation has been determined by adopting the PWLB redemption calculation.
- The fair values of other long-term loans have been discounted at the market rates using the Public Works Loan Board new loan rate with similar remaining terms to maturity on 31st March. The calculation has been determined by adopting the PWLB redemption calculation.
- The fair value of short-term instruments, including trade payables and receivables; cash and cash equivalents is assumed to be approximate to the carrying amount given the low and stable interest rate environment.
- The fair value of Cash and cash equivalents is assumed to be the carrying value.
- The fair value of PFI and lease contracts has been determined by discounting the contractual cash flows over the whole life of the instrument at the UK



## Notes to the Core Financial Statements

Government Gilt (AA rated) rate with similar remaining terms to maturity on 31st March.

- The fair value for HGL is assumed to approximate to the carrying amount.
- The fair value for LVHN loans is based on a credit impairment assessment and the balance sheet value reflects such impairment. The impairment has been calculated by discounting the loan cashflows using an appropriate discount rate that reflects the credit quality of LVHN and the annual average UK money market rate.
- Fair values are shown in the table 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. With respect to LVHN, fair value of loans has been assessed using an appropriate discount rate that is reflective of the inherent business risk.

31-Mar-20			Fair Value Level	31-Mar-21	
Carrying amount	Fair Value			Carrying amount	Fair Value
£'000	£'000	Financial Liabilities:		£'000	£'000
(995,164)	(1,038,652)	Total Borrowing	2	(935,663)	(1,103,849)
(37,493)	(32,972)	PFI and Finance Lease Liabilities*	2	(34,057)	(32,392)
(1,437)	(1,437)	Cash and Cash Equivalents	N/A	(1,441)	(1,441)
(64,870)	(64,870)	Trade Payables (Creditors)	N/A	(168,955)	(168,955)
<b>(1,098,964)</b>	<b>(1,137,931)</b>	<b>Total Financial Liabilities</b>		<b>(1,140,116)</b>	<b>(1,306,637)</b>
<b>Financial Assets:</b>					
92,990	92,990	Long Term Loans to HGL	2	77,253	77,253
3,678	3,678	Long Term Loans to EIL	2	-	-
11,502	6,728	Long Term Loans to LVHN	3	12,947	6,781
106	106	Long Term School Loans	N/A	63	63
1,473	1,473	Finance Leases	N/A	1,462	1,462
73,212	76,712	Trade Receivables (Debtors)	N/A	60,736	60,736
110,551	110,551	Cash and Cash Equivalents	N/A	50,925	50,925
<b>293,512</b>	<b>292,238</b>	<b>Total Financial Assets</b>		<b>203,386</b>	<b>197,220</b>

\*This includes PFI short term liabilities of £3.2m (2018/19) and £3.4m (2019/20), also within Note 19 Short Term Liabilities.

**Transfers between Levels of the Fair Value Hierarchy** - There were no transfers between input levels 1 and 2 during the year.

**Changes in the Fair Valuation Technique** - There was no change in the valuation technique used during the year for financial instruments.

### 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 2020/21 treasury management strategy was approved at the Council's meeting on the 26 February 2020. 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 MHCLG 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.
- Re-financing risk- the possibility that the Council may be required to renew a financial instrument upon maturity at disadvantage interest rates or terms.
- *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: Loans to Subsidiary Companies

In furtherance of the Council's service objectives, the Council has committed to lend money to HGL, EIL and LVHN should it be requested to do so at market rates of interest. In the case of HGL the Council has committed to lend money at interest rates equal to the Council's own cost of borrowing, PWLB rates, which is below the market rates. The Council manages the credit risk inherent in its loan commitments by:

- Wholly owning the companies
- Ensuring the council has first right of call on assets in the event of default
- Obtaining assurance that there is sound governance and controls in place within the companies referred to above

For HGL expected credit losses have been estimated and been found to be immaterial over a range of scenarios.

For LVHN, the council has recognised that there is a credit risk and has adjusted the book value downwards accordingly (13.0m to £8.1m), by applying an appropriate discount factor. This is reviewed annually.

## Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the treasury management strategy. These include 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 £15m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government) and for unsecured investments in banks, building societies and companies. The Council also sets limits on investments in certain sectors. No more than £15m in total can be invested for a period longer than one year.

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

31-Mar-20		Credit Rating	31-Mar-21	
Long Term £'000	Short Term £'000		Long Term £'000	Short Term £'000
-	70,500	AAA	-	13,940
-	24,850	A+	-	21,535
-	<b>95,350</b>	<b>Total</b>	-	<b>35,475</b>

Cash balances held in Money Market Funds (AAA) and Call Accounts (A+) as illustrated in the above table reduced during the financial year as cash was drawn down by the Treasury Management Team to finance the Council's daily cashflow. Cash held in such instruments is easily accessible and is available upon demand if required. Credit ratings for Money Market Funds and Call Accounts have been obtained from the main credit rating agencies and the lowest rating has been assigned per instrument.

### Credit Risk: Trade Receivables

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

2019/20				2020/21		
Gross Amount	Loss rate	Impairment for Debt Required		Gross Amount	Loss rate	Impairment for Debt Required
£'000		£'000		£'000		£'000
22,823	2.6%	(588)	0-1 Years	29,569	1.4%	(425)
6,307	8.0%	(502)	1-2 Years	5,064	9.2%	(467)
7,895	7.7%	(607)	2-3 Years	2,477	12.8%	(317)
1,070	45.5%	(487)	3-4 Years	1,881	18.6%	(349)
881	42.4%	(374)	4-5 Years	1,060	26.2%	(278)
505	84.0%	(425)	5-6 Years	629	35.4%	(222)
<b>584</b>	<b>100.0%</b>	<b>(584)</b>	<b>6+Years</b>	<b>841</b>	<b>62.2%</b>	<b>(524)</b>
<b>40,065</b>	-	<b>(3,567)</b>	<b>Total invoices raised</b>	<b>41,521</b>	-	<b>(2,582)</b>
57,154	-	-	Other debtors due at 31 March	19,215	-	-
<b>97,219</b>	-	<b>(3,567)</b>	<b>Total</b>	<b>60,736</b>	-	<b>(2,582)</b>

### Liquidity Risk

The Council has ready access to borrowing at favourable rates from the PWLB 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. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 30% of the Council's borrowing matures in any one financial year.

### Refinancing and Maturity Risk

The Authority maintains a significant debt portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. The risk relates to the maturing of longer term financial liabilities.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

## Notes to the Core Financial Statements

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs

The maturity analysis of debt held by the Council at 31 March 2021 is as follows:

2019/20				2020/21		
Principal £'000	Interest £'000	Portion %		Principal £'000	Interest £'000	Portion %
<b>Short Term</b>						
99,028	25,255	4.00%	1 Year	25,001	24,346	4.1%
<b>Long Term</b>						
24,360	24,177	3.90%	1-2 Years	23,849	23,827	4.0%
44,776	46,872	7.50%	2-5 years	46,486	46,512	7.7%
124,987	110,305	17.70%	5-10 Years	134,586	108,784	18.1%
126,129	98,911	15.80%	10-15 Years	130,401	96,600	16.1%
156,198	84,368	13.50%	15-20 Years	155,360	80,824	13.4%
24,793	71,104	11.40%	20-25 Years	33,436	70,392	11.7%
58,529	64,281	10.30%	25-30 Years	70,211	62,154	10.3%
101,895	47,160	7.60%	30-35 Years	87,695	42,051	7.0%
39,508	27,361	4.40%	35-40 Years	44,288	25,225	4.2%
83,789	16,750	2.70%	40-45 Years	88,789	14,287	2.4%
105,000	7,900	1.30%	45+ Years	90,000	6,077	1.0%
<b>988,992</b>	<b>624,444</b>	<b>100%</b>		<b>930,102</b>	<b>601,079</b>	<b>100%</b>
<b>Short Term</b>						
-	6,172	-	Accrued Interest	-	5,563	-
<b>988,992</b>	<b>630,616</b>		<b>Total</b>	<b>930,102</b>	<b>606,642</b>	

The total interest commitment on all outstanding borrowing (as shown in the table above) if all borrowing is held to maturity is £606.4m.

During 2020/21 the council serviced its debts in a timely manner and there was no breach of any loan covenants or default on loan repayments. The table below summarises debt and other long-term liabilities outstanding at 31 March 2021:

31-Mar-20		31-Mar-21
£'000	Loans and other long-term liabilities outstanding (nominal value)	£'000
875,907	Public Works Loans Board	853,280
13,558	Market Debt	51,319
<b>889,465</b>	<b>Long Term Borrowing</b>	<b>904,599</b>
68,000	Temporary Borrowing	-
31,527	Other Loans Less than 1 year	25,501
6,172	Accrued Interest	5,563
<b>995,164</b>	<b>Long &amp; Short-Term Borrowing</b>	<b>935,663</b>
37,493	Deferred Liabilities – PFI and finance leases	34,057
<b>1,032,657</b>	<b>Total</b>	<b>969,720</b>

### Market Risk

**Price Risk:** Price risk is the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments. The Council does not hold any financial instruments that are exposed to volatile market prices. The Council does hold several money market funds where the underlying unit prices of instruments held within the fund are exposed to low volatility price movements but trade close to £1 per unit. Such price movements do not impact on the Councils cash balances. Money market funds are further discussed in the Equity Instruments section.

**Foreign Exchange Risk:** The Council has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

**Interest Rate Risk:** The Council is exposed to significant 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 illustration, a rise in interest rates would have the following effects:

- For borrowings at variable rates the interest expense charged to the Comprehensive Income and Expenditure Account will rise;
- For borrowings at fixed rates the fair value of the borrowings will fall (no impact on revenue balances);
- For investments at variable rates the interest income credited to the Comprehensive Income and Expenditure Account will rise;
- For investments at fixed rates the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value (but are carried on the Balance Sheet at amortised cost) so nominal gains and losses on fixed rate borrowings would not impact on the on the Comprehensive Income and Expenditure Statement.

The Authority has several strategies for managing interest rate risk. The treasury management strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable interest rates. At 31 March 2021, 100% of the debt portfolio was held in fixed rate instruments, and none in variable rate instruments. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates for the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

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

The approved Treasury Management Strategy for 2020/21 has enabled Officers to place surplus cash flow funds with financial institutions and has resulted some investment return in a low

## Notes to the Core Financial Statements

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

	31-Mar-21
Interest Rate Risk	£'000
Increase in interest payable on variable rate borrowings	Nil
Increase in interest receivable on variable rate investments	Nil
Impact on Comprehensive Income and Expenditure Account	-
Increase in interest payable on HRA cash balances*	320
Increase in fair value of fixed rate investment assets	12
Increase in fair value of investment assets held at FVPL	20
Impact on Other Comprehensive Income and Expenditure*	32
Decrease in fair value of fixed rate borrowings liabilities*	218,713

\*No impact on Comprehensive Income and Expenditure.

The impact of a 1% fall in interest rates would result in a similar variance, but with the movements reversed. The calculation is based on the PWLB discount rate (for new loans) used in the original fair value calculation, plus 1%. There is a nil effect on variable rate investments and borrowings as the Authority had no such variable rate instruments during the year.

### Equity Instruments

As at 31st March 2021, the Council had one money market Sterling investment funds with a nominal balance of £14m. Throughout the year the Council has held balances across eight Sterling money market funds. The funds have been valued at "Fair Value through Profit & Loss" (FVP&L) in accordance with the IFRS 9 (Financial Instruments) standard. The investment funds do not provide contractual cash flows to the Authority that are solely payments principal and interest on the outstanding investment balance in a manner that are consistent with basic lending arrangements. There is no possibility of default on contractual payment and consequently there is no impairment loss allowance set aside.

The investment funds are held for treasury management purposes and support the Council's daily liquidity requirements. Money market funds are a useful investment instruments that are low risk and simultaneously enhance returns. All money market funds that the Council subscribes to are AAA rated by the main credit rating agencies and domiciled in the UK or Europe. In accordance with European money markets reform both funds are categorised as Low Volatility Nat Asset Valuation Funds (LVNAV). As a result of the LVNAV categorisation the fair value of the money market fund is equivalent to the carrying amount.

## Notes to the Core Financial Statements

Money Market Funds (MMFs) held at Fair Value Through Profit and Loss	31-Mar-21	
	Carrying Amount	Fair Value
	£'000	£'000
Long-term	-	-
Short-term	14,000	14,000
Total	14,000	14,000
Dividends distributed by MMFs during 2020/21	(102)	-

The Council received monthly dividends equating to £102k during the 2020/21, which has been charged to the Comprehensive Income and Expenditure account under Financing Investment Income and Expenditure. The dividends relate to interest accrued daily on balances held in the funds that the Council subscribed to during the financial year.

### **NOTE G3 Financial Instruments**

The financial liabilities of the Group are materially the same as those of the single entity, so will not be repeated here. For financial assets the position is set out below:

31 March 2020		31 March 2021	
Long-term	Short-term	Long-term	Short-term
£'000	£'000	£'000	£'000
<b>Amortised Cost</b>			
<b>Debtor</b>			
-	65,480	-	61,122
1,473	-	1,473	-
-	120,839	-	63,482
<b>1,473</b>	<b>186,319</b>	<b>1,473</b>	<b>124,604</b>
<b>Total</b>		<b>Total</b>	

The full position for short term debtors, including those that do not meet the strict definition of “financial asset” are similar to those presented for the single entity accounts in Note 17 (but without the line *Receivables from Related Parties*).



## Notes to the Core Financial Statements

### **NOTE 28. Debtors**

#### **Short Term Debtors**

31 March 2020 £'000		31 March 2021 £'000
31,035	Sundry Debtors	29,089
16,847	Central Government Debtors	15,713
2,288	Business Rate Debtors	2,009
10,873	Payments in Advance	9,259
10,290	Tax Debtors	12,408
8,041	Rent Debtors	7,900
11,003	Council Tax Debtors	16,299
14,192	Housing Benefit Overpayments	10,747
1,590	Court Costs	955
57	Local Government Debtors	3,799
14,278	NHS Debtors	14,525
4,844	Leaseholder Debtors	3,238
38	Other Debtors	20
<b>125,376</b>	<b>Total</b>	<b>125,961</b>

Trade debtors are contained within Sundry Debtors and NHS Debtors.

Gross Amount £'000	Loss Rate	2019/20 Impairment for Debt Required £'000		Gross Amount £'000	Loss Rate	2020/21 Impairment for Debt Required £'000
22,823	2.60%	(588)	0-1 Years	29,569	1.4%	(425)
6,307	8.00%	(502)	1-2 Years	5,064	9.2%	(467)
7,895	7.70%	(607)	2-3 Years	2,703	11.7%	(317)
1,070	45.50%	(487)	3-4 Years	2,085	16.7%	(349)
881	42.40%	(374)	4-5 Years	1,060	26.2%	(278)
505	84.00%	(425)	5-6 Years	629	35.4%	(222)
584	100.00%	(584)	6+Years	841	62.2%	(524)
<b>40,065</b>		<b>(3,567)</b>	<b>Total</b>	<b>41,951</b>		<b>(2,582)</b>

#### **NOTE G4 Group Short Term Debtors**

	31 March 2020 £'000	31 March 2021 £'000
<b>Analysis of Group Short Term Debtors</b>		
Group Debtors	110,761	125,963
Less Related Parties (from Subsidiaries)	(15,477)	(4,558)
<b>Total</b>	<b>95,284</b>	<b>121,405</b>

**NOTE 29. Cash and Cash Equivalents**

Cash and cash equivalent assets comprise of cash in hand and demand deposits. Cash and cash equivalent liabilities represent balances which arise from time to time as a result of the Council's day to day cash management and are not arrangements for borrowing. Balances classified as 'cash equivalents' fit the definition of being short-term, highly liquid deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The cash and cash equivalent assets and liabilities held by the Council are as follows.

31 March 2020 £'000	Type	31 March 2021 £'000
<b>Current Assets</b>		
21	Petty Cash	0
70,500	Money Market Funds	13,940
24,850	Call Accounts	21,536
(5,787)	Cash In Transit	(7,002)
12,427	Bank	9,971
191	Imprest Accounts	0
8,349	School Loans	12,480
<b>110,551</b>	<b>Cash and Cash Equivalents</b>	<b>50,925</b>

**NOTE 30. Short Term Payables**

This refers to amounts due to be paid within one year of the balance sheet date:

31 March 2020 £'000		31 March 2021 £'000
(3,148)	Deposits	(3,094)
(55,661)	Sundry Creditors	(89,824)
(2,036)	Business Rate Creditors	(1,413)
(3,435)	Lease Creditors	(3,599)
(4,151)	Council Tax Creditors	(5,815)
(13,458)	Central Government Creditors	34,626
(380)	Local Government Creditors	(26,292)
(3,491)	Rent Creditors	(4,510)
(11)	Housing Benefit Overpayment Creditors	(12)
(735)	Leaseholder Creditors	(763)
(6,147)	Leave Creditors	(8,607)
	Tax Creditor	(1,277)
<b>(92,653)</b>	<b>Total</b>	<b>(110,580)</b>

**NOTE 31. Revenue Grant and Contributions - Receipts in Advance (Current)**

## Notes to the Core Financial Statements

2019/20 £'000	2020/21 £'000
- BEIS-Additional Restrictions Grant	(9,564)
- MHCLG -Contain Outbreak Management Fund	(3,960)
- DoH -Local Authority Test and Trace Support Grant	(1,195)
(6,676) BEIS -S.31 Local Restrictions Support Grant Closed	-
(1,263) Other Grants and Contributions (under £1m)	(1,220)
<b>(7,939) Total Revenue Grants and Contributions received in advance</b>	<b>(15,939)</b>

### **NOTE 32. Capital Grant and Contributions - Receipts in Advance (Non-Current)**

This refers to amounts due to be paid more than one year after the balance sheet date:

2019/20 £'000	2020/21 £'000
(4,155) S106 Capital RIA	(5,350)
	(12,000)
- Building Council Homes for Londoners	(9,834)
GLA Heat Networks Grant	(1,200)
<b>(4,155) Total</b>	<b>(28,384)</b>

### **NOTE 33. Provisions**

Provisions are liabilities which have arisen as at the balance sheet date wherein the Council has an obligation for future transfer of economic benefit as a result of a past event. Whilst there is some uncertainty on the amount and timing of the eventual transfer of economic benefit, the obligations have been recognised as expenditure in the accounts. Provisions are classified as either short term (those expected to be settled within 12 months of the balance sheet date) or as long term (those estimated to be settled after 12 months of the balance sheet date). The following table summarises the figures.

Classification and Description	Balance 31 March 2020 £'000	Raised in year £'000	Utilised in Year £'000	Written back to revenue in year £'000	Balance 31 March 2021 £'000
<b>Short Term</b>					
Legal	-	(1,755)	-	-	(1,755)
Insurance	(1,520)	(1,355)	1,520	-	(1,355)
Redundancy	-	(589)	-	-	(589)
Other Minor Provisions	-	(310)	-	-	(310)
<b>Short Term</b>	<b>(1,520)</b>	<b>(4,009)</b>	<b>1,520</b>	<b>-</b>	<b>(4,009)</b>
<b>Long Term</b>					
Insurance	(4,328)	(1,879)	-	-	(6,207)

## Notes to the Core Financial Statements

Tenant Water Rate Refund	(2,903)	-	-	-	(2,903)
Business Rate Valuation Appeals	(4,928)	-	1,521	-	(3,407)
<b>Long Term</b>	<b>(12,159)</b>	<b>(1,879)</b>	<b>1,521</b>	<b>-</b>	<b>(12,517)</b>
<b>Total Provisions</b>	<b>(13,679)</b>	<b>(5,888)</b>	<b>3,041</b>	<b>-</b>	<b>(16,526)</b>

The largest provisions relate to: -

(i) The combined short and long-term insurance provisions total of £7.6m represents the estimated cost of claims against the Council's internal insurance fund projected to be made for all insured events at the balance sheet date. This figure is in line with conclusions made by the insurance actuary.

ii) The £3.4m provision for business rate valuation appeals is Enfield's share of a total provision of £11.5m set out in more detail in the Collection Fund note on page 105.

### **NOTE 34. Contingent assets and Liabilities**

Provisions are liabilities which have arisen as at the balance sheet date wherein the Council has an obligation for future transfer of economic benefit as a result of a past event. Whilst there is some uncertainty on the amount and timing of the eventual transfer of economic benefit, the obligations have been recognised as expenditure in the accounts. Provisions are classified as either short term (those expected to be settled within 12 months of the balance sheet date) or as long term (those estimated to be settled after 12 months of the balance sheet date).

### **NOTE 35. Other Long-Term Liabilities**

This refers to amounts due to be paid more than one year after the balance sheet date:

31 March 2020 £'000	31 March 2021 £'000
(33,914) Amounts due to be paid under PFI Contracts	(30,313)
(144) Amounts due to be paid under other Finance Leases	(145)
<b>(34,058) Total</b>	<b>(30,458)</b>

### **NOTE 36. Operating Leases**

The Council derives economic benefit from occupying premises it does not own but rents under agreements in the form of operating leases, with typical lives of between 5 to 15 years.

The future lease payments due to be paid under these leases in future years are:

31 March 2020 £'000	31 March 2021 £'000
1,075 Not later than one year	1,075
3,829 Later than one year and not later than five years	3,802

## Notes to the Core Financial Statements

25,477	Later than five years	24,817
<b>30,381</b>	<b>Total</b>	<b>29,694</b>

The Council does not have any leases in which, under its accounting policy, are recognised as finance leases.

The Council also rents out land and buildings it owns to third parties in the form of operating leases. Under its investment property portfolio, the Council has over 800 operating leases of varying lease periods. These include industrial and retail properties, green belt agricultural tenancies and other recreational and commercial buildings. Rent receivable in 2019-20 was £9.0m (£9.0m in 2018-19). The table below sets out the future income profile arising from the most significant of these leases. Projected receipts assume that rent will continue at the current levels, which does not take account of the fact there will be future rent reviews, and where rent is partially based on the performance of the lessee, it is assumed that rental income will continue at the current level.

31 March 2020		31 March 2021
£'000		£'000
5,561	Amount due not later than one year	5,612
17,958	Amount due between one and five years	15,895
48,925	Later than five years	45,364
<b>72,444</b>	<b>Total</b>	<b>66,871</b>

Future income arising from property let out under finance lease arrangements is not materially significant.

### **NOTE 37. Private Finance Initiative (PFI) Contracts**

The Council has the following obligations arising from three PFI schemes:

- Street Lighting Services
- Highlands Secondary School
- Provision of Starksfield Primary School and Refurbishment of Tottenhall Primary and Lea Valley Secondary Schools

In each case, the Council specifies the minimum standards for the services and the assets to be provided by the contractor and has the right to make deductions from the fees payable should those standards not be achieved.

The assets will be transferred to the Council at the end of each contract for nil consideration and are therefore recognised on the Council's Balance Sheet; movements in their value in the year are detailed in the analysis of movement in property, plant and equipment in Note 12. The Council makes agreed fixed payments each year which may be increased by inflation or reduced if the contractor fails to meet availability or performance standards in any year. Payments remaining to be made under each PFI contract as at 31 March 2020 are shown below.

## Notes to the Core Financial Statements

Period	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Within one year	4,937	3,600	2,831	11,368
Two - five years	20,968	16,492	7,910	45,370
six - 10 years	21,270	13,837	2,827	37,934
11 - 15 years	225	(13)	(2)	210
<b>Total</b>	<b>47,400</b>	<b>33,916</b>	<b>13,566</b>	<b>94,882</b>

The carrying value of the scheme assets are shown in note 19.

2019/20	Outstanding Liability for Reimbursement of Capital Expenditure	2020/21
£'000		£'000
(40,500)	Balance outstanding 1 April	(37,349)
(39)	Opening balance adj for prior year rounding	0
3,190	Payments during the year	3,434
<b>(37,349)</b>	<b>Balance Outstanding 31 March</b>	<b>(33,915)</b>

### **NOTE 38. Pension Schemes Accounted for as Defined Contribution Schemes**

#### **Teachers**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of 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.

In 2020/21 employer contributions of £16.1m were paid to the Teacher's Pension Scheme (£14.4m paid in 2019/20), representing 23.68% of pensionable pay. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme. These costs are accounted for on a defined benefit basis.

#### **Former NHS Employees**

On 1 April 2013 public health staff and services were transferred from Primary Care Trusts (PCTs) to local authorities. To discharge their new public health responsibilities, local authorities were provided with a ring-fenced public health grant. Under the new arrangements for public health, staff performing public health functions who were compulsorily transferred from the PCTs to local authorities and who had access to the NHS Pension Scheme on 31 March 2013 retained access to

that Scheme on transfer at 1 April 2013. The NHS pension scheme is an unfunded, multi-employer defined benefit scheme. In 2020/21 the Council's employer contributions to the NHS Pension Scheme were £23.6m (£21.8m in 2019/20).

### **NOTE 39.**      **Defined Benefit 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:

- The Local Government Pension Scheme (LGPS) administered locally by the London Borough of Enfield. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. As there are no investment assets built up to meet these liabilities, at the point of early retirement a cash transfer is made from the General Fund to the Pension Fund to cover this shortfall. This transfer is real expenditure to the General Fund and is normally financed from a revenue reserve.

The pension scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Pension, Policy and Investment Committee of the Council. Policy is determined in accordance with the Pensions Fund Regulations, and the investment managers of the fund are appointed by the committee.

The principal risks to the authority of the scheme are the longevity of assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and HRA the amounts required by statute.

It is important to recognise that the Pension Liability is an estimate of the future liabilities, not an exact calculation. The return on the Pension Fund, the longevity and other assumptions detailed in the sensitivity mean that the cashflows are uncertain, both in their amount and their timing.

## Notes to the Core Financial Statements

### **NOTE 40. Pension Liability**

Under IAS19, the relevant Accounting Standard for Employee Benefits, the Council recognises the cost of retirement benefits in the CIES when they are earned by employees, rather than when the benefits are eventually paid as pensions. All IAS19 entries are notional and not represented by any cash flows. However, the charge that is required to be made against council tax is based on employer pension contributions – which is a cash movement, so the real cost of post-employment/retirement benefits under IAS19 is reversed out of the General Fund via the MiRS.

2019/20				2020/21		
Scheme Assets	Pensions Obligations	Net Pensions Liability		Scheme Assets	Pensions Obligations	Net Pensions Liability
£'000	£'000	£'000		£'000	£'000	£'000
<b>1,092,312</b>	<b>(1,675,631)</b>	<b>(583,319)</b>	<b>Opening Balance at 1 April</b>	<b>1,030,388</b>	<b>(1,526,868)</b>	<b>(496,480)</b>
-	(46,759)	<b>(46,759)</b>	Current Service Cost	-	(49,894)	<b>(49,894)</b>
-	(606)	<b>(606)</b>	Past Service cost and gains/losses on curtailments	-	(1,078)	<b>(1,078)</b>
25,982	(39,447)	<b>(13,465)</b>	Interest Income and Expense	23,674	(34,742)	<b>(11,068)</b>
(8,247)	13,508	5,261	• Settlements	-	-	-
17,735	(73,304)	<b>(55,569)</b>	<b>Total post-employment benefits charged to Surplus or Deficit on Provision of Services</b>	23,674	(85,714)	<b>(62,040)</b>
			<b>Contributions</b>			
34,238	-	<b>34,238</b>	• The Council	32,828	-	<b>32,828</b>
8,178	(8,178)	-	• Employees	9,419	(9,419)	-
42,416	(8,178)	<b>34,238</b>	<b>Employers contributions payable to scheme</b>	42,247	(9,419)	<b>32,828</b>
			<b>Payments</b>			
(46,328)	46,328	<b>0</b>	• Retirement Grants and Pensions	(44,389)	44,389	-
(46,328)	46,328	<b>0</b>		(44,389)	44,389	-
			<b>Remeasurements</b>			
(75,747)	-	<b>(75,747)</b>	• Return on Plan Assets	196,270	-	<b>196,270</b>
-	52,222	<b>52,222</b>	• Actuarial Gains and Losses arising from changes in demographic assumptions	-	-	-
-	30,921	<b>30,921</b>	• Actuarial Gains and Losses from changes in Financial Assumptions	-	(293,882)	<b>(293,882)</b>
-	100,774	100,774	• Experience loss /(gain) on defined benefit obligation	-	18,728	<b>18,728</b>
(75,747)	183,917	<b>108,170</b>	<b>Post-Employment Benefits Charged to other Comprehensive Income and Expenditure Statement</b>	196,270	(275,154)	<b>(78,884)</b>
<b>1,030,388</b>	<b>(1,526,868)</b>	<b>(496,480)</b>	<b>Closing Balance at 31 March</b>	<b>1,248,190</b>	<b>(1,852,766)</b>	<b>(604,576)</b>



### Composition of Scheme Assets

31 March 2020		31 March 2021		
Total	Scheme Asset Type	Quoted	Unquoted	Total
43.4%	Equity Investments	43.3%	6.6%	49.9%
20.6%	Property	3.5%	14.8%	18.3%
7.9%	Government Bonds	6.6%	0.0%	6.6%
14.5%	Corporate Bonds	13.6%	0.0%	13.6%
4.6%	Cash	7.0%	0.0%	7.0%
9.0%	Other Assets	0.0%	4.6%	4.6%
<b>100.0%</b>	<b>Total</b>	<b>74.0%</b>	<b>26.0%</b>	<b>100.0%</b>

### Basis for Estimating Assets and Liabilities

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

Both the LGPS and discretionary benefits liabilities have been assessed by AON Hewitt Limited, an independent firm of actuaries, with estimates based on the latest full valuation of the scheme as at 31 March 2019. The principal assumptions used by the actuary are shown in the table below:

2019/20	Mortality Assumptions:	2020/21
	Future lifetime for Males	
22.4	Member aged 65 at accounting date	22.5
23.0	Member aged 45 at accounting date	23.1
	Future lifetime for Females	
24.3	Member aged 65 at accounting date	24.4
25.0	Member aged 45 at accounting date	25.1
	<b>Economic Assumptions:</b>	
1.7%	Discount Rate	2.1%
3.2%	RPI Inflation	
2.1%	CPI Inflation	2.7%
2.1%	Rate of increase to pensions	2.7%
3.6%	Rate of general increase in salaries	4.2%

### Sensitivity Analysis

Impact on the Defined Benefit Obligation	Increase in Assumption £'000	Decrease in Assumption £'000
Discount Rate (increase or decrease by 0.1%)	(34,326)	36,132
Rate of increase in salaries (increase or decrease by 0.1%)	3,613	(3,613)

## Notes to the Core Financial Statements

Rate of increase in pensions (increase or decrease by 0.1%)	32,519	(30,712)
Longevity (increase or decrease by 1 year)	66,844	(65,038)

The above sensitivity analysis identifies that a 0.1% increase in the Discount Rate assumption, will result in a decrease in the reported Pension liability of 34.3m. Whereas a 0.1% increase in either the salaries, pension payment or longevity assumptions will result in an increase in the reported Pension Liability as detailed in the table.

Expected employer contributions for funded benefits and unfunded LGPS benefits in 2021/22 are £29.4m and £3.5m respectively. The duration of the liabilities for the funded LGPS benefits are 19.4 years.

**NOTE 41. Cash Flow Adjustments to Net Deficit on The Provision of Services**

2019/20 £'000		2020/21 £'000
39,532	Depreciation of Non-Current Assets	36,452
90,304	Impairment of Non-Current Assets	(5,209)
7,680	Amortisation of intangible Fixed Assets	6,914
21,331	Pension Fund adjustments	29,212
1,473	Impairment losses on loans & advances debited to the CI&E in year	2,405
1,540	Increase/decrease in impairment for provision for bad debts	(6,191)
(3,822)	Contributions to Provisions	7,099
41,992	Carrying amount of PP&E, investment property and intangible assets sold	8,390
(81)	(Increase)/Decrease in Inventories	(1,647)
10,424	(Increase)/Decrease in Debtors	(587)
(10,292)	Increase/(Decrease) in Creditors	17,926
(481)	Other non-cash movement	1,603
<b>199,600</b>	<b>Total adjustments to net deficit on the provision of services</b>	<b>96,367</b>

2019/20 £'000	Cashflows from Operating Activities includes the following	2019/20 £'000
(19,476)	Interest Paid	(19,948)
4,746	Interest Received	3,720
<b>(14,730)</b>	<b>Total adjustments to net deficit on the provision of services</b>	<b>(16,228)</b>

**NOTE 42. Investing Activities**

This note provides further analysis of the investing activities in the Cash Flow Statement.

2019/20 £'000	Cash Flow Statement – Investing Activities	2020/21 £'000
(165,323)	Purchase of property, plant and equipment, investment property and intangible assets	(145,676)
-	Other payments for investing activities	(15,917)
15,348	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13,456
(11,071)	Proceeds from Short and Long Term Investments	
68,756	Capital Grants Received	64,800
-		
<b>(92,290)</b>	<b>Total Investing Activities</b>	<b>(83,337)</b>

## Notes to the Core Financial Statements

### **NOTE 43.    Financing Activities**

2019/20 £'000	Cash Flow Statement – Financing Activities	2020/21 £'000
207,365	Cash receipts of short and long term borrowing	15,134
(3,642)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(3,600)
(65,501)	Repayments of short and long term borrowing	(74,635)
	Other payments for financing activities	
<b>138,222</b>	<b>Total Financing Activities</b>	<b>(63,101)</b>

### **NOTE 44.    Investing and Financing Activities**

The Cash Flow Statement adjusts for the following items included in the surplus/deficit on provision of services which are classified as investing and financing activities:

2019/20 £'000	Investing and Financing Activities	2020/21 £'000
(15,348)	Proceeds from sale of property plant equipment & investment property	13,456
(71,271)	Any other items for which the cash effects are investing or financing cash flows: Capital Grants & Contributions	64,800
<b>(86,619)</b>	<b>Total Financing Activities</b>	<b>78,256</b>

### **NOTE 45.    Reconciliation of Liabilities Arising From Financing Activities**

	2019/20 £'000	Financing £'000	Investing £'000	Non-Cash Changes £'000	2020/21 £'000
Long-Term Borrowings	(889,465)	15,134	-	-	(874,331)
Short-Term Borrowings	(105,699)	(74,635)	(83,337)	83,337	(180,334)
Other Long Term Liabilities	(34,058)	(3,600)	-	-	(37,658)
<b>Total Liabilities from Financing Activities</b>	<b>(1,029,222)</b>	<b>(63,101)</b>	<b>(83,337)</b>	<b>83,337</b>	<b>(1,092,323)</b>

**NOTE 46. Statement of Accounting Policies**

**1.1 Basis of Preparation**

The Accounts and Audit Regulations 2015 (SI 2015 No 234) require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2020/21, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code)
- the Service Reporting Code of Practice 2020/21 (SeRCOP)
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regs)

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the valuation of the following material categories of non-current assets and financial instruments:

Class of Assets	Measurement Basis
Property, Plant and Equipment: Dwellings	Current value, comprising existing use value for social housing Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secure tenancies.
Property, Plant and Equipment: Other Land and Buildings	Current value, comprising existing use value Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.
Property, Plant and Equipment: Surplus Assets	Fair value
Heritage Assets	Current value, per Property, Plant and Equipment, if ascertainable. Otherwise, insurance values or historical cost.
Investment Properties	Fair value
Financial Instruments – Fair Value through Profit or Loss	Fair value
Pensions Assets	Fair value

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 Statement of Accounts has been adjusted to reflect events after 31 March 2021 and before the date the Statement was authorised for issue on XX July 2021 only where the events provide evidence of conditions that existed at 31 March.

## Notes to the Core Financial Statements

### 1.2 Adjustments Between Accounting Basis and Funding Basis

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement so that usable reserves reflect the funding available at the year-end. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The material adjustments are:

Expense	Accounting Basis in CIES	Funding Basis in MIRS	Adjustment Account
Property, Plant and Equipment	Depreciation and revaluation/impairment losses	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Intangible Assets	Amortisation and impairment	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Investment Properties	Movements in fair value	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in 2020/21	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in 2020/21 or were received in 2020/21 without conditions	No credit	Capital Grants Unapplied Reserve (amounts unapplied at 31 March 2020) Capital Adjustment Account (other amounts)
Non-Current Asset Disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	Capital Adjustment Account (carrying amount) Capital Receipts Reserve (sale proceeds and costs of disposal)
Pensions Costs	Movements in pensions assets and liabilities (see Policy 10)	Employer's pensions contributions payable and direct payments made by the Council to pensioners for 2020/21	Pensions Reserve
Council Tax	Accrued income from 2020/21 bills	Demand on the Collection Fund for 2020/21 plus share of estimated surplus for 2019/20	Collection Fund Adjustment Account
Business Rates	Accrued income from 2020/21 bills	Budgeted income receivable from the Collection Fund for 2020/21 plus share of estimated surplus for 2019/20	Collection Fund Adjustment Account
Dedicated Schools Grant	Expenditure incurred in 2020/21 to be met from Dedicated Schools Grant	Expenditure incurred up to the amount of the Grant receivable for 2020/21.	Dedicated Schools Grant Adjustment Account
Holiday Pay	Projected cost of untaken leave entitlements at 31 March 2020	No charge	Accumulated Absences Adjustment Account

### 1.3 Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to their contractual provisions. They are initially measured at fair value.

### Financial Liabilities

Financial liabilities are subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

### Financial Assets

Financial assets are subsequently measured in one of two ways:

- amortised cost – assets whose contractual terms are basic lending arrangements (ie, they give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding, which the Council holds under a business model whose objective is to collect those cash flows)
- fair value – all other financial assets

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable (plus accrued interest). The exception is loans made at concessionary rates to subsidiaries of the Council, where the loans are accounted for as if they had been made at commercial interest rates and the concessionary interest treated as an investment in the companies (see Note X). Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. Any gains or losses in fair value that might arise are not accounted for until the instrument matures or is sold.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model (see Note XX [Financial Instruments]). Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

#### 1.4 Revenue from Contracts with Service Recipients

The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

#### 1.5 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government 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 any 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 the Council has satisfied any conditions attached to the grant or contribution that would require repayment if not met.

The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the CIES.

### **1.6 Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised).

Intangible assets are measured at cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that it might be impaired.

### **1.7 Interests in Companies and Other Entities**

The Council has material interests in companies that have the nature of subsidiaries and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded at cost, less any provision for losses.

### **1.8 Investment Properties**

Investment properties are those that are held solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated, with gains and losses on revaluation being posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The line is also credited/debited with gains/losses on the disposal of properties, measured as the difference between the carrying amount and sale proceeds.

### **1.9 Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. The Council is not a party to any material finance leases.

Rentals paid by the Council under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.



### 1.10 Overheads and Support Services

Central support overheads are not apportioned to departments for purposes of internal management accounts or for the Statement of Accounts but are aggregated and reported as expenditure against the directorate incurring the expenditure.

### 1.11 Post-Employment Benefits

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

- the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education
- the NHS Pension Scheme, administered by the NHS Business Services Authority
- the Local Government Pension Scheme, administered by the Council.

The Teachers' and NHS Schemes provide defined benefits to members. However, Scheme arrangements mean that liabilities for these benefits cannot be attributed to the Council. The Schemes are therefore accounted for as if they were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The People line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year, as are the employers' contributions payable for the year to NHS Pensions.

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

- the liabilities of the Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method
- liabilities are discounted to their value at current prices, using a discount rate of 2.1% (based on the indicative rate of return on high quality corporate bonds (the iBoxx index of AA rated corporate bonds))
- the assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.

The change in the net pensions liability is analysed into the following components:

- Service cost, comprising:
  - current service cost – allocated in the Comprehensive Income and Expenditure Statement (CIES) to the services for which the employees worked
  - past service cost – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of non-distributed costs in the Corporate line.
  - net interest on the net defined benefit liability – charged to the Financing and Investment Income and Expenditure line of the CIES
- Remeasurements, comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Pension Fund – not accounted for as an expense in the CIES

The Council also has limited powers to make discretionary awards in the event of early retirement. Amounts awarded are accounted for on the same basis as the Local Government Pension Scheme.

### 1.12 Property, Plant and Equipment

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

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- borrowing costs (for assets that take a substantial period of time to get ready for their intended use or sale).

Certain categories of Property, Plant and Equipment are measured subsequently at current value – see Policy 1.1 for details. Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Assets are assessed at each year-end as to whether there is any indication that items may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for in the same way as revaluation losses.

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

The useful lives used by the Council are:

Asset Category	Useful Economic Life
Council Dwellings	50-60 years
Operational Buildings	50-75 years
Infrastructure Assets	15-40 years (Bridges 120 years)
Vehicles	5-7 years
Plant and machinery	3-7 years

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES against any receipts arising from the disposal as a gain or loss on disposal.

### 1.13 Private Finance Initiative and Similar Contracts

As the Council is deemed to control the services that are provided under its PFI contracts, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the assets used are recognised on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

The amounts payable to the PFI operators 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 Statement (CIES)
- finance cost – debited to the Financing and Investment Income and Expenditure line in the CIES
- contingent rent – debited to the Financing and Investment Income and Expenditure line in the CIES
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator

lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

### 1.14 Provisions

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

### 1.15 Termination Benefits

Termination benefits are charged on an accruals basis to the appropriate service (or to the [specified segment in the CIES] line in the Comprehensive Income and Expenditure Statement where they relate to pensions enhancements) at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

### 1.16 Schools

The Code specifies that all schools maintained by the Council are deemed to be under the Council's control. The transactions and balances attributable to the governing bodies of the maintained schools have been consolidated into the Council's financial statements, applying accounting policies for recognition and measurement consistent with those applied by the Council to its own income, expenditure, cash flows, assets and liabilities. Transactions and balances between the Council and schools have been eliminated.

### 1.17 Current Assets Held For Sale and Surplus Assets

Current Assets Held for Sale comprise those assets that the Council has determined are for immediate sale in their present condition and are expected to be sold in the next twelve months. These assets are carried at Fair Value based on their potential highest and best use at the balance sheet date. The assets are not depreciated. Assets that are not in operational use and do not meet the definition of investment properties, nor current assets held for sale, are classified as surplus assets. They are carried at fair value based on highest and best use. Surplus Assets generally refer to properties where the Council has yet to proceed with the disposal of the properties or is considering developing them for alternative use.

### **NOTE 47.**      **Accounting Standards That Have Been Issued but Not Yet Adopted**

There are no changes in accounting requirements for 2021/22 that are anticipated to have a material impact on the Council's financial performance or financial position.

### **NOTE 48.**      **Critical Judgements in Applying Accounting Policies**

The preparation of the financial statements requires the use and determination of accounting estimates and the application of management assumptions that have the potential to cause material adjustments to the carrying amount of assets and liabilities during the course of the financial year. Such estimates, judgements and assumptions are reviewed on an ongoing basis and critical judgements made in applying accounting policies are shown in Note 3. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

In applying the accounting policies as set out in Note 46, the Council has had to make certain judgements about complex transactions or those involving uncertainty over future events. These are:

- As at 31 March 2020, Enfield had 21 voluntary aided Schools (17 Primary; 4 Secondary) and 1 Secondary Foundation School. The Council has formed a judgement that it does not control the economic benefits which flow from these properties. Regarding voluntary aided Schools, this judgement was based on correspondence from the Diocese in which they attest their legal ownership and control of school property assets. Foundation school Trusts also own and control the property of the Schools they manage

and the assets are included within their Trust accounts, therefore the Council does not recognise voluntary aided and foundation school property as assets on its Balance Sheet.

- Land assets held in connection with the Meridian Water regeneration project are non-current assets owned by the Council. At the reporting date the assets were not used to deliver services and did not meet the criteria for Assets under Construction. Consequently, they have been classified as Surplus Assets in accordance with the Code. The value of these land assets at 31 March 2021 is £245m and have been valued at market value, on the basis of 'highest and best use', which is industrial. Once detailed planning consent as well as a development agreement are in place, the valuation basis would be calculated on a residential basis, as the reader of the Accounts could be confident that the site would be developed for residential purposes.

#### **NOTE 49. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty**

The Accounts contain estimated figures that are based on assumptions made by council officers, external valuers, actuaries and the Valuation Office about future and otherwise uncertain events. Estimates are made taking into account recent experience, current trends and other objective factors.

Since balances cannot be determined with complete certainty there is the possibility that actual events could be materially different from the assumptions and estimates that have been made. The principal items in the Council's Balance Sheet at 31 March 2020 which may materially be affected by future events are set out below.

Uncertainty	Effect If Actual Results Differ from Assumptions
<b>Property Plant and Equipment</b> <p>The valuation of PPE reported in the Council's Balance Sheet is a significant estimate informed by the Council's expert independent valuer – who assesses the circumstances of the Council's assets to determine the appropriate valuation methodology and reports the estimated values to be included in the financial statements.</p> <p>Assets are depreciated over estimated useful lives reflecting the current condition of the assets. The estimated useful lives are provided by the Council's external valuers using their professional knowledge and expertise. Asset estimated useful lives may need to be reduced if there is deterioration beyond the currently assessed future performance of these assets.</p>	<p>A difference between estimated and actual PPE values would have the effect of altering the Council's net worth and could impact on the gain and loss on disposal figure reported in the event of the asset being disposed of.</p> <p>A reduction in useful lives will increase the annual depreciation charge and reduce asset carrying values. An increase in useful lives will give rise to a corresponding reduction in annual depreciation charges. This would affect the surplus/deficit on provision of services, the degree of impact would depend on the change in estimated useful economic life and on the type of asset(s). Across the asset-base, a 1-year change in the UEL would have approximately a £1.5m change in the depreciation charge.</p> <p>The Council's Property, Plant &amp; Equipment includes assets that a 1% change in market values would increase/decrease the Council's net equity by £20m (PPE valuation of £2.013bn includes £119m of Assets Under Construction and £61m of community assets).</p>

### Pension Fund Liability

Estimation of the net liability to pay pensions depends on judgements relating to the discount rate used, the rate at which employee earnings are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council has engaged an actuary to advise on these assumptions and judgements.

The effects on the net pension liability of changes in individual assumptions can be measured. E.g.:

- a. 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of approximately £36m.
- b. 1% increase in assumed earnings inflation would increase the value of liabilities by approximately £3m.
- c. three-year increase in assumed life expectancy would increase the liability by approximately £200m.

### **NOTE 50.** Events After the Reporting Period

The Executive Director of Resources authorised the Statement of Accounts on XX July 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Housing Revenue Account

The Housing Revenue Account (HRA) deals with the provision, maintenance and sales of council houses and flats. The HRA Income and Expenditure Statement shows the economic cost of providing housing services in accordance with generally accepted accounting practice rather than the amount to be funded from rents and government grants.

### Housing Revenue Account Income and Expenditure Statement

There is a statutory requirement to keep the HRA separate from other housing activities in accordance with Part VI and Schedule 4 of the Local Government and Housing Act 1989. Schedule 4 of the 1989 Act prescribes all the income and expenditure items that are to be included in the Housing Revenue Account. In addition, there is a requirement not to allow cross-subsidy to or from, the General Fund. The statement below reconciles the movement of the HRA balance to the (surplus)/deficit on the HRA Income and Expenditure Statement.

2019/20 £'000		Notes	2020/21 £'000
<b>Income</b>			
(51,835)	Dwelling rents (gross)		(54,150)
(4,986)	Non-dwelling rents (gross)		(3,065)
(17,143)	Charges for services and facilities		(8,516)
(24)	Contributions towards expenditure		(1,976)
<b>(73,988)</b>	<b>Total Income</b>		<b>(67,707)</b>
<b>Expenditure</b>			
12,623	Repairs and maintenance	4	11,195
26,179	Supervision and management		25,303
2,396	Rents, rates, taxes and other charges		2,285
11,179	Depreciation	6	11,405
45,908	Revaluation		25,107
510	Revenue Expenditure Funded from Capital Under Statute	6	
(510)	Movement in the allowance for bad debts	9	17
<b>98,285</b>	<b>Total Expenditure</b>		<b>75,312</b>
<b>24,297</b>	<b>Net Expenditure or Income of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		<b>7,605</b>
134	HRA services' share of Corporate & Democratic Core		123
<b>24,431</b>	<b>Net Cost of HRA Services</b>		<b>7,728</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>			
(12,240)	(Gain) or loss on sale of HRA non-current assets		3,205
7,894	Repayment of right-to-buy receipts		1,365
8,243	Interest payable and similar charges		8,737
(201)	Interest and Investment income		(5)
(44)	Income and expenditure and changes in fair value of Investment Properties	7	
-	Pensions interest cost and expected return on pension assets	8	1,292
(12,608)	Capital grants and contributions receivable		
0	Covid-19 Non-Specific Government Funding		
2,513	Other Operating Expenditure		159
<b>17,988</b>	<b>(Surplus)/ Deficit for The Year on HRA Services</b>		<b>22,481</b>

## Housing Revenue Account

2019/20 £'000	Statement of Movement on the Housing Revenue Account	Notes	2020/21 £'000
(4,623)	Balance on the HRA at the end of the previous reporting period		(4,623)
17,988	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		22,481
(28,147)	Adjustments between Accounting and Funding Basis under Statute		(44,131)
<b>(10,159)</b>	<b>Net (Increase) or Decrease before transfers or from reserves</b>		<b>(21,650)</b>
10,159	Transfers to/(from) earmarked reserves		16,373
0	<b>(Increase) or decrease in-year on the HRA Balance</b>		(5,277)
<b>(4,623)</b>	<b>Balance on the HRA at the end of the reporting period</b>		<b>(9,900)</b>
	<b>Adjustments between Accounting and Funding Basis under Statute</b>		
15,962	Transfer to Major Repairs Reserve		14,168
(57,597)	Offsetting transfer in from capital adjustment account		
12,607	Difference between any other items of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements		(36,455)
44	Investment property - Gain / loss on disposal & movement in fair and market value		
12,241	Gain on sale of HRA non-current assets		(3,205)
(7,894)	Repayment of right-to-buy receipts		
(997)	HRA share of contribution to / from pension reserve		(1,292)
-	Capital expenditure funded by the HRA		
-	Transfer to Capital Grants Unapplied Account		
(2,513)	Transfer from Capital Receipts Reserve equal to the amounts payable into the Capital Receipts Pool		(1,365)
	Accumulated Absences		(159)
-	Other contribution from the Capital Receipts Reserve		(15,823)
<b>(28,147)</b>	<b>Total Adjustments between Accounting and Funding Basis under Statute</b>		<b>(44,131)</b>



## Housing Revenue Account

### **HRA 1. Housing Stock**

The Council was responsible for managing a Housing Revenue Account stock of 10,462 properties at 31st March 2021 compared with a total of 10,353 properties at 31st March 2020. An analysis of the types of homes is shown below. The Council is also a freeholder of 4,897 leased homes that were previously sold to tenants under the right-to-buy legislation.

31 March 2020		31 March 2021
Number of Properties		Number of Properties
3,045	Houses	3,165
110	Bungalows	6
1,466	Maisonettes	145
5,732	Flats	7,146
<b>10,353</b>	<b>Total Housing stock</b>	<b>10,462</b>

### **HRA 2. Stock Valuation**

The open market value of the council's dwellings was £2.901bn at 31 March 2021 (£2.588bn at 31 March 2020). The difference between this value and the existing use value of £725.16m at 31 March 2021 (£647.07m at 31 March 2020) represents the economic cost to Government of providing council housing at less than market rents. The social housing valuation is arrived at by applying an adjustment factor provided by the MHCLG to the market value of the stock.

### **HRA 3. Rent Arrears and Impairment of Debts**

Council tenants' rent arrears as at 31 March 2021 were £3.9m compared to £4.0m at the 31st March 2020. The provision for impairment of debts was £0.8 m (2019/20 £0.9m).

In 2020/21 there was a release of the Impairment of debt of £0.02m (£0.5m release in 2019/20).

### **HRA 4. Major Repairs Reserve**

The Major Repairs Allowance represents the estimated long-term average amount of capital spending required to maintain the housing stock in its current condition. Any unapplied balance of the allowance may be carried forward into the following year in a ring-fenced reserve which can only be used to fund capital expenditure on council dwellings. This year the full balance was applied to fund the major repairs capital expenditure.

2019/20	2020/21
£'000	£'000
<b>Balance at 1 April</b>	<b>(15,961)</b>
(11,179) Transfer in at depreciation for operational assets	(11,405)
(4,783) Voluntary Transfer	(2,763)
- Amount applied to expenditure on council dwellings during year	17,069
<b>(15,962) Balance at 31 March</b>	<b>(13,060)</b>

## Housing Revenue Account

### **HRA 5. Repairs & Maintenance**

The balance forms part of the Council's earmarked reserves as set out in Note 11 to the Core Financial Statements.

2019/20		2020/21
£'000		£'000
(11,077)	Balance brought forward	(13,253)
12,623	Expenditure for the year	14,344
(14,799)	Contribution to the Repairs Fund	(13,010)
<b>(13,253)</b>	<b>Balance carried forward</b>	<b>(11,919)</b>

### **HRA 6. HRA Assets**

	1 April 2020	Acquisitions and Transfers	Disposals	Depreciation	Net Revaluation	31 March 2021
Operational Assets	£'000	£'000	£'000	£'000	£'000	£'000
Council Dwellings	647,075	88,391	(3,163)	(10,895)	3,752	725,160
Other Land and Buildings	41,665	16,903	(95)	(130)	(9,072)	49,271
<b>Total Property, Plant &amp; Equipment</b>	<b>688,740</b>	<b>105,294</b>	<b>(3,258)</b>	<b>(11,025)</b>	<b>(5,320)</b>	<b>774,431</b>
Aerial Sites	1,082				(40)	1,042
Shops and Commercial	28,292	-	-	-	2,574	30,866
<b>Total Investment Properties</b>	<b>29,374</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,534</b>	<b>31,908</b>
<b>TOTAL</b>	<b>718,114</b>	<b>105,294</b>	<b>(3,258)</b>	<b>(11,025)</b>	<b>(2,786)</b>	<b>806,339</b>

Capital expenditure in the year amounted to £54.3m consisting of:

2019/20		2020/21
£'000	Expenditure on	£'000
15,833	Works to Stock – General Works	17,040
31,400	Leaseholder Buy Backs	
39,781	Buying Out Commercial and Residential Interests (Regeneration Projects)	37,229
<b>87,014</b>	<b>Total</b>	<b>54,269</b>
	<b>Funded by</b>	
13,141	Capital Grants and Contributions	(4,395)
4,549	Capital Receipts	(8,315)
	Earmarked Reserves	(7,489)
69,324	Prudential Borrowing	(10,001)
-	Major Repairs Reserve	(24,069)
<b>87,014</b>	<b>Total</b>	<b>(54,269)</b>

## Housing Revenue Account

### **HRA 7. Depreciation and Impairment**

2019/20 £'000		2020/21 £'000
	<b>Depreciation</b>	
(10,722)	Council Dwellings	(10,958)
(457)	Other Land and Buildings	(447)
	<b>Impairment and Downward Valuation</b>	
(48,407)	Council Dwellings	(25,107)
	Other Land and Buildings	-
(12,575)	Surplus Properties	-
(510)	REFCUS	-
<b>(72,671)</b>	<b>Total Capital Charges</b>	<b>(36,512)</b>

### **HRA 8. Investment Properties**

2019/20 £'000		2020/21 £'000
(2,300)	Rental Income from Investment Properties	(1,963)
201	Direct Operating Expenses arising from Investment Property	124
(44)	Net (gain)/loss from fair value adjustments	-
<b>(2,143)</b>	<b>Net (Gain) / Loss</b>	<b>(1,839)</b>

### **HRA 9. Contribution from Pensions Reserve**

The HRA income and expenditure has been charged, as have other services, with the additional pension cost as required under the relevant accounting standard (IAS19). The impact of this has then been reversed out through the Movement on the Housing Revenue Account Statement. For overall details of the pension liability across the whole Council please refer to Note 40 of the main statement.

## Collection Fund

### Collection Fund

This account represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. This fund accounts independently for the income relating to Council Tax and Business Rates on behalf of those bodies (including the Council's own General Fund) for whom the income is raised. The costs of administering collection are accounted for in the General Fund.

Income and Expenditure Account	Note	2018/19			2019/20		
		Council Tax £000	Business Rates £000	Total £000	Council Tax £000	Business Rates £000	Total £000
<b>Income</b>							
Council taxpayers	1	(161,579)	-	(161,579)	(166,285)	-	(166,285)
Business ratepayers	2	-	(113,068)	(113,068)		(69,954)	(69,954)
Transitional Protection Payment		-	1,031	1,031	-	1,277	1,277
Business Rate Supplement	3	-	(2,836)	(2,836)	-	(1,765)	(1,765)
		(161,579)	(114,873)	(276,452)	(166,285)	(70,442)	(236,727)
<b>Expenditure</b>							
<b>Council Tax Precepts and demands:</b>							
London Borough of Enfield demand		127,311	-	127,311	133,276	-	133,276
London Borough of Enfield surplus		2,484	-	2,484	339	-	339
Greater London Authority precept		31,113	-	31,113	32,452	-	32,452
Greater London Authority surplus		580	-	580	83	-	83
<b>Business Rates Retention:</b>							
Central Government		-	26,205	26,205	-	37,785	37,785
Greater London Authority		-	28,538	28,538	-	41,408	41,408
London Borough of Enfield		-	52,794	52,794	-	33,290	33,290
Cost of collection allowance		-	325	325	-	320	320
<b>GLA Business Rate Supplement</b>							
Payment to GLA		-	2,836	2,836	-	1,765	1,765
<b>Bad and Doubtful Debts:</b>							
Council Tax		5,348	-	5,348	(665)	-	(665)
Business Rates		-	99	99	-	7,850	7,850
<b>Provision for Business Rate Appeals</b>		-	(3,117)	(3,117)	-	1,089	1,089
		166,836	107,680	274,516	165,485	123,507	288,992
<b>Deficit / (Surplus) for the Year</b>		5,257	(7,193)	(1,936)	(800)	53,065	52,265
<b>Collection Fund Balances</b>							
Balance brought forward at 1 April		(2,300)	7,444	5,144	2,957	251	3,208
(Surplus) / Deficit for year		5,257	(7,193)	(1,936)	(800)	53,065	52,265
<b>Balance Carried Forward at 31 March</b>	3	2,957	251	3,208	2,157	53,316	55,473
<b>Allocated to:</b>							
London Borough of Enfield		2,354	529	2,883	1,795	15,994	17,789
Greater London Authority		603	298	901	362	19,721	20,083
Government		-	(576)	(576)	-	17,601	17,601
<b>Balance Carried Forward at 31 March</b>	3	2,957	251	3,208	2,157	53,316	55,473

## Collection Fund

The Council has belonged to a London-wide pool for several years. This benefited Enfield as London councils retained the growth across London. However, the amount it retains and is either pooled across London or returned to Central Government changes on annual basis. In 2018/19, Central Government was not a preceptor and the share was split 64% to 36% between the GLA and London councils, with a no net loss consideration to the local government bodies. However, there was a historic surplus of £0.9m from prior years relating to Central Government.

In 2020/21, the share of retained NNDR collection due to Central Government was 33% (25% in 2019/20) with the remaining 67% (75% in 2019/20) split 30% to 37% (48% to 27% in 2019/20) between the London boroughs and the GLA respectively. As a result, Enfield's share dropped from £52.8m to £33.3m.

### **COLL 1. Council Tax**

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimated at 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income that the Council and its preceptors take from the Collection Fund for the forthcoming year and dividing this by the council tax base. This tax base represents 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 estimated non-collectibles. The tax base calculation for 2020/21 is as follows:

Band	Chargeable properties adjusted for discounts	Band D equivalent adjusted for estimated non-collection
A	2,700	1,857
B	6,397	4,986
C	22,770	19,922
D	27,703	27,260
E	17,611	21,238
F	8,286	11,759
G	5,478	8,974
H	872	1,730
	<b>91,817</b>	<b>97,726</b>

This basic amount of Council Tax for a Band D property, £1,695.84 including the GLA precept is multiplied by the proportion specified for the particular band to give an individual amount due.

### **Analysis of Council Tax Impairment of debt**

Council Tax Bad Debt Provision	2019/20 £000	2020/21 £000
Council Tax Provision for Impairment of debt brought forward	(7,422)	(10,419)
Amount written off	2,322	1,178
(Contribution to) / release from Provision for Impairment of debt	(5,319)	665
<b>Council Tax Bad Debt Provision</b>	<b>(10,419)</b>	<b>(8,576)</b>

## Collection Fund

The figures above show the total Council Tax impairment of debt reflecting both the GLA precept and Enfield elements of the provision. Note 28 (Debtors and Payments in Advance) shows the Enfield proportion of the Impairment of debt only.

### **COLL 2. Business Rates**

Business rates are organised on a national basis and re-valued periodically by the Valuation Office Agency. In 2020/21 the Government specified an amount of 49.9p for small businesses who qualify for rate relief and 51.2p for all other businesses. Local businesses pay rates calculated by multiplying their rateable value by these amounts. The Council is responsible for collecting rates due from the ratepayers in its area. In previous years the total amount due, less specific allowances, were paid into the National Pool which was then redistributed back to councils based on the Government's formula grant allocations.

For 2020/21, a 67% Business Rates retention scheme was in place. Enfield retains 30% of the total collectable rates due. The remaining 37% is distributed to the Greater London Authority. These shares were estimated at the start of 2020/21 and paid to each body and charged to the Collection Fund. Variations between the estimated and actual income will create a surplus or deficit which is repaid or recovered from each body in the following year.

In addition, authorities must meet the cost of appeals against the rateable values set by the VOA. This provision is charged and provided for in proportion to the preceptors' shares (total £11.5m<sup>1</sup> in 2020/21). Provision for appeals is in addition to the provision for bad debts set out below.

<b>Local Business Rates Bad Debt Provision</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Provision for impairment of debt brought forward	(3,847)	(3,748)
Amount written off / (on)	112	(4)
Contribution to Provision for Impairment of debt	(13)	(7,739)
<b>Local Business Rates Bad Debt Provision</b>	<b>(3,748)</b>	<b>(11,491)</b>

The total non-domestic rateable value for the area at the end of 2020/21 was £269.9m (£276.8m in 2019/20).

### **COLL 3. Business Rates Supplement**

Government legislation gives the Greater London Authority the power to levy an additional 2p Business Rate Supplement on London businesses as a contribution to the cost of the Crossrail scheme. As with national business rates, the Council collects the 2p business rates and pays the income over to the GLA. The total amount due for 2020/21 after reliefs and provisions was £1.765m.

<sup>1</sup> Enfield's share is £3.447m which is shown under the provisions in Note 19.

## Glossary

Accruals	Amounts charged to the accounts for goods and services received during the year for which payments or transfers of economic benefit are expected to be made in the next or a subsequent reporting period. Amounts credited to the accounts for goods and services provided during the year for which payments or transfers of economic benefit are expected to be received in the next or subsequent reporting period.
Actuary	A specialised Professional who calculates projections for pensions and insurance purposes.
Amortise	To liquidate (a debt, such as a mortgage) by instalment payments, or payment into a sinking fund; or to write off an intangible asset by pro-rating the cost or income over the life of the related asset.
Appropriation	The assignment of revenue to a specific purpose.
Balance Sheet	A formal statement of the assets, liabilities and reserves of the Council.
Capital Expenditure	<p>Payments for the acquisition, replacement or enhancement of assets that are considered to be of benefit to the Council over a period of more than one year, e.g. buildings and land, vehicles and equipment.</p> <p>Payments of grants and financial assistance to third parties towards the cost of capital expenditure.</p> <p>Expenditure that is classified as capital following a ministerial direction, e.g. capitalised redundancy costs.</p>
Capital Financing Requirement (CFR)	The measure of the Council's underlying need to borrow in order to fund capital expenditure.
Capital Adjustment Account	This reserve includes amounts set aside from revenue, capital receipts and capital grants to fund capital expenditure and makes contributions in the Movement in Reserves Statement to offset net depreciation charges included in the Comprehensive Income and Expenditure Statement.
Capital Grants	Grant received from Government departments, other statutory bodies and external parties to finance capital expenditure.
Capital Receipts	Income received from the sale of land, buildings and other capital assets.
Collection Fund	A separate account that discloses the income and expenditure relating to Council Tax and National Non Domestic Rates.
Comprehensive Income and Expenditure Statement	A statement showing the net cost for the year of all the services for which the Council is responsible and how that cost has been financed from general government grants and income from local taxpayers.
Contingent Liability	A possible liability at the Balance Sheet Date to transfer future economic benefit to a Third Party, where the existence of the liability is subject to one or more future uncertain events that are outside the control of the Council.
Council Tax	A local tax on domestic property values.

## Glossary

Creditors	Amounts owed by the Council for goods received or services provided but not yet paid for as at the Balance Sheet date.
Debtors	Amounts owed to the Council but not received at the Balance Sheet date.
Depreciation	The consumption of an asset's economic value due to normal wear and tear and deterioration in the day to day provision of services.
Earmarked Reserves	Reserves set aside from revenue funding to meet future expenditure for specific purposes.
Expenditure	Activity which has been charged to the Accounts. This includes payments physically made, creditors and capital charges such as depreciation and impairment.
Funded Scheme	A pension scheme that is supported by a fund of money, which is maintained at a level sufficient to meet all future liabilities under the scheme.
General Fund	A statutory account that summarises the cost of providing Council services. It excludes the provision of council housing.
Gross Expenditure	The total cost of providing a service or activity before taking into account income, e.g. from government grants or fees and charges.
Housing Revenue Account (HRA)	A statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.
Impairment	Additional charges above normal depreciation representing the reduction in asset values arising from a fall in market values or deterioration/obsolescence.
Interest	The amount received or paid for the use of a sum of money when it is invested or borrowed.
Income	The Inflow of resources to the Council which has been recognised and recorded in the accounts. This includes actual receipts, plus debtors.
Materiality	<p>Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements (International Accounting Standards Board Framework).</p> <p>Materiality therefore relates to the significance of transactions, balances and errors contained in the financial statements. Materiality defines the threshold or cut off point after which financial information becomes relevant to the users. Information contained in the financial statements must therefore be complete in all material respects (both qualitative and quantities) in order for them to present a true and fair view of the affairs of the entity.</p>
Minimum Revenue Provision	The statutory minimum amount that the Council must charge to revenue to provide for the reduction in the Capital Financing Requirement.



## Glossary

Non-Domestic Rates (NDR)	Also known as Business Rates, this is a flat rate in the pound set by Central Government and levied on businesses in the borough. The money is essentially collected by Enfield and then shared between Enfield, the Greater London Authority and Central Government. These arrangements were introduced under the Localism Act in April 2013, so that the Council gets to retain a proportion of Business Rate Income growth locally without sharing.
Net Expenditure	Expenditure less income
Non-Current Assets	Tangible and intangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
Precept	A charge on the Collection Fund by the Greater London Authority.
Prior Year Adjustment	An adjustment applicable to prior years arising from changes in accounting policies or from the correction of material errors.
Provision	An amount set aside for liabilities and losses, which are likely to be incurred, but where the exact amount and the date on which they will arise is uncertain.
Public Works Loans Board	Central Government agency, which is used to fund local government borrowing.
Revenue Expenditure	Spending on day-to-day items including salaries and wages, premises costs, and supplies and services.
Revenue Expenditure Funded from Capital Under Statute	Expenditure of a capital nature not in connection with a Council-owned asset e.g. private sector renewal grants, Disabled Facilities Grants and funding for Voluntary Aided Schools.
Revenue Support Grant	A general grant paid by Central Government to the Council towards the cost of all its services.
Reserves	The difference between cumulative income and cumulative expenditure. Reserves are resources available to the Council.
Support Services	These are services provided centrally in support of the corporate management of the Council and the delivery of front line services. They include financial, legal, HR, IT, property and general administrative support services.
Unfunded Scheme	A superannuation scheme that is not supported by a fund of money.

# Pension Fund

LONDON BOROUGH OF ENFIELD PENSION FUND ACCOUNT			
2019/20			2020/21
£000s		Notes	£000s
<b>Dealings with members, employers and others directly involved in the Fund</b>			
51,044	Contributions	7	49,031
3,971	Transfers in from other pension funds	8	5,454
<b>55,015</b>			<b>54,486</b>
(42,778)	Benefits payable	9	(44,374)
(5,173)	Payments to and on account of leavers	10	(4,639)
<b>(47,951)</b>			<b>(49,013)</b>
<b>7,063</b>	<b>Net additions/(withdrawals) from dealings with members</b>		<b>5,473</b>
(10,088)	Management expenses	11	(12,063)
<b>(3,025)</b>	<b>Net additional/(withdrawals) including fund management</b>		<b>(6,591)</b>
<b>Returns on investments</b>			
12,012	Investment income	12	13,214
	Taxes on income	13a	
(45,057)	Profit & losses on disposal of investments and changes in the market value of investments	14a	249,979
<b>(33,045)</b>	<b>Net returns on investments</b>		<b>263,193</b>
(36,070)	<b>Net change in assets available for benefits during the year</b>		256,602
1,185,500	<b>Opening net assets of the scheme</b>		1,149,430
<b>1,149,430</b>	<b>Closing net assets of the scheme</b>		<b>1,406,032</b>

## Pension Fund

NET ASSETS STATEMENT FOR YEAR ENDED 31 MARCH 2020				
2019/20				2020/21
£000s		Notes		£000s
1,094,703	Investment assets	14		1,303,311
(251)	Investment liabilities			(141)
<b>1,094,451</b>				<b>1,303,170</b>
52,855	Cash deposits	14		100,369
2,351	Other investment balances -assets	14		2,685
(149)	Other investment balances - liabilities	14		(735)
<b>1,149,508</b>	<b>Total net investments</b>	14		<b>1,405,489</b>
53	Long term debtor	20a		96
897	Current assets	20		937
(1,027)	Current liabilities	21		(489)
<b>1,149,430</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>			<b>1,406,032</b>

Note: The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 19.

Signed:

Fay Hammond

Executive Director Resources

XX July 2021

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## Pension Fund

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## 1. Description of the Fund

The Enfield Pension Fund ('the fund') is part of the LGPS and is administered by London Borough of Enfield. The council is the reporting entity for this pension fund.

The following description of the fund is a summary only. For more detail, reference should be made to the Enfield Pension Fund Annual Report 2019/20 and the underlying statutory powers underpinning the scheme.

### a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance 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) Regulations 2016.

It is a contributory defined benefit pension scheme administered by London Borough of Enfield to provide pensions and other benefits for pensionable employees of London Borough of Enfield and a range of other scheduled and admitted bodies within the borough. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The fund is overseen by the Enfield Pension Policy & Investment Committee, which is a committee of London Borough of Enfield.

### b) Membership

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

Organisations participating in the fund include the following:

Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.

Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 54 employer organisations within the fund (including the Council itself), and 23,690 individual members, as detailed below. A full analysis is included

Enfield Pension Fund	31 March 2020	31 March 2021
Number of employers with active members	7,413	7,770
Number of pensioners	5,663	5,862
Deferred pensioners	6,899	7,560
Frozen/undecided	3,148	2,498
<b>Total number of members in pension scheme</b>	<b>23,123</b>	<b>23,690</b>

### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The results of recent formal valuation as at 31 March 2019 has employer contribution rates range from 0% to 34.6% of pensionable pay.

### d) Benefits

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

	Service pre April 2008	Service post 31 March 2008
<b>Pension</b>	Each year worked is worth $1/80 \times$ final pensionable salary.	Each year worked is worth $1/60 \times$ final pensionable salary.
<b>Lump sum</b>	Automatic lump sum of $3 \times$ pension. 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.	No automatic lump sum. 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.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of  $1/49$ th. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

## 2. Basis of preparation

The statement of accounts summarises the fund's transactions for the 2020/21 financial year and its position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 19.

The accounts have been prepared on a going concern basis.

## 3. Summary of significant accounting policies

### Fund account – revenue recognition

#### a) Contribution income

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

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

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

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 2013 (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 (see below) 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 period is disclosed in the net assets statement as a current financial asset.

iii) **Distributions from pooled funds** Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period 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 (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

### Fund account – expense items



### d) Benefits payable

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

### e) Taxation

The fund is 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. Irrecoverable tax is accounted for as a fund expense as it arises.

### f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses; however, it requires the disclosure of investment management transaction costs. For greater transparency, the fund discloses its pension fund management expenses in accordance with the CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016), which shows the breakdown of administrative expenses, including transaction costs.

i) **Administrative expenses** All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged direct to the fund. 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.

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 reduce as the value of these investments change.

In addition the fund has negotiated with the following managers that an element of their fee be performance related. Where an investment manager's fee note has not been received by the year-end 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.

### 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 at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

### **Foreign currency transactions**

#### **h) 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 held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

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

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

#### **j) 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 the fair value of the liability are recognised by the fund.

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

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19).

#### **l) Additional voluntary contributions**

The Enfield Pension Fund provides an additional voluntary contribution (AVC) scheme for its employers and are specifically for providing additional benefits for individual contributors. The fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

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

#### **m) Contingent assets and contingent liabilities**

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence

of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

#### 4. Critical judgements in applying accounting policies

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

##### Pooled property

As a result of the COVID-19 outbreak, which caused extensive disruption to businesses and economic activities on a global level in all sectors, the property valuers valuing the underlying assets within the two pooled property funds, have reported their valuation on the basis of 'material valuation uncertainty'. The declaration does not mean that the valuation cannot be relied upon, but it does mean that less certainty, and a higher degree of caution, should be attached to the valuation of the property than would normally be the case. Additionally, the two pooled property funds had suspended trading as at 31 March 2020. The effect of this is to require these assets to be moved from a fair value hierarchy level 2 to level 3 as at 31 March 2020. In September 2020, the material uncertainty and suspended trading were removed from these funds.

#### 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 year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2021 (for which there is a significant risk of material adjustment in the forthcoming financial year are set out in the table below:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits (Note 19)</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <p>a. 1% decrease in the discount rate assumption would result in a decrease in the pension liability of approximately £223m.</p> <p>b. 1% increase in assumed earnings inflation would decrease the value of liabilities by approximately £223m.</p> <p>c. if life expectancy increases by two years, it would decrease the liability by approximately £92m.</p> <p><b><i>It should be noted that any changes in the above would not have an effect on either the Fund Account or the Net Asset Statement.</i></b></p>

## Pension Fund

<b>Hedge fund of funds (Note 15)</b>	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge is necessary. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation.	The total hedge fund of funds value in the financial statements is £230m. There is a risk that the investment may be under or overstated in the accounts. Given a tolerance of +/-7.5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £17.3m.
<b>Private equity – venture capital investments (Note 15)</b>	The figure for “Investments at fair value” is based on the latest information received from asset managers prior to the Fund’s accounting records closing for the quarter. The valuation methodologies are considered to be consistent with the International Private Equity and Venture Capital Valuation Guidelines.	The venture capital private equity investments in the financial statements are £102.4m. There is a risk that this may be over or understated. Further detail is shown in Note 15 regarding the sensitivity of this valuation.
<b>Pooled property investments (Note 15)</b>	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 10% i.e. an increase or decrease of £6.9m, on carrying values of £69m.

### NOTE 6: EVENTS AFTER THE REPORTING DATE

Management have reviewed and can confirm that there are no significant events occurring after the reporting period.

### NOTE 7: CONTRIBUTIONS

By category

2019/20	2020/21
£000s	£000s
11,078	12,055
<b>Employees’ contributions</b>	

## Pension Fund

Employers' contributions: -		
29,648	Normal	33,353
9,503	Deficit recovery contributions	9,503
815	Augmentation contributions	1,141
<b>39,966</b>	<b>Total employers' contributions</b>	<b>36,976</b>
<b>51,044</b>		<b>49,031</b>

### By authority

2019/20		2020/21
£000s		£000s
39,237	Administering authority	38,497
9,724	Scheduled bodies	9,820
2,083	Admitted bodies	714
<b>51,044</b>		<b>49,031</b>

### NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2019/20		2020/21
£000s		£000s
3,971	Individual transfers	5,454
<b>3,971</b>		<b>5,454</b>

### NOTE 9: BENEFITS PAID/PAYABLE

#### By category

2019/20		2020/21
£000s		£000s

## Pension Fund

(35,828)	Pensions	(37,222)
(6,684)	Commutation and lump sum retirement benefits	(6,488)
(266)	Lump sum death benefits	(664)
<b>(41,966)</b>		<b>(44,374)</b>

### By authority

2019/20		2020/21
£000s		£000s
(40,988)	Administration authority	(41,668)
(1,405)	Scheduled bodies	(2,199)
(385)	Admitted bodies	(507)
<b>(42,778)</b>		<b>(44,374)</b>

### NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2019/20		2020/21
£000s		£000s
(129)	Refunds to members leaving service	(85)
(5,173)	Individual transfers	(4,554)
<b>(5,302)</b>		<b>(4,639)</b>

### NOTE 11: MANAGEMENT EXPENSES

2019/20		2020/21
£000s		£000s
(1123)	Administrative costs	(1,695)
(108)	Oversight and governance costs	(90)
(8,857)	Investment management expenses	(10,315)

## Pension Fund

**(10,088)**

**(12,063)**

### NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2019/20	2020/21
£000s	£000s
(6,512) Management fees	(6,857)
(304) Performance related fees	(1,032)
(1,848) Transaction costs	(2,226)
(63) Custody fees	(83)
(130) Other	(116)
<b>(8,857)</b>	<b>(9,740)</b>

### NOTE 12: INVESTMENT INCOME

2019/20	2020/21
£000s	£000s
2,053 Income from equities	2,225
3,439 Income from bonds	3,439
1,786 Pooled property investments	2,389
4,121 Pooled investments – unit trusts and other managed funds	5,133
614 Interest on cash deposits	28
<b>12,013</b>	<b>13,214</b>

### NOTE 13: TAXES ON INCOME

2019/20	2020/21
£000s	£000s
<i>Withholding tax</i>	

## Pension Fund

(0)	Income from equities	(0)
(0)	Pooled investments – unit trusts and other managed funds	(0)
<b>(0)</b>		<b>(0)</b>

### NOTE 13A: EXTERNAL AUDIT FEES

2019/20	2020/21
£000s	£000s
19	Paid in respect of external audit (excluding VAT)
<b>19</b>	<b>19</b>

Market value 31 March 2020	Market value 31 March 2021
£000s	£000s
<b>Investments</b>	
90,622	Fixed interest securities
99,209	
45,015	Equities
48,424	
766,037	Pooled investments
925,799	
68,861	Pooled property investments
68,986	
124,000	Private equity
160,844	
<b>Derivative contracts:</b>	
168	- Futures
5	
0	- Forward currency contracts
44	
<b>1,094,703</b>	<b>Total investment assets</b>
<b>1,303,311</b>	
52,855	Cash deposits
100,369	
2,351	Investment income due
2,445	
0	Amounts receivable for sales
240	
<b>1,149,909</b>	<b>Total investment assets</b>
<b>1,406,365</b>	
<b>Investment liabilities</b>	
<b>Derivative contracts:</b>	



**Pension Fund**

(69)	- Futures	(141)
(183)	- Forward currency contracts	(0)
(149)	Investment expenditure due	(735)
<b>(401)</b>	<b>Total investment liabilities</b>	<b>(876)</b>
<b>1,149,508</b>	<b>Net investment assets</b>	<b>1,405,489</b>

**NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS & DERIVATIVES**

Period 2020/21	Market value 1 April £000s	Purchases £000s	Sales £000s	Management fees in Market value £000s	Change in market value £000s	Market value 31 March 2021 £000s
Bonds	90,621	14,680	(12,684)	(400)	6,992	99,209
Equities	45,015	69,180	(68,989)	(2,112)	5,330	48,424
Pooled investments	766,037	12,411	(49,076)	(1,695)	198,122	925,799
Pooled property	68,861	0	(1,047)	(367)	1,486	68,933
Private equity	124,000	11,052	(14,078)	(2,287)	42,206	160,896
	<b>1,094,534</b>	<b>107,323</b>	<b>(145,874)</b>	<b>(6,857)</b>	<b>254,136</b>	<b>1,303,261</b>
<b>Derivatives contracts:</b>						
Futures	99	513	(384)	-	(364)	(136)
Options						
Forward foreign exchange	(183)	350	(446)	-	323	44
	<b>(84)</b>	<b>863</b>	<b>(830)</b>	<b>0</b>	<b>(41)</b>	<b>(92)</b>
	<b>1,094,450</b>	<b>108,186</b>	<b>(146,704)</b>	<b>(6,857)</b>	<b>254,095</b>	<b>1,303,169</b>
<b>Other investment balances</b>						
Cash deposits	52,855				(4,115)	100,369
Investment income due	2,351					2,445
Pending investment sales	(149)					(735)

## Pension Fund

Pending investment purchases	-		240
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<b>Net investment assets</b>	<b>1,149,508</b>	<b>249,979</b>	<b>1,405,489</b>
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*\*Change in MV of short term bills and notes*

Period 2019/20	Market value 1 April £000s	Purchases £000s	Sales £000s	Management fees in Market value £000s	Change in market value £000s	Market value 31 March 2020 £000s
Bonds	88,278	30,830	(27,041)	(0)	(1,445)	90,622
Equities	43,141	989	0	0	885	45,015
Pooled investments	824,211	10,111	(8,764)	(4,714)	(54,807)	766,037
Pooled property	69,598		0	(178)	(559)	68,861
Private equity	98,549	29,270	(10,973)	(1,681)	8,835	124,000
	<b>1,123,777</b>	<b>71,200</b>	<b>(46,778)</b>	<b>(6,573)</b>	<b>(47,091)</b>	<b>1,094,535</b>
<b>Derivatives contracts:</b>						
Futures	66	901	(1,290)	-	422	99
Options						
Forward foreign exchange	33	486	(455)	-	(247)	(183)
	<b>99</b>	<b>1,387</b>	<b>(1,745)</b>	<b>-</b>	<b>175</b>	<b>(84)</b>
	<b>1,123,876</b>	<b>72,587</b>	<b>(48,523)</b>	<b>(6,573)</b>	<b>(46,916)</b>	<b>1,094,451</b>
<b>Other investment balances</b>						
Cash deposits	58,091				1,859*	52,855
Investment income due	2,386					2,351
Pending investment sales	1,147					(149)
Other investment expenses	(183)					-
<b>Net investment assets</b>	<b>1,185,317</b>				<b>(45,057)</b>	<b>1,149,508</b>

*\*Change in MV of short  
term bills and notes*

Purchases and sales of derivatives are recognised in Note 14a above

as follows:

- Futures – on close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses are recognised as cash receipts or payments, depending on whether there is a gain or loss.
- Forward currency contracts – forward foreign exchange contracts settled during the period are reported on a gross basis as gross receipts and payments.

## NOTE 14B: ANALYSIS OF INVESTMENTS

Market value		Market value
31 March 2020		31 March 2021
£000s		£000s
Bonds		
UK		
2,702	Public sector quoted	2,758
42,101	Corporate quoted	49,038
Overseas		
806	Public sector quoted	1,324
45,013	Corporate quoted	46,090
90,622		99,209
Equities		
45,015	UK –quoted	48,424
-	Overseas –quoted	-
45,015		48,424
Pooled funds –additional analysis		
90,762	Indexed linked securities	91,734
426,067	Equities	604,281
38,925	Developed markets equity long short fund	0
36,286	Events driven fund hedge fund	34,431
73,161	Inflation opportunities fund	78,638
29,321	Absolute bond fund	31,855
27,839	Multi-strategy equity hedge fund	30,153
43,676	Multi asset credit fund	54,707
766,037		925,799
Pooled property investments		
68,861	UK property investments	68,986
68,861		68,986
Private equity		

## Pension Fund

6,791	Opportunistic property	7,936
21,764	European infrastructure	22,776
73,403	Fund of Funds global private equity	102,436
22,042	UK secured long income fund	27,696
<b>124,000</b>		<b>160,844</b>
<b>Derivatives- Assets</b>		
168	Futures	5
-	Forward foreign exchange	44
<b>168</b>		<b>49</b>
<b>1,094,703</b>	<b>Total Investment Assets</b>	<b>1,303,312</b>
52,855	Cash deposits	100,369
2,351	Investment income due	2,445
-	Amounts receivable from sales	240
<b>1,149,909</b>		<b>1,406,366</b>
<b>Investment liabilities</b>		
(69)	Derivatives- futures	(141)
(183)	Derivatives- forward foreign exchanges	(0)
(149)	Investment expenses	(735)
<b>(401)</b>		<b>(876)</b>
<b>1,149,508</b>	<b>Net investment assets</b>	<b>1,405,489</b>

NOTE 14C: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2020			Market value 31 March 2021	
£000s	%		£000s	%
<b>Fixed income securities</b>				
90,621	7.9%	Western Asset Management	98,381	7.0%
<b>Equities</b>				
45,015	3.9%	International Public Partnerships	48,424	3.4%
<b>Pooled investments</b>				
90,762	7.9%	Blackrock indexed linked bonds	91,734	6.5%
9,782	0.9%	Blackrock UK passive fund	-	-
148,736	12.9%	Blackrock Global passive	-	-
-	-	Blackrock Low carbon Global passive	220,389	15.7%
102,567	8.9%	MFS global equities	140,390	10.0%
74,376	6.5%	LCIV Baillie Gifford global equities	116,232	8.3%
23,420	2.0%	LCIV JP Morgan emerging equities	35,926	2.6%
67,187	5.8%	LCIV Longview	91,344	6.5%
43,676	3.8%	LCIV CQS Multi asset	54,707	3.9%
38,925	3.4%	Lansdowne hedge fund	0	0.0%
11,051	1.0%	York Capital hedge fund	5,980	0.4%
73,161	6.4%	M&G inflation opportunities	78,638	5.6%
29,321	2.6%	Insight hedge fund	31,855	2.3%
27,839	2.4%	Davidson Kempner hedge fund	30,153	2.1%
25,235	2.2%	CFM hedge fund	28,451	2.0%
<b>Pooled property</b>				
342	-	RREEF commercial property	53	-

## Pension Fund

35,263	3.1%	Blackrock commercial property	34,825	2.5%
33,256	2.9%	Legal & General commercial prop.	34,108	2.4%
<b>Private equity</b>				
73,403	6.4%	Adam St Partners fund of funds	102,436	7.3%
21,764	1.9%	Antin European infrastructure	22,776	1.6%
6,791	0.6%	Brockton opportunistic property	7,936	0.6%
22,042	1.8%	CBRE UK secured long income fund	27,696	2.0%
<b>Cash &amp; accruals</b>				
35,868	3.1%	Goldman Sachs cash	31,296	2.2%
16,952	1.5%	Northern Trust cash	69,039	4.9%
35	-	Blackrock MMF	35	0.0%
2,118	0.2%	Investment accruals	2,685	0.2%
<b>1,1149,508</b>	<b>100.0%</b>		<b>1,405,489</b>	<b>100.0%</b>

## Pension Fund

The following investments represent more than 5% of the net assets of the scheme. All of these companies are registered in the UK.

Security	Market value 31 March 2020 £000s	% of total Fund	Market value 31 March 2021 £000s	% of total Fund
Blackrock – Global Equities	148,736	12.9%		
Blackrock – Low Carbon Equities			220,389	15.7%
MFS global equities	102,567	8.9%	140,390	10.0%
Western Asset – corporate bonds	90,621	7.9%	98,381	7.0%
Blackrock – indexed linked bonds	90,762	7.9%	91,734	6.5%
LCIV – Longview global equities	67,187	5.8%	91,344	6.5%
LCIV – Baillie Gifford global equities	74,376	6.5%	116,232	8.3%
M&G Inflation opportunities	73,161	6.4%	78,638	5.6%
Adam Street Partners – private equity	73,403	6.4%	102,436	7.3%

### NOTE 15: FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable & unobservable inputs	Key sensitivities affecting the valuations provided
<b>Market quoted investments</b>	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
<b>Quoted bonds</b>	Level 1	Fixed interest securities are valued at a market value	Not required	Not required



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		based on current yields		
<b>Futures and options in UK bonds</b>	Level 1	Published exchange prices at the year-end	Not required	Not required
<b>Forward foreign exchange derivatives</b>	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
<b>Overseas bond options</b>	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
<b>Pooled investments – overseas unit trusts and property funds</b>	Level 2	Published bid market price at end of the accounting period.	NAV per share	Not required
<b>Pooled investments – hedge funds</b>	Level 2	Most recent valuation	NAV published, Cashflow transactions, i.e. distributions or capital calls	Not Required
<b>Property held in a limited partnership</b>	Level 3	Most recent published NAV updated for cashflow transactions to the end of the accounting period	NAV published, Cashflow transactions, i.e. distributions or capital calls	Valuations could be affected by material events between the date of the pool fund financial statements and the fund's own reporting date, including cash flows transacted in between the audited accounts received and the pension fund's year end.
<b>Private equity</b>	Level 3	Most recent valuations updated for cashflow transactions and foreign exchange movements	Cashflow transactions, i.e. distributions or capital calls, foreign exchange movements. Audited financial	Valuations could be affected by material events between the date of the financial statements provided by the asset managers and the pension fund's own

## Pension Fund

to the end of the accounting period. The Market approach may be used in some circumstances for the valuation of underlying assets by the fund manager. Prepared in line with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (2018)	statements for underlying assets, which may include market approach valuations: taking into account actual observed transactions for the underlying assets or similar assets to help value the assets of each partnership.	reporting date, including cash flows transacted in between the audited accounts received and the pension fund's year end.
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### Sensitivity of assets valued at level 3

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

Description of asset	Assessed valuation range (+/-)	Value at 31 March 2020	Value on increase	Value on decrease
	%	£000s	£000s	£000s
Pooled Property	10.0%	68,986	75,885	62,087
UK secured long income fund	7.5%	27,696	29,773	25,619
UK opportunistic property	10.0%	7,936	8,730	7,142
European Infrastructure	5.0%	22,776	23,915	21,637
Private equity fund of funds	15.0%	102,436	117,801	87,071
<b>Total</b>		<b>229,830</b>	<b>244,068</b>	<b>203,556</b>

### NOTE 15A: FAIR VALUE HIERARCHY

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

### 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, exchange traded 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 prices are not available; for example, where an investment 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 at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments (private equity), 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 2021	Level 1	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s
Financial assets at fair value	147,634	925,848	229,830	1,303,312
Financial liabilities at fair value	(141)	(735)	-	(876)
<b>Net investment assets</b>	<b>147,493</b>	<b>925,113</b>	<b>229,830</b>	<b>1,302,436</b>

	Quoted market price	Using observable inputs	With significant unobservable inputs
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## Pension Fund

Values at 31 March 2020	Level 1	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s
Financial assets at fair value	135,637	766,205	192,861	<b>1,094,703</b>
Financial liabilities at fair value	(69)	(332)	-	<b>(401)</b>
<b>Net investment assets</b>	<b>135,568</b>	<b>765,873</b>	<b>192,861</b>	<b>1,094,302</b>

### NOTE 15B: TRANSFERS BETWEEN LEVELS 1 AND 2

There has been no movement during 2020/21.

### NOTE 15C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market value 1 April 2020	Transfers in/out of level	Purchases during the year	Sales during the year	Unrealised gains/losses	Realised gains/losses	Market value 31 March 2021
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Pooled Property</b>	*68,861	0	0	0	125		68,986
	<b>68,861</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>125</b>	<b>0</b>	<b>68,986</b>
<b>Venture capital</b>	73,403	0	5,506	(8,619)	(946)	5,179	102,436
<b>Infrastructure</b>	21,764	0	2,459	0	2,260	0	22,776
<b>Property Funds</b>	22,042	0	18,505	0	(1,074)	0	27,696
<b>UK Secured Income Funds</b>	6,791	0	2,800	(2,354)	(344)	2,079	7,936
	<b>124,000</b>	<b>0</b>	<b>29,270</b>	<b>(10,973)</b>	<b>(104)</b>	<b>7,258</b>	<b>160,844</b>
	<b>192,861</b>	<b>0</b>	<b>29,270</b>	<b>(10,973)</b>	<b>(841)</b>	<b>7,258</b>	<b>229,830</b>

\*There has been significant volatility in the financial markets as a result of the COVID-19 pandemic, the effect of this required these assets to be moved from a fair value hierarchy level 2 to level 3 as at 31 March 2020

## NOTE 16: FINANCIAL INSTRUMENTS

## NOTE 16A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period

31 March 2020			31 March 2021		
Fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£000s	£000s	£000s	£000s	£000s	£000s
<b>Financial assets</b>					
90,622			Bonds	99,210	
45,015			Equities	48,424	
766,037			Pooled investments	925,799	
68,861			Pooled property	68,986	
124,000			Private equity	160,844	
168			Derivative contracts	49	
	52,855		Cash deposits		100,369
	2,351		Other investment balances		2,685
			Trade debtors		
<b>1,094,703</b>	<b>55,206</b>	<b>-</b>	<b>Total financial assets</b>	<b>1,303,312</b>	<b>103,054</b>
<b>Financial liabilities</b>					
		(252)	Derivative contracts		(141)
		(149)	Other investment balances		(735)
			Trade creditors		
	-	(401)	<b>Total financial liabilities</b>	<b>-</b>	<b>(876)</b>
<b>1,094,703</b>	<b>55,206</b>	<b>(401)</b>	<b>Grand total</b>	<b>1,303,312</b>	<b>103,054</b>
					<b>(876)</b>

**NOTE 16B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**

31 March 2020		31 March 2021
£000s		£000s
<b>Financial assets</b>		
(46,916)	Designated at fair value through profit & loss	254,095
1,859	Financial assets at amortised costs	(4,116)
<b>(45,057)</b>	<b>Total</b>	<b>249,979</b>

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

**NOTE 17: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Pension Fund's investment objective is to achieve a return on Fund assets, which is sufficient, over the long term, to fully meet the cost of benefits and to ensure stability of employer's contribution rates. Achieving the investment objectives requires a high allocation to growth assets in order to improve the funding level, although this leads to a potential higher volatility of future funding levels and therefore contribution rates.

**Management of risk**

The Pension Fund is invested in a range of different types of asset – equities, bonds, property, private equity and cash. This is done in line with the Local Government Pension Scheme Management and

Investment of Funds Regulations 2016, which require pension funds to invest any monies not immediately required to pay benefits. These regulations require the formulation of an Investment Strategy Statement which sets out the Fund's approach to investment including the management of risk.

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

**a) Market risk**

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the

council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

**The fund manages these risks in two ways:**

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

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

**Other price risk**

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

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

**Other price risk – sensitivity analysis**

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period (based on assumption made in March 2020 on data provided by the Fund's investment consultant. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. To demonstrate the impact of this volatility, the table below shows the impact of potential price changes based on the observed historical volatility of asset class returns.

Asset type	Potential market movements (+/-)	Potential market movements (+/-)
	2019/20	2020/21
Fixed income government bond	0.2%	0.2%
Inflation-linked government bonds	0.2%	0.2%
Investment grade corporate bonds	1.5%	1.5%

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Equities	7.2%	7.2%
Private equity	9.2%	9.2%
Real estate	5.4%	5.4%
Hedge funds	3.2%	3.2%

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset type	Value at 31 March 2021	Potential value on increase	Potential value on decrease
	£000	£000	£000
Fixed income government bond	4,082	4,090	4,074
Inflation-linked government bonds	91,734	91,917	91,551
Investment grade corporate bonds	94,300	95,715	92,886
Equities	652,705	699,700	605,710
Private equity	160,844	175,642	146,046
Real estate	68,986	72,711	65,261
Hedge funds	229,784	237,137	222,431
Cash & accruals	103,054	103,054	103,054
	<b>1,405,489</b>	<b>1,479,966</b>	<b>1,331,012</b>

Asset type	Value at 31 March 2020	Potential value on increase	Potential value on decrease
	£000	£000	£000
Fixed income government bond	3,508	3,515	3,501
Inflation-linked government bonds	90,762	90,944	90,580
Investment grade corporate bonds	87,114	88,421	85,807
Equities	471,044	504,959	437,129



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Private equity	124,000	135,408	112,592
Real estate	68,861	72,579	65,143
Hedge funds	249,013	256,981	241,045
Cash & accruals	55,206	55,206	55,206
	<b>1,149,508</b>	<b>1,208,013</b>	<b>1,091,003</b>

### Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate 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 benchmarks.

The fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

### Interest rate risk sensitivity analysis

The council recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely.

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

Assets exposed to interest rate risk	Value as at 31 March 2021 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits	-	-	-	-
Cash & cash equivalents	100,369	1,004	-	-
Cash balances	53	-	-	-
Bonds	190,944	1,909	192,853	189,035
<b>Total</b>	<b>291,366</b>	<b>2,913</b>	<b>192,853</b>	<b>189,035</b>

## Pension Fund

Assets exposed to interest rate risk	Value as at 31 March 2020	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits	-	-	-	-
Cash & cash equivalents	52,855	529	-	-
Cash balances	53	-	-	-
Bonds	181,383	1,814	183,197	179,569
<b>Total</b>	<b>234,291</b>	<b>2,343</b>	<b>183,197</b>	<b>179,569</b>

Income exposed to interest rate risks	Amount receivable as at 31 March 2021	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Interest on cash deposits	28	0	28	29
Bonds	3,439	34	3,473	3,508
<b>Total</b>	<b>3,467</b>	<b>35</b>	<b>3,502</b>	<b>3,536</b>

Income exposed to interest rate risks	Amount receivable as at 31 March 2020	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Interest on cash deposits	614	6	620	626
Bonds	3,440	34	3,474	3,406
<b>Total</b>	<b>4,053</b>	<b>41</b>	<b>4,094</b>	<b>4,134</b>

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

## Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (UK sterling). The fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

The fund's currency rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

## Currency risk – sensitivity analysis

There is a risk that due to exchange rate movements the sterling equivalent value of the investments falls. The Fund acknowledges that adverse foreign currency movements relative to Sterling can reduce the value of the fund's investment portfolio. The table below demonstrates the potential value of the fund's investments based on positive or adverse currency movements by 10%.

Assets exposed to currency risk	Assets value as at 31 March 2020 £000	Potential movement £000	Value on increase £000	Value on decrease £000
Canadian Dollar	1,079	108	1,187	971
Danish Krone	4,091	409	4,500	3,682
Euro	34,661	3,466	38,127	31,195
Hong Kong Dollar	7,993	799	8,792	7,194
Japanese Yen	18,787	1,879	20,666	16,908
Swedish Krona	5	1	6	4
Norwegian Krone	611	61	672	550
Swiss Franc	1,153	115	1,268	1,038
US Dollar	222,875	22,288	245,163	200,587
	<b>291,255</b>	<b>29,126</b>	<b>320,381</b>	<b>262,129</b>

Assets exposed to currency risk	Assets value as at 31 March 2019 £000	Potential movement £000	Value on increase £000	Value on decrease £000
Australian Dollar	1,562	156	1,718	1,406

## Pension Fund

Canadian Dollar	1	-	1	1
Danish Krone	737	74	811	663
Euro	39,617	3,962	43,579	35,655
Japanese Yen	291	29	320	262
Mexican Peso	677	68	745	609
Norwegian Krone	6	1	7	5
Singapore Dollar	1,143	114	1,257	1,029
South African Rand	480	48	528	432
Swedish Krona	541	54	595	487
Swiss Franc	1,089	109	1,198	980
US Dollar	161,988	16,199	178,187	145,789
	<b>208,132</b>	<b>20,814</b>	<b>228,946</b>	<b>187,318</b>

### b) Credit risk

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

In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives' positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. The council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency.

## Pension Fund

The Council believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2020 was £52.9m (31 March 2019 - £58.1m). This was held with the following institutions:

	Rating	Balances as at 31 March 2020 £000	Balances as at 31 March 2021 £000
<b>Termed deposits</b>			
Close Brothers	A-	-	-
<b>Money market funds</b>			
Goldman Sachs money market fund	AAAm	35,868	31,296
Blackrock money market fund	AAAm	35	35
<b>Bank current accounts</b>			
HSBC	AA-	53	53
Northern Trust Custodian	AA-	15,108	65,373
Cash held by fund managers		1,844	3,666
		<b>52,908</b>	<b>100,423</b>

**c) Liquidity risk** - represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its pension fund cash holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

All financial liabilities at 31 March 2020 are due within one year.

**d) Refinancing risk** - The key risk is that the council will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The council does not have any financial instruments that have a refinancing risk as part of its investment strategy

## NOTE 18: FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the results was approved by the Pension Policy & Investment Committee at their February 2020 meeting, for implementation from 01 April 2020.

The key elements of the funding policy are:

- 1) to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- 2) to ensure that employer contribution rates are as stable as possible
- 3) to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- 4) to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so, and
- 5) to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 19 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Normally this is three years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation, the fund was assessed as 103% funded.

### Financial assumptions

The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates are shown in note 20 in the financial assumption section.

### Demographic assumptions

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P Light mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) 2014 Core Projections with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 were:

Life expectancy from age 65 as valuation date	Males	Females
Current pensioners aged 65 at the valuation date	22.3	24.2
Future pensioners aged 45 at the valuation date	22.9	24.9

### NOTE 19: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

## Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Enfield Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

## Actuarial Position

- a) The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £1,185.5M) covering 103% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
- b) The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:
  - 18.5% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

## Plus

- an allowance of 1.5% of pay for McCloud and cost management – see paragraph 9 below,
- c) In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	19.8	0.008
2021	19.8	0.008
2022	19.8	0.009

- d) The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
- e) The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service

Scheduled and subsumption body funding target \*

4.20% p.a.

## Pension Fund

Low risk funding target	1.30% p.a.
Ongoing Orphan funding target	3.30% p.a.

Discount rate for periods after leaving service

Scheduled and subsumption body funding target *	4.20% p.a.
Low risk funding target	1.30% p.a.
Ongoing Orphan funding target	1.60% p.a.

Rate of pay increases 3.60% p.a.

Rate of increase to pension accounts 2.10% p.a.

Rate of increases in pensions in payment  
(in excess of Guaranteed Minimum Pension) 2.10% p.a.

*\* The scheduled and subsumption body discount rate was used for scheduled bodies and other employers whose liabilities will be subsumed after exit by a scheduled body.*

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

- f) The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P mortality tables with appropriate scaling factors applied based on an analysis of the Fund's postcode data using Aon's Demographic Horizons™ longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CMI2018), with  $s_k$  of 7.5 and parameter A of 0.0 assuming a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.3	24.2
Current active members aged 45 at the valuation date	22.9	24.9

- g) The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.
- h) The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 31 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
- i) There are a number of uncertainties regarding the Scheme benefits and hence liabilities:
- **Increases to Guaranteed Minimum Pensions (GMPs):**  
The 2019 valuation allows for the extension of the 'interim solution' for public service



schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. On 23 March 2021, the Government published a response to its consultation on the longer term solution to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case. The response set out its proposed longer term solution, which is to extend the interim solution further to those reaching SPA after 5 April 2021.

The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

- **Cost Management Process and McCloud judgement:** Initial results from the Scheme Advisory Board 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS was issued in July 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 1.5% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the details of the LGPS changes arising from the McCloud judgement and (if applicable) arising from the 2016 cost management process have been agreed.

Work on the 2020 cost management process has now been started, and it is possible that further changes to benefits and/or contributions may ultimately be required under that process, although the outcome is not expected to be known for some time.

- **Goodwin**  
An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

- j) This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, London Borough of Enfield, the Administering Authority of the Fund, in respect of this Statement.

- k) The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

<https://new.enfield.gov.uk/pensions/wp-content/uploads/2017/10/London-Borough-of-Enfield-Pension-Fund-Actuarial-valuation-as-at-31-March-2019-.pdf>

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NOTE 20: CURRENT ASSETS

31 March 2020		31 March 2021
£000s		£000s
<b>Debtors</b>		
208	Contributions due - employees	195
636	Contributions due - employers	577
0	Sundry debtors	144
<b>844</b>		<b>916</b>
<b>Cash balances</b>		
53	Current account	21
<b>897</b>		<b>937</b>

NOTE 20A: LONG TERM DEBTORS

31 March 2020		31 March 2021
£000s		£000s
<b>Debtors</b>		
53	Pensioner Tax liability	96
<b>53</b>		<b>96</b>

NOTE 21: CURRENT LIABILITIES

31 March 2020		31 March 2021
£000s		£000s
(460)	Sundry creditors	-1
(567)	Benefits payable	(488)
<b>(1,027)</b>		<b>(489)</b>

## NOTE 22: ADDITIONAL VOLUNTARY CONTRIBUTIONS

Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main Fund and in accordance with the Local Government Pension Scheme (Management and Investment of Funds) regulations 2016, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Fund by the AVC provider are disclosed within transfers-in.

The current provider is Prudential. Funds held are summarised below:

	Opening Balance at 1 <sup>st</sup> April 19	Contributions & Transfers	Sums Paid Out	Investment Return	Closing Balance at 31 March 2020
	£000s	£000s	£000s	£000s	£000s
Plan Value	3,512	767	(1,100)	103	3,282
Bonus	(332)				(411)
	3,180	767	(1,100)	103	2,871

## NOTE 23: AGENCY SERVICES

The Enfield Pension Fund does not use any agency services to administer the pension service.

## NOTE 24: RELATED PARTY TRANSACTIONS

### London Borough of Enfield

The Enfield Pension Fund is administered by the London Borough of Enfield. Consequently, there is a strong relationship between the Council and the Pension fund.

During the reporting period, the Council incurred costs of £1.695m (2019/20: £1.124m) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The Council is also the single largest employer of members of the pension fund and contributed £38.5m to the fund in (2019/20 £39.2m). At year end the Pension Fund owed the Council £126k (£460k in 2019/20).

Scheduled and admitted bodies owed the Fund £898k (£844k in 2019/20) from employer & employee contributions. All payments were received by 19<sup>th</sup> April 2021.

### Governance

## Pension Fund

The Enfield Council has decided that Councillors should not be allowed to join the LGPS scheme and receive pension benefits from the Fund.

No allowances are paid to Members directly in respect of the Pension Policy & Investment Committee. The Chair of the Pension Policy & Investment Committee, however, is paid a special responsibility allowance.

During the year, no member or Council Officer with direct responsibility for pension fund issues had undertaken any declarable material transactions with the Pension Fund. Each member of the Pension Committee is required to declare their interests at meetings.

### NOTE 24A: KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Pension manager, Finance Manager (Pensions & Treasury), the Head of Exchequer Services. As required by paragraph 3.9.4.2 of the CIPFA code of practice 2020/21 the figures below show the total remuneration and the change in value of post-employment benefits provided to these individuals over the accounting year.

31 March 2020	31 March 2021
£000s	£000s
237 Short-term benefits	267
72 Post-employment benefits	74
<b>309</b>	<b>341</b>

### NOTE 25: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The total outstanding capital commitments (investments) at 31 March 2021 are £40m (31 March 2020 were £70m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.