

# London Borough of Enfield

## Statement of Accounts

2019/20



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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. In 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 2020, and
- The Authority's Income and Expenditure for financial year 2019/20

Signed



**Fay Hammond**

**Executive Director of Resources**

**14<sup>th</sup> October 2021**

### 1. Introduction

The Statement of Accounts summarises the financial performance for financial year 2019/20 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 2019/20 has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, 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 different 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.

## Narrative Report

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- **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.

### 2. Key Facts About Enfield

Enfield is the fifth largest London Borough by population, it has a population of 333,869 (2018 mid-year estimate), an increase of 1,162 (0.35%) over the previous 12 months. This is below both the London (0.94%) and all England (0.64%) increases. The greatest increase was 1.65% for the 65+ population.

The general population has increased by 8% over the past decade, with the over 65s being the highest (16%) amongst the age groups within the same period, lower than the London increase of 21% over the same period. The over 65 is projected to increase by 27% over the next decade which presents a financial challenge with the overall yearly decrease in Enfield's budget.

Enfield's age profile is proportionately distributed between the sexes but, compared to the rest of London averages it has a higher number of young people aged 0-15. There are proportionately more children and young people under 20 in Enfield than in both London and England overall. The Borough has a very diverse population. Overseas born residents make up 36.80%, (Inner London 40%, Outer London 33.8%, London 36.38%, England 15.44 and UK 14.24%).

### 3. Corporate Objectives

Enfield is a unitary authority and as such is responsible for the delivery of all local government services including:

- Environmental services such as street cleansing, waste collection, maintenance of the highway and environmental enforcement.
- Planning services
- Housing services, through both social housing provision in the HRA and support for homelessness
- Cultural services - libraries and leisure
- Social Care for Adults and Children
- Education

The Council's overarching business plan sets out the programme of work that the Council will achieve over the period. The Council's current corporate plan for 2019/20, was agreed in June 2018. Enfield Council's Corporate Plan aims to build strong, healthy and vibrant communities and increase the supply of good quality affordable homes over the next four years. Running through everything the Council does is a commitment to reducing the inequality experienced by people across the Borough.

At the end of 2019/20 good progress has been made towards the delivery of the ambitious set of commitments set out in the Council Plan; these achievements are set out in the updated Council Plan reported to the May 2020 Cabinet. A number of these key achievements are set out below:

- In 2019/20, the Council delivered 551 new homes through Council-led projects, of which 239 are affordable, including 178 council homes.
- The agreement for 'Meridian 1' was signed. This will create around 900 new homes at Meridian Water, with 50% being affordable. The first new homes will be delivered in 2022.
- 200 additional Special Educational Needs and Disability (SEND) school places created in the Borough.



## Narrative Report

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- A dedicated multi-agency domestic abuse hub and free phone line launched to respond to concerns quickly, reduce risks and ensure the safety of children and vulnerable adults
- In 2019, the Council ran a Summer University programme together with local providers, developed in partnership with young people, to offer a wide range of courses and activities over the summer holidays. 545 young people attended the programme and of these, 70 gained a nationally recognised qualification.
- Ofsted rated the Council's Children's Social Care services 'good'.
- The Council launched a PayPoint system, where residents can pay their council tax and housing rent at their local retailer. This is not only more cost effective for the Council but is more convenient for the residents.
- Not within the updated Corporate Plan but important nonetheless: the Council moved to 100% operating off-site, despite the network never having been set up to manage such a load and many staff never having operated this way previously.

The Council continues to monitor delivery of the Council Plan through regular member updates, with each Member being assigned a Council plan theme.

<https://new.enfield.gov.uk/services/your-council/our-vision-aims-and-values/> - link to renewed Council Plan and achievements to date.

At a more operation level, the Council regularly reviews performance which is reported via the Quarterly Performance Report to Cabinet. As reported at the end of 2019/20, of the 57 indicators 32 were green and 12 amber. Where there are sustained areas of particular performance concern, additional scrutiny is applied through a quarterly review process of an action improvement plan such as increasing number of residents in temporary accommodation.

<http://governance.enfield.gov.uk/documents/s82511/newQ4%20Appendix%201%20-%20Performance%20scorecard%20Final%20v2.pdf>

#### 4. Governance and Decision Making

The Council operates a Leader and Cabinet model, with the Cabinet members having the following responsibilities:

- CLlr Nesil Calliskan – Leader of the Council
- CLlr Aliv Cazimoglu – Cabinet Member for Health and Social Care
- CLlr Guney Dogan – Cabinet Member for Environment and Sustainability
- CLlr Rick Jewell – Cabinet Member for Children's Services
- CLlr Nneka Keazor – Cabinet Member for Community Safety and Cohesion
- CLlr Mary Maguire – Cabinet Member for Finance and Procurement
- CLlr Gina Needs – Cabinet Member for Social Housing
- CLlr George Sava – Cabinet Member for Licensing and Regulatory Services
- CLlr Mahtab Uddin - Cabinet Member for Public Health

The day to day management of the authority is through the Chief Executive and his Executive Management Team:

- Chief Executive – Ian Davis
- Executive Director Place – Sarah Cary
- Executive Director People – Tony Theodoulou

## Narrative Report

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Executive Director Resources – Fay Hammond

Director of Legal and Monitoring Officer – Jeremy Chambers

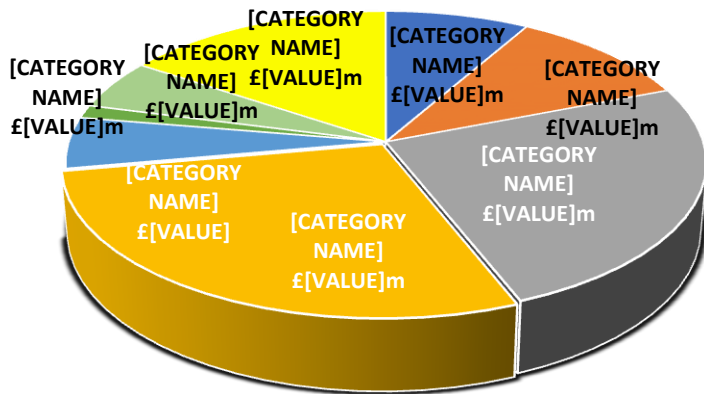
There have been a number of actions taken during 2019/20 to further strengthen the Council's governance arrangements:

- In 2018/19, the Capital Board was set up, chaired by the Director of Finance and attended by Directors who have responsibilities for delivery of the capital programmes. The purpose of the Board is to maintain strategic overview of the capital programme, its affordability and ensuring good governance of capital decisions and monitoring of the programme. For the first time, during 2019/20, the Council produced a ten year Capital Programme, as well as a 10 Year Treasury Management Strategy. This not only increased visibility over the Council's commitments, but supported the imposition of a £2 billion borrowing cap. During 2019/20, the Capital Board, which plays a key governance function in reviewing the Capital Programme, had its terms of reference revised.
- In 2019/20, the Assurance Board focussed on Cyber security as an area of special interest, to be satisfied that the Council arrangements are robust.
- The Council's Constitution has been reviewed and updated in a phased approach over the year. This included a review of the Council's Scheme of Delegation and a strengthened set of Financial Regulations, giving clarity to the role and remit of all officers. The revised Constitution was agreed at full Council on 26 February 2020. Full council/Annual General Meeting took place on 1<sup>st</sup> July. At this meeting the next phase of the constitutional changes including the way scrutiny functions operate was approved.
- The Learning and Development programme was set up to support the Council's key initiatives over the coming years, such as the new behaviours identified through the cultural audit, ongoing development of staff including new recruits moving into post and staff retention initiatives to support the Council's organisational review.
- During the 2020/21 civic year, there were further changes to committee structures. There is a General Purposes Committee, which has sat on multiple occasions, now fulfils the previous functions of the Audit & Risk Committee, including responsibility for approving the Council's statutory accounts. As it now has a wider remit and includes more senior councillors, the Committee has a strengthened role in reviewing Council performance. In addition, a number of scrutiny panels have been set up including Finance and Performance.

### **5. Where Does the Borough's Income Come from and How is it Spent?**

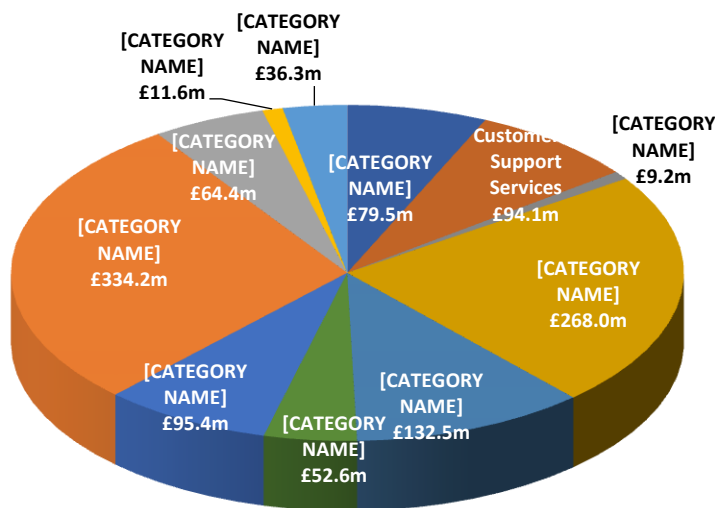
The Council receives income from a variety of sources, local taxation and grants especially, and spends it to meet its statutory obligations. However, it also generates money from fees, charges and rents to make up the difference, in order to keep core public services running.

#### **Council's Gross Income 2019/20**



The Council only generates one fifth of its income from business rates and council tax. However, that forms the majority of its net revenue budget of £230.988m. Fees, Rents, Charges, service specific grants offset the remainder of the Gross Revenue Budget.

**Council's Gross Expenditure 2019/20**



Dedicated Schools Grant and Housing Benefits make up half the expenditure of Enfield, the Council has limited direct control over how this money is spent.

Once Housing Benefits, DSG and ring-fenced HRA expenditure is removed, the General Fund expenditure is £511m. £228m of that is spent on social care and health or approaching half of the remaining budget. This spend is growing year-on-year.

2019/20 saw the continuation of the Government’s austerity programme which manifested itself in a £6m (6.3%) reduction in Settlement Funding Assessment, the tenth successive year of reduction since 2010/11. There was some recognition of the demographic pressures being experienced by upper tier authorities, with the introduction of a social care grant which benefited Enfield to the value of £3.5m

The major source of income growth has continued to be through Council tax increases and Business Rates growth, supplemented by inflationary increase in fees and charges where appropriate. Council Tax was increased by 3.99% for 2019/20, comprising a 2.99% core increase, keeping inside the Government’s 3% referendum threshold limit, and a further 1% for the Adult Social Care precept. The Adult Social Care Precept has been at the heart of Government policy for supporting Adult Social Care whilst it ponders the long term funding solution. Spending Review 2016 had provided for a 6% increase across the period 2017/18 to 2019/20. Business Rates growth continued to be minimal but the London Pilot Pool, with 75% of rates retained, did raise an additional £3m.

## Narrative Report

The increases in funding and income have not kept abreast of the pressures faced by local authorities across England, including Enfield. As well as having to address cost and demographic pressures in Adult Social Care, Children’s Social Care and SEN provision, especially transport, the Council is addressing underlying challenges of historical pressures not previously fully recognised and income and savings targets that were later found to be unachievable. In total these amounted to £25.3m. This presented a significant gap which required £16.45m of savings to be delivered, including £3.37m from previous decisions.

### 6. Financial Performance

#### Revenue Budget Outturn 2019/20

In 2019/20 the Council managed a General Fund revenue budget of £231m. There was a net budget variance of £5.6m. Table 1 below shows the final outturn position of services for the year, together with the sources of income from which the Council’s net revenue expenditure was financed.

The Council’s revenue income and expenditure was monitored against budget on a monthly basis in 2019/20 and reported quarterly to Cabinet. Many of the pressures which are reported in the 2019/20 outturn were identified in monitoring during the year and addressed in the budget setting process for 2020/21.

**Table 2: Revenue Outturn Position 2019/20**

	Budget £000's	Net Spend £000's	Outturn Variance £000's
Chief Executive	10,519	10,565	46
People	114,540	120,532	5,992
Place	36,587	37,736	1,149
Resources	38,163	41,853	3,690
<b>Service Net Costs</b>	<b>199,809</b>	<b>210,686</b>	<b>10,877</b>
Corporate	31,179	25,866	(5,313)
<b>Net Expenditure</b>	<b>230,988</b>	<b>236,552</b>	<b>5,564</b>
<b>Expenditure financed by:</b>			
Business Rates	(95,379)	(95,742)	(363)
Other non-ring-fenced Government Grants	(5,814)	(5,530)	284
Council Tax	(128,795)	(129,795)	(1,000)
Transfer from Reserves	(1,000)	(5,485)	(4,485)
<b>General Fund Corporate Financing</b>	<b>(230,988)</b>	<b>(236,552)</b>	<b>(5,564)</b>

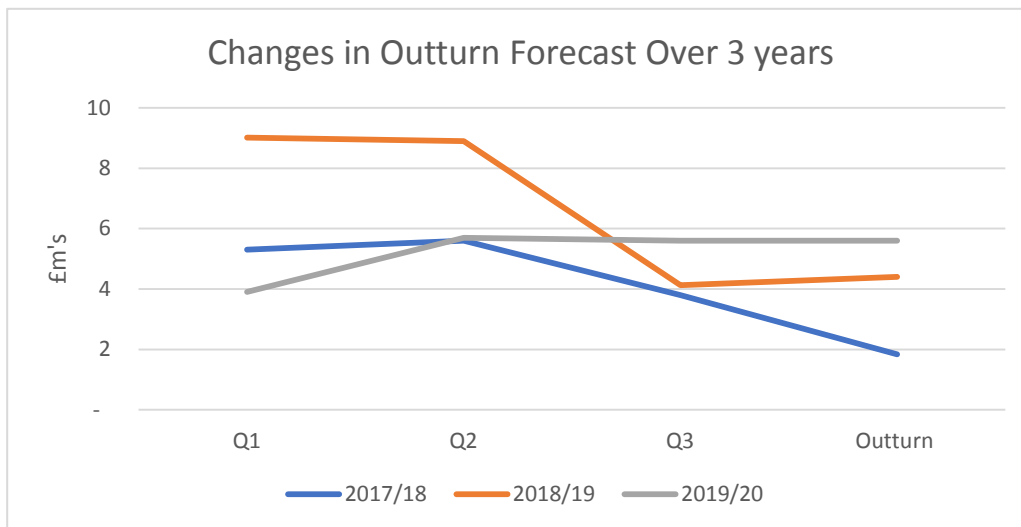
The main reasons for the 2019/20 variance are highlighted below:

- **People:** increasing demographic pressures are driving overspends in Adult Social Care and Children’s Social Care as the Council continues to meet demand and provide services to those in need
- **Place:** Special Educational Needs transport overspent as a result of increased pupil numbers, including demand for more out of borough transportation and costs associated with providing a service for those with high needs and the one off impact of a rent review of the depot facilities used by the Council.

## Narrative Report

- **Resources:** a reduction in recovered court cost income led to an overspend, along with historically agreed unachievable savings

The following graph reflects a trend of improvements in budget setting and monitoring at Enfield Council over the past three years. As a result of strong financial management and financial leadership, there is less variation in forecast outturn between quarters in year and these are more accurate forecasts of actual outturn. Improved budget setting has reduced the reliance of the Council on capital receipts to manage this position. The following outturn positions include the flexible use of capital receipts which was £6.7m in 2017/18, £3.7m in 2018/19 and £2.7m in 2019/20.



### Housing Revenue Account

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 a thirty-year business plan.

The HRA general balance, excluding Earmarked Reserves, has been maintained at £4.6m in 2019/20. The HRA Earmarked Reserves have risen from £12.2m to £22.3m due to good fiscal management. This reflects 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.

### The Schools' Budget

The Dedicated Schools Grant (DSG) for 2019/20 totalled £334.6m. The DSG is a ring-fenced grant and the funding was allocated across four blocks; £259m for the Schools Block, £2.9m for the Central Schools Services Block, £25.4m for Early Years and £47.3m for the High Needs Block.

The DSG had a brought forward surplus of £0.4m from 2018/19 but this moved to a deficit of £4.5m by 31 March 2020. This is mainly due to a £5.2m overspend in the High Needs block caused by increased costs for out-of-borough placements due to additional pupils, full year effects of pupils starting in 2018/19, the full cost of complex care pupils who have turned 18 and the number of post 16 students attending college with high needs support, an additional 55 places created at

## Narrative Report

West Lea Special School and additional staffing in both the SEN and Education Psychology services required to meet increasing levels of demand. This was partly offset by an underspend of £0.3m in the Schools Block due to reduced rates liability for schools converting to academies and underspends in other service areas.

The cumulative deficit at year end is £4.5m which will be the first call on the 2020/21 grant allocation and therefore reduce the funding available for next year. The DSG funding settlement for 2020/21 includes a 3.4% funding increase for the Schools Block and 16.1% increase for the High Needs Block, a 5% overall. Whilst this is welcomed, the increase in income is not keeping pace with the increase in expenditure and services will continue to face significant pressures. The Council continues to work on various initiatives to develop additional in borough special education provision which will reduce the number of children being educated in independent out-of- borough provision and reduce costs.

Enfield's initial 2020/21 DSG settlement was announced on 19 December 2019 as £351.26m. The Early Years Block allocations for 2, 3 and 4 year olds are based on January 2019 data and will be updated during 2020/21 to reflect January 2020 census data. The DSG allocation will be also be adjusted during 2020/21 to reflect academy recouplement.

There are considerable risks in the school's budget for 2020/21, mainly due to the ongoing increase in numbers of children presenting with special educational needs. The DSG funding settlement for 2020/21 includes a 3.4% funding increase for the Schools Block and 16.1% increase for the High Needs Block, 5% overall and whilst this is welcomed the increase in income is not keeping pace with the increase in expenditure and the service continues to face significant pressures.

### 7. Capital Expenditure & Financing In-Year

The table below shows the capital expenditure incurred and funding applied in 2019/20 compared to the approved programme (projection as at November 2019). The capital outturn will result in some re-profiling of the capital programme which will impact on the 2020/21 and future years' budgets.

**Table 3: Capital Expenditure**

	<b>Projected £000</b>	<b>Outturn £000</b>
Community Safety	300	370
Corporate Buildings and Improvements	3,169	2,285
Council Dwellings	97,065	86,126
Housing Grants	2,013	2,222
Housing Regeneration Projects	44,453	32,575
IT Infrastructure and Programmes	8,425	5,771
Leisure and Culture	199	60
Parks and Open Spaces	3,211	2,061
Regeneration Projects	15,749	13,188
Residential and Day Care Services	974	1,093
Schools and Educational Establishments	12,137	12,029
Companies	8,560	7,537
Housing Development Projects	-	888



## Narrative Report

Transport and Environmental Schemes	19,216	19,197
<b>Total Capital Expenditure in 2019/20</b>	<b>215,471</b>	<b>185,402</b>
<b>Sources of Finance:</b>	<b>Projected</b>	<b>Outturn</b>
	<b>£000</b>	<b>£000</b>
Capital Grants & Contributions	(33,614)	(39,821)
Capital Receipts	(31,535)	(5,549)
Earmarked and Capital Reserves	(411)	-
Major Repairs Reserves	(13,885)	-
Revenue Contribution	(11,282)	-
<b>Total Capital Funding 2019/20</b>	<b>(90,727)</b>	<b>(45,370)</b>
<b>Borrowing Requirement</b>	<b>124,744</b>	<b>140,232</b>

The principal elements of expenditure for the 2019/20 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 the construction of an office building on the Genotin Road for occupation by Metaswitch Networks limited

Investment in Council Housing during 2019/20 included maintenance of existing Council homes as well as regeneration of existing estates, including Alma, Ladderswood and New Avenue. Work has continued on the Meridian water project, with the opening of Meridian Water station in June 2019, the acquisition of further land, as well as signing a contract for Meridian One to deliver up to 950 Homes and the selection of a Developer to deliver approximately 270 affordable homes.



Other areas of investment during 2019/20 were in Information technology, where new infrastructure has enabled staff to work securely and remotely, with over 2,300 staff remotely accessing the Council network during lockdown. Investment in a number of areas other areas including changes to the Waste and recycling collections investment in LED street lighting. has also contributed towards the Council's environmental objectives.

The Council generated new General Fund capital receipts in the year of £602k (net of disposal costs). In addition, net receipts of £10.9m were received from the sale of council housing stock under Right to Buy provisions, of which £2.5m is payable to the Government under the housing finance regulations.

### Treasury & Capital Financing Requirement

The increase in the Capital Financing Requirement (CFR) from £992m to £1,109m, 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 £882m to £227m

between the General Fund and the HRA respectively. The Council's debt is £989m, exclusive of interest, an increase of £142m from the previous year. However, it is worth noting the net debt only grew from £810m to £894m, or by £84m, as the Council has reserves from which it could internally borrow, and its Treasury balances grew from £37m to £95m.

Due to the Government giving councils funding earlier in the year to prevent cash-flow concerns, the Council had £109.1m in cash and cash equivalents at the year-end. This 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 on-hand rather than borrow unnecessarily.

As noted in the introduction, interest rates are historically low, and lower than the assumed rate used for the budget, which is why these budgets underspent. At the end of 2019/20 £80m was borrowed at 1.45% for the HRA, part of the Council's intent to opportunistically replace short term with long term debt, de-risking the capital programme. That said, there are risks to increasing debt and that is why the Council established a £2bn debt ceiling for the entire organisation, including its companies, in the Treasury Management Strategy, which was approved at the February Budget Council Meeting.

At the end of 2019/20, the Council still had £60.9m in the Capital Grants Unapplied Account, £6.0m in the Capital Receipts Reserve and £16.0m in the Major Repairs Reserve to finance capital. However, much of the £82.9m has strict conditions attached, meaning that it can only be used for certain projects.

### **8. Pension Liability**

The Pension Liability reflects the underlying long-term commitments that the Council has to pay for the retirement benefits owed to its Pension Fund Members. The net pension liability decreased from £583.3m at 31 March 2019 to £496.5m as at 31 March 2020. The movement is predominantly due to changes in actuarial assumptions of £183.9m, offsetting negative return on plan assets of £75.7m. The remaining movement is attributable to changes in post-employment benefits and employer contributions.

Adjustments made to comply with accounting standard IAS19 have had the following effect on the 2019/20 Comprehensive Income and Expenditure Statement:

- The contributions of £34.2m have been replaced by £47.4m of current and former service costs
- A charge for Net Interest Cost on the Defined Benefit Liability – which forms part of Financing and Investment Income and Expenditure in the CIES, of £13.5m. This represents the interest on the present value of scheme liabilities and interest on the net changes in those liabilities over the period; and
- Under Other Comprehensive Income & Expenditure, Net actuarial re-measurement losses of £108.2m have been recognised on the re-measurement of the net defined Pension Liability. This is made up of the £30.9m decrease in financial assumptions, £75.7m return on plan assets and offset by a £52.2m reduction in demographic assumptions (primarily longevity) and £100.8m experience loss on the defined benefit obligation.



There is no effect on the Council's General Fund or HRA arising from these adjustments, as they are reversed out in the Movement in Reserves Statement, with a matching entry posted to the Pension Fund Reserve.

However, it is worth noting that the IAS 19 calculation is not the same as the basis upon which the actuaries assess the fund's deficit or surplus. At the most recent valuation as at 31 March 2019, the scheme liability was assessed as being fully funded to an 80% probability.

### **9. Subsidiaries**

The Council has 4 subsidiaries, Housing Gateway Limited (HGL), Energetik, Enfield Innovations (EIL) and Independence Well Being Enfield (IWE), which was subsequently wound down post year end.

HGL, the borough's largest company, buys homes that can be entirely financed by the Local Housing Allowance, providing long-term affordable lets in the challenging local housing market, which meets the Council's intention of increasing the supply of affordable, quality housing options for ownership, social rent and private rent. At the end of 2019/20, HGL had acquired 530 homes since inception and asset values were significantly in excess of the debt outstanding to the Council, despite a downturn in local property market values.

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 2019/20 Energetik continued with its planned infrastructure works, including the extension of district heating infrastructure from Alma Estate to Ponders End High street and the design of the Meridian Water heat network.

IWE services and personnel transferred back in-house post year end, as the Council recognised that there were efficiencies from having a single social service structure in Adult Social Care.

Enfield Innovation Limited (EIL) was set up to assist the Council with the delivery of its new homes programme, by providing an innovative method of unlocking and financing housing capacity. However, as the returns did not justify the ongoing existence of a separate company, it was agreed that the company would sell its assets and repay outstanding Council loans. As at 31 March 2020, 48 properties had been sold, with 3 properties remaining.

These 3 properties have since been sold and the winding up of the company will be concluded in 2021/22.

### **10. Forward Look**

#### **2020/21**

2020/21 is proving to be a year of unprecedented uncertainty and financial challenge for Enfield and all local authorities across the country. The Council has made a comprehensive and instantaneous response to the Covid-19 crisis across the Borough with significant additional spend across services to those supporting the most vulnerable – Adult Social Care, Children's services and housing and homelessness services. The Council has also seen its income streams from Sales, Fees

## Narrative Report

and Charges and taxes – Council Tax and Business rates seriously depleted. There was a minor impact on the savings programme.

The unparalleled impact of COVID-19 and the recession it generated is unparalleled in recent memory and the Council was forced to re-assess its position on a monthly basis. A new financial control regime and review was put in place in April and May, preceding Central Government requirements, to review income falls and COVID-19 related expenditure, with all COVID-19 impacts recorded separately.

At quarter three, the Council reported an overall pressure of £60.406m (£73.155m including Collection Fund losses), offset by £54.303m government Covid-19 grant, leaving a £6.016m shortfall. This shortfall has been met by in year savings agreed as part of the in year Covid-19 finance strategy. Some of the grants received included monies to pass directly over to other parties, such as the care sector.

The Council was also responsible for routing support through to the most vulnerable in the Borough through hardship payments of £5.9m to support lower earners' Council Tax payments which the Council distributed effectively and in advance of many other boroughs. The Council also distributed over £50m of grant relief to Enfield businesses.

The potential tax losses of circa £12.7m will be part funded by grant and also via the ability of the Council to run a deficit on its Collection Fund for three years. The Council holds a reserve to smooth this Collection Fund pressure over the three years.

In 2020/21, the Council's work to create a resilient revenue budget has paid off, with there being minimal variance between budget and the year end forecast. The Council has had no commitments against its revenue contingency and will be able to bolster its Risk Reserve. However, the Capital budget saw significant delays, leading to a greater than 50% reduction in overall planned spend in-year, as Lockdown affected the delivery of key projects.

Additional monitoring and dual running of business as usual activities and COVID-19 related responses has put a great deal of additional pressure on officers across the Council. Stress levels are under continuous review internally and officers have been continually reminded to take leave. Nevertheless, the Council has struggled with obtaining people to fill posts in critical positions, therefore workloads are likely to remain high in key areas.

### Medium Term Planning

The Council agreed a five year MTFP in February 2020, having a balanced budget for 2020/21 but a gap of £13.265m in 2021/22 and £57.111m across the life of the Plan. The funding and spend assumptions have been refreshed in the MTFS 2021/22 to 2025/26 presented to Cabinet on 15 July 2020. The initial MTFP was far more robust and updated for Quarter Three monitoring. Nonetheless, the impact of the Covid-19 crisis has been felt with a significant squeeze on the tax base and additional costs coming through which has necessitated the inclusion of year on year increase in Council Tax. Consequently, the gap for 2021/22 was initially forecast at £18.613m.

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m
Funding	0.725	(7.802)	(5.612)	(6.356)	(2.440)	(21.485)
Spend	17.888	17.233	16.122	16.305	12.531	80.079
Gap	18.613	9.431	10.510	9.949	10.091	58.594

The approach to the development of the budget has needed to be adjusted with £7 million of in-year savings for 2020/21 and a re-forecast of the 2021/22 budgets and medium term financial

## Narrative Report

projections. The levels of uncertainty led to scenario planning being introduced to the development of the July 2020 MTFP with the Least Worst, Middle and Worst case increasing the year one target by £6m, £14m and £16m respectively dependent on the shortfall of Government support and impact on long term income streams.

Identification of savings and income generation proposals are being facilitated through six themes

- i. Demand Management
- ii. Capital Financing
- iii. Channel Shift/Use of CRM/Web
- iv. Commercial
- v. Property
- vi. Organisation Structure

This approach is supported by workshops with detailed proposals being worked through in the late summer and autumn to come forward to Cabinet in October, December and February.

The early work on the savings programme put the Council in a strong position when the Chancellor made his spending announcement in November 2020 which was followed up by the detailed Local Government Financial Settlement in December. There was a CPI linked increase in general funding and a further tranche of Social Care Grant alongside provision for a further Adult Social Care precept together with a package of grants to cover the continued financial impact of Covid-19. A balanced budget was setting and tracking of the savings is already underway.

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m
Funding	(16.429)	13.547	(5.319)	(6.367)	(4.477)	(19.035)
Spend	29.426	(1.043)	14.697	15.573	13.804	72.457
Savings	(12.997)	1.181	(2.146)	(2.599)	(0.050)	(16.611)
Gap	0.000	13.685	7.232	6.618	9.277	36.812

The full detail is available in the Budget 2021/22 and Medium Term Financial Plan 2021/22 to 2025/26 report to Council.

<http://governance.enfield.gov.uk/documents/s86112/Budget%202021-22%20MTFP%202021-22%20to%202025-26.pdf>

The Council's ambitions for housing development and regeneration, both in the General Fund and the HRA, need to set against the backdrop of a revised financial position. The Council is undertaking a full review of its Capital Programme, reviewing items for inclusion and the possibility of other delivery models where appropriate.

In addition to the MTFs, an in year Covid19 Financial Strategy was also agreed in July 2020, which has been implemented during 2020/21 including identifying in year savings, reviewing reserves, increase in fees and charges mid-year and identification assets for disposal. These actions have positively impacted on the Council's overall financial resilience.

### Financial Risks

The Council's ambitious regeneration and housing development plans give rise to a similarly ambitious capital programme and borrowing plans which naturally do come with some risk. Key to managing and mitigating these risks has been the establishment of the ten year capital and treasury plans with clear visibility of the commitments that the Council is entering into and affordability through the Medium

Term Financial Plan. The finance team is also managing the associated interest rate risk and took a report to General Purposes Committee in March 2021 setting out the various actions it is taking to manage this risk.

Meridian Water is the Council's flagship regeneration programme; the risk register is reviewed at the General Purposes Committee on a regular basis as well as the Executive Management Board. A key area of focus is delivering the requirements of the £170m Housing Infrastructure Fund on time.

Despite the vaccination programme and the Prime Minister's road map taking the country out of full lockdown by 21 June 2021, Covid-19 remains a great challenge. The Council has been prudent in managing its finances to address this challenge and has been prudent in its budgeting for 2021/22 with sums held in a Covid-19 contingency and a sound approach to budgeting for Council Tax and Business Rates revenue.

Of equal concern is the recovery of the UK economy and specifically for Enfield unemployment. At the outset of the pandemic in spring 2020 unemployment growth in Enfield outstripped the national increase and there was a significant growth in the number of residents claiming Council Tax Support. The Office of National Statistics has indicated some further unemployment as the UK emerges from the pandemic and this will have an impact on the residents in the Borough and the demand for Council services.

There have been a series of one-year financial settlements for local government with no multi-year settlement since Spending Review 2016. As was seen in 2021/22 budget setting the sensible approach is the adoption of a budget strategy and regular review of the assumptions through the summer and autumn. This is naturally alongside lobbying for multi-year settlements.

### **11. Risk Management**

The Council's Risk Management Strategy requires the regular review of the Corporate Risk Register. The General Purposes Committee is responsible for monitoring the effective development and operation of risk management in the Council to ensure compliance with the Strategy. The Corporate Risk Register is presented to the Committee for review and comment in line with the Committee's request to review the Corporate Risk Register at each meeting. In 2020/21 two new risks were included: the financial impact of Covid19 and the increasing complexity of the taxation regime. In addition to the Corporate Risk Register, there are specific Risk Registers such as Housing Delivery and Meridian Water which are also reviewed at the General Purposes Committee.

In July 2020 the Council's risk maturity was self-assessed as "Developing", which is defined by the Institute of Risk Management as being "aware of the need for good risk management but not yet fully committed to the concept." As at the end of 2019/20, the red corporate risks and accompanying narrative were as set out below:

#### **CR01 - Budget Management**

Risk - If the Council's financial position is adversely affected by external factors (including; Brexit, economic downturn, political change, and change to the funding framework etc) then this could affect service delivery.

This risk is mitigated through regular revenue and capital budget monitoring, revenue budget pressures challenge board and capital financing board, monitoring of council tax and business rate, reviewing reserve levels, forward planning through the five-year MTFP and ten-year capital and treasury strategy. There is still a £9.4m savings gap for 2022/23 and £39.9m 4-year savings gap, even before taking account of any undelivered savings in 2021/22 due to COVID-19. This risk is mitigated through regular revenue and capital budget monitoring, in-year mitigation plans, revenue budget pressures challenge board and capital financing board, monitoring of council tax and business rates,

reviewing reserve levels, forward planning through the five-year MTFP and updates of the ten-year capital and treasury strategy for in-year changes.

### **CR11 – Housing**

Risk - 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.

This risk is mitigated through ensuring that the Housing strategy in place, with teams and resources in place to deliver; continually review policies to keep abreast of current climate and good practice; monitor housing delivery through the Housing Delivery Board and regular meetings; continuing to scan the horizon in order to prepare for major changes in the housing sector and preparing to address the requirements to meet the regulatory standards.

The GLA funded development programme was approved in February 2020 which agreed the delivery of 3,804 units to be delivered over the next 10 years (subject to the securing of grant). This is progressing well with year one starts on site being achieved and five schemes in delivery at New Avenue, Electric Quarter, Gatward Green, Newstead House & Maldon Road and Bury Street West, which together with 80 street property acquisitions will deliver 239 homes (of which nearly 90% 2 to 4-bedroom family homes) for people in housing need. Where we build 1 bed homes, we will be looking to prioritise these to downsizers, thus freeing up further family homes for those in housing need.

The challenge to delivering the amount and range of housing options that Enfield needs is the balancing of quantity, costs, available funding, quality and time. The revised development strategy discussed in this paper attempts to do this by reducing the total units delivered to 3,500, extending the programme for a further 3 years (so that, although all of the starts are achieved in 10 years, the programme now completes in 2032/33), adopting a medium term financial strategy and adjusting the viability thresholds.

### **CR16 - Financial Management**

Risk - 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).

Internal Audit has conducted several audits in Finance & Commercial which, combined with the Statement of Accounts Plan of Improvement, as was reviewed by Councillors in October 2019, has led to a new financial control framework and regular review of the Balance Sheet. Nonetheless, there is more yet to do to comply with recommendations. Additional interim specialist resources were obtained in late November 2020 and the structure of Corporate Finance has been reviewed to strengthen the team.

The full Corporate Risk Register can be viewed here: (July 2020, General Purposes Committee)

<https://governance.enfield.gov.uk/documents/s82720/200714%20Corporate%20Risk%20Register%20GPC%20July%20FINAL.pdf>

The Council continues to seek opportunities to support its vulnerable residents and target resources at those most in need, as set out by the Enfield Poverty Commission. In addition, investing through the ambitious capital investment and regeneration programme in affordable housing. The Council's Economic Development Strategy supports inward investment and growth in the Borough to create opportunities in the Borough to reduce inequalities.

## **12. Changes in Accounting Policies and Prior Period Adjustments**

There are no new accounting policies in 2019/20, although a number of existing ones have been clarified (see Note 1).

## Narrative Report

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However, there have been significant prior period adjustments which have led to reductions of £83.7m in the Council's long term assets as at 31 March 2018 and £39.8m as at 31 March 2019. These are largely technical adjustments which have no impact on the way the authority runs its operations.

Changes on the Property, Plant and Equipment, Intangible Assets and Investment Properties were driven by inaccurate classifications, data quality and asset life length. There was inadequate review of the Asset Register over many years. This has been fixed through the 2019/20 accounts process.

There is further detail in Note 43 on page 104.

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

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**Core Financial Statements**

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**Core Financial Statements**

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**Core Financial Statements**

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## 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	Earmarked Reserves	Housing Revenue Account	HRA Earmarked Reserves	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	£'000	£'000
<b>Balance At 1 April 2018*</b>	(14,000)	(67,700)	(6,600)	(13,600)	(13,000)	(20,900)	(30,000)	(165,800)	(618,123)	(783,923)
Deficit/(Surplus) on Provision of Services (Accounting Basis)	173,035	-	(7,179)	-	-	-	-	165,856	-	165,856
Other Comprehensive Income	(400)	-	-	-	-	-	-	(400)	(133,508)	(133,908)
<b>Total Comprehensive (Income)/Expenditure</b>	<b>172,635</b>	<b>-</b>	<b>(7,179)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>165,456</b>	<b>(133,508)</b>	<b>31,948</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 10)	(183,235)	-	10,579	-	13,000	11,500	700	(147,456)	147,456	-
<b>Net (Increase) before Earmarked Reserve Movements</b>	<b>(10,600)</b>	<b>-</b>	<b>3,400</b>	<b>-</b>	<b>13,000</b>	<b>11,500</b>	<b>700</b>	<b>18,000</b>	<b>13,948</b>	<b>31,948</b>
Transfers To/(From) Earmarked Reserves	10,600	(10,600)	(1,400)	1,400	-	-	-	-	-	-
<b>(Increase)/Decrease In Year</b>	<b>-</b>	<b>(10,600)</b>	<b>2,000</b>	<b>1,400</b>	<b>13,000</b>	<b>11,500</b>	<b>700</b>	<b>18,000</b>	<b>13,948</b>	<b>31,948</b>
<b>Balance At 31 March 2019*</b>	<b>(14,000)</b>	<b>(78,300)</b>	<b>(4,600)</b>	<b>(12,200)</b>	<b>0</b>	<b>(9,400)</b>	<b>(29,300)</b>	<b>(147,800)</b>	<b>(604,175)</b>	<b>(751,975)</b>
Opening balance adjustments	48	(17)	(23)	39	1	36	22	106	(106)	0
<b>Adjusted Balance At 1 April 2019</b>	<b>(13,952)</b>	<b>(78,317)</b>	<b>(4,623)</b>	<b>(12,161)</b>	<b>1</b>	<b>(9,364)</b>	<b>(29,278)</b>	<b>(147,694)</b>	<b>(604,281)</b>	<b>(751,975)</b>
Deficit/(Surplus) on Provision of Services (Accounting Basis)	52,157,811	-	74,962	-	-	-	-	127,119	-	127,119
Other Comprehensive Income	-	-	-	-	-	-	-	-	(92,246)	(92,246)
<b>Total Comprehensive (Income)/Expenditure</b>	<b>52,157</b>	<b>-</b>	<b>74,962</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>127,119</b>	<b>(92,246)</b>	<b>34,873</b>
Adjustments Between Accounting Basis and Funding Basis Under Regulations (Note 10)	(65,631)	-	(85,121)	-	(15,962)	3,329	(31,607)	(194,992)	194,992	-
<b>Net (Increase) before Earmarked Reserve Movements</b>	<b>(13,474)</b>	<b>-</b>	<b>(10,159)</b>	<b>-</b>	<b>(15,962)</b>	<b>3,329</b>	<b>(31,607)</b>	<b>(67,873)</b>	<b>102,746</b>	<b>34,873</b>
Transfers To/(From) Earmarked Reserves	13,476	(13,476)	10,159	(10,159)	-	-	-	-	-	-
<b>(Increase)/Decrease In Year</b>	<b>2</b>	<b>(13,476)</b>	<b>-</b>	<b>(10,159)</b>	<b>(15,962)</b>	<b>3,329</b>	<b>(31,607)</b>	<b>(67,873)</b>	<b>102,746</b>	<b>34,873</b>
<b>Balance At 31 March 2020</b>	<b>(13,950)</b>	<b>(91,793)</b>	<b>(4,623)</b>	<b>(22,320)</b>	<b>(15,961)</b>	<b>(6,035)</b>	<b>(60,885)</b>	<b>(215,567)</b>	<b>(501,535)</b>	<b>(717,102)</b>

\*Restated as per Prior Period Adjustment, Note 43

## 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. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Note	On its services the council spent:	2018/19*			2019/20		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
	Chief Executive	18,600	(2,700)	15,900	16,109	(3,456)	12,653
	Corporate	37,000	(200)	36,800	2,921	(7,678)	(4,757)
	People	494,286	(354,300)	139,986	458,103	(326,949)	131,154
	Place	188,412	(89,800)	98,612	176,636	(94,755)	81,881
	Resources	378,772	(318,200)	60,572	337,782	(285,456)	52,326
	Housing Revenue Account	61,521	(70,100)	(8,579)	132,303	(73,987)	58,316
	<b>Total Cost of Services</b>	<b>1,178,591</b>	<b>(835,300)</b>	<b>343,291</b>	<b>1,123,854</b>	<b>(792,281)</b>	<b>331,573</b>
5	Other Operating Expenditure	92,000	(17,900)	74,100	112,527	(15,348)	97,179
6	Financing and Investment Income and Expenditure	38,400	(21,135)	17,265	64,522	(52,586)	11,936
7	Taxation and non-specific grant income	-	(268,800)	(268,800)	-	(313,569)	(313,569)
	<b>Deficit on the Provision of Services</b>			<b>165,856</b>			<b>127,119</b>
	<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>						
	(Surplus) / Deficit on revaluation of non-current assets			(105,108)			15,924
	Remeasurement of the net defined pension liability			(28,400)			(108,170)
	Other comprehensive (income) / expenditure that may be recycled to surplus / deficit			(400)		-	
	<b>Other Comprehensive Income and Expenditure</b>			<b>(133,908)</b>			<b>(92,246)</b>
	<b>Total Comprehensive Income and Expenditure</b>			<b>31,948</b>			<b>34,873</b>

\*Restated as per Prior Period Adjustment, Note 43

## Core Financial Statements

### Balance Sheet

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

Note		1 April 2018* £000	31 March 2019* £000	31 March 2020 £000
12	Property, Plant and Equipment	1,796,110	1,870,464	1,788,702
	Heritage Assets	4,800	3,600	5,319
13	Investment Properties	145,241	149,162	158,782
42	Intangible Assets	26,972	30,649	26,112
15	Long Term Investments	27,000	26,500	25,631
15	Long Term Receivables	105,500	94,200	102,929
	<b>Long Term Assets</b>	<b>2,105,623</b>	<b>2,174,575</b>	<b>2,107,475</b>
	Assets Held for Sale	-	-	5,900
	Inventories	800	500	581
15	Short Term Investments	-	-	4,844
17	Short Term Receivables	114,400	135,800	125,376
16	Cash and Cash Equivalents	15,000	41,700	110,551
	<b>Current Assets</b>	<b>130,200</b>	<b>178,000</b>	<b>247,252</b>
16	Cash and Cash Equivalents	(4,600)	(1,700)	(1,437)
15	Short Term Borrowing	(127,000)	(171,200)	(105,699)
19	Short Term Payables	(133,800)	(100,600)	(92,653)
20	Short Term Provisions	(5,800)	(1,700)	(1,520)
	<b>Current Liabilities</b>	<b>(271,200)</b>	<b>(275,200)</b>	<b>(201,309)</b>
19	Other Long Term Liabilities	(40,800)	(37,700)	(34,058)
20	Long Term Provisions	(6,000)	(15,800)	(12,159)
15	Long Term Borrowing	(575,200)	(682,100)	(889,465)
41	Pensions Liability	(555,100)	(583,300)	(496,479)
	LT Capital Grants Received in Advance	(3,600)	(6,500)	(4,155)
	<b>Long Term Liabilities</b>	<b>(1,180,700)</b>	<b>(1,325,400)</b>	<b>(1,436,316)</b>
	<b>Net Assets</b>	<b>783,923</b>	<b>751,975</b>	<b>717,102</b>
	Accumulated Absences Account	6,100	6,100	6,147
	Capital Adjustment Account	(584,167)	(528,164)	(384,915)
	Collection Fund Adjustment Account	(3,000)	900	2,883
	Pensions Reserve	555,100	583,300	496,480
	Revaluation Reserve	(592,156)	(666,311)	(620,497)
	Deferred Capital Receipts Reserve			(1,633)
21	<b>Unusable Reserves</b>	<b>(618,123)</b>	<b>(604,175)</b>	<b>(501,535)</b>
	Capital Grants Unapplied Account	(30,000)	(29,300)	(60,885)
	Capital Receipts Reserve	(20,900)	(9,400)	(6,035)
	General Fund	(14,000)	(14,000)	(13,950)
11	GF Earmarked Reserves	(67,800)	(78,300)	(91,793)
	HRA Balance	(6,600)	(4,600)	(4,623)
11	HRA Reserves	(13,500)	(12,200)	(22,320)
	Major Repairs Reserve	(13,000)	-	(15,961)
	<b>Usable Reserves</b>	<b>(165,800)</b>	<b>(147,800)</b>	<b>(215,567)</b>
	<b>Reserves / Net Worth</b>	<b>(783,923)</b>	<b>(751,975)</b>	<b>(717,102)</b>

\*Restated as per Prior Period Adjustment, Note 43

**Certification by the Chief Financial Officer**

I certify 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

**14<sup>th</sup> October 2021**

## Core Financial Statements

### Cash Flow Statement

The Cash Flow Statement shows the cash flows of the Council during the reporting period. The Statement shows how the Council has 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 has funded its operations from taxation and grant income or from the recipients of services provided by the Council. Investing activities refer to expenditure that contributes to the Council's future service delivery. Cash flows arising from financing activities refer to the raising and repayment of loans and other long-term liabilities

Note	2018/19*	2019/20
	£000	£000
<b>Net Deficit on the provision of services</b>	<b>(165,856)</b>	<b>(127,119)</b>
23 Adjust to deficit on the provision of services for non-cash movements	188,556	236,920
26 Adjustments for items included in net deficit in the provision of services that are investing & financing activities.	(52,800)	(86,619)
<b>Net cash outflow/(inflow) from operating activities</b>	<b>(30,100)</b>	<b>23,182</b>
24 Investing activities	(88,300)	(92,290)
25 Financing activities	148,000	138,222
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>29,600</b>	<b>69,114</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>10,400</b>	<b>40,000</b>
<b>Cash and cash equivalents at the end of the reporting period:</b>	<b>40,000</b>	<b>109,114</b>

\*Restated as per Prior Period Adjustment, Note 43

## **NOTE 1. Statement of Accounting Policies**

### **1.1 General Principles**

The Statement of Accounts summarises the Council's financial performance for the financial year ended, and its financial position as at 31 March 2020. This note sets out the accounting policies and the basis of estimation the Council has selected in preparing the Statement of Accounts (the Accounts). The general principles adopted in compiling the Accounts are consistent with CIPFA's Code of Practice (the Code) on Local Authority Accounting which are based on International Financial Reporting Standards (IFRS) and statutory regulation. Unless specifically required to the contrary, balances are stated in GB pounds (GBP) and are rounded to the nearest one thousand pounds (£000). For this reason, figures in tables may not always exactly sum.

In line with Her Majesty's Treasury and CIPFA's goal to make public sector accounts more succinct and to reduce the length and clutter, disclosure notes will not generally be made unless the amounts exceed £10m, are required under regulation or are material in some other context e.g. public interest, substance over form and / or to enhance the reader's understanding of the Accounts.

### **Monetary Assets and Liabilities, Non-Monetary Assets and Non-Monetary Liabilities**

The valuation of specific assets and liabilities is detailed in the following accounting policies. Where not specified, assets and liabilities are recorded at historical cost.

### **Revenues and Expenses**

Income is recognised in the determination of the results for the reporting period when, and only when, there is reasonable certainty that the inflow of economic benefits or service potential has occurred and can be measured reliably. In accordance with IFRS 15 (Revenue from Contracts with Customers) 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.

An expense is recognised in the determination of the results for the reporting period when, and only when, there is reasonable certainty that the consumption or loss of economic benefit or service potential has occurred resulting in a reduction in assets or an increase in liabilities and can be measured reliably.

Interest receivable on deposits and payable on borrowings is accounted for as income and expenditure respectively on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows set out in the relevant contract.

### **1.2 Cash and Cash Equivalents**

For the purposes of the Balance Sheet and Cash Flow Statement, cash comprises cash in hand, deposits held on call with banks, other short term highly liquid deposits with original maturities of three months or less from the date of acquisition and bank overdrafts which are used in the treasury management function on a day to day basis to the extent that none of these represent cash sums held against a specific liability.

### **1.3 Exceptional Items**

Where exceptional events have taken place, the amounts involved are reported on a separate line within the CIES, with further information provided in a disclosure note.

### **1.4 Prior Period Adjustments**



Prior period adjustments are accounted for by restating the comparative figures for the preceding period in the Accounts and relate either to changes in accounting policy required by the Code or to the correction of material errors in previous years' accounts. Changes in accounting estimates are accounted for in the year in which the estimate is revised and are not treated as prior period adjustments.

### **1.5 Employee Benefits**

#### **Benefits Payable During Employment**

Short-term employee benefits (those due wholly within the financial year), such as wages and salaries, paid annual leave, paid sick leave, other leave and non-monetary benefits, where material, are recognised as an expense in the year in which employees render service to the Council. An accrual is also made against services in the surplus or deficit on the provision of services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is notional and required under statute to be reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the entitlement is taken. The Council has concluded that there is no material benefit in undertaking an annual determination of the leave not taken and has established a policy to undertake a review of the accrual every three years unless, in the intervening period, there is evidence of a material change in circumstances and the amount to be disclosed.

#### **Termination Benefits**

Termination benefits are payable when the Council decides to terminate the employment of a member of staff or a member of staff accepts voluntary redundancy. Costs are accrued in the Comprehensive Income and Expenditure Statement once the termination of employment has reached a stage where it can no longer be contractually withdrawn.

#### **Post-Employment Benefits**

The Council participates in three separate schemes. These provide members with defined benefits related to pay and service. They are as follows:

##### **(i). Teachers**

Teachers employed by the Council are members of the Teachers' Pensions Scheme, administered by Teachers Pensions (TP). It provides teachers with defined benefits upon their retirement. The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The pension cost charged to the accounts is the contribution rate set by TP on the basis of a notional fund. The arrangements for the teachers' scheme mean that the liabilities for the benefits payable cannot be identified to the Council. The scheme is, therefore, accounted for as if it were a defined contribution scheme with no liability for future payments of benefits recognised in the balance sheet.

##### **(ii). 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, defined benefit scheme which is a multi-employer defined benefit scheme. In the NHS, the scheme is accounted for as if it was a defined contribution scheme. Therefore, it is not possible to identify the underlying scheme assets and liabilities for those staff who were transferred from the PCT to the Council in April 2013. Given this, the Council has decided to follow the recommendation from CIPFA's Local Authority Accounting Panel and to account for the NHS pension scheme on a defined contribution basis.

### (iii). Local Government Pension Scheme (LGPS)

Subject to certain qualifying criteria, all other employees are eligible to join the Council's Local Government Pension Scheme (LGPS) – which is accounted for as a defined benefit scheme. The financial statements reflect the Council's liabilities, calculated on an actuarial basis, to increase contributions to the pension fund to make up any shortfall in attributable net assets, rather than the employer's contributions which are payable to the pension fund in the year. Liabilities are assessed using assumptions about mortality rates, employee turnover rates and projected earnings for current employees, discounted to their value at current prices. In addition, an assumed take-up of commutation has been allowed for in the calculations; this refers to the options available to employees to receive a higher lump sum on retirement in return for a lower annual pension. The discount rate used is based on the yield available on long dated high quality corporate bonds of equivalent currency and term to scheme liabilities.

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- **Quoted securities** – current bid price;
- **Unquoted securities** – professional estimate;
- **Unitised securities** – current bid price.

The change in the net pension liability is analysed as follows:

- **Current service costs** – the increase in liabilities as a result of the years of service earned in the year allocated to service revenue accounts within the cost of services;
- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. The cost is debited to the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.
- **Net Interest on the Defined Benefit Liability** – this is the net interest expense for the Council i.e. the change during the period in the net defined benefit liability (asset) that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. It is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net benefit liability (asset) during the period as a result of contribution and benefit payments.
- **Re-measurements** – these comprise i) the return on scheme assets (excluding amounts included in the net interest on the net defined benefit liability (asset)) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. ii) 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. Actuarial Gains and Losses are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Employer's Contributions** - cash payments made to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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

The Council provides information to its actuary in February based on:

- Actual LGPS Membership as at the end of February;
- Employee and Employer actual contributions for April to February and estimated contributions for March;
- Actual pension payments to the end of February and estimated payments for March;
- Investment Information as at the end of January

The actuary will use this information as the basis of their Pension Fund Report – which underpins the figures the Council reflects in its Accounts. The Council will only request the actuary to revise their report if there are significant changes in actual membership, contributions, payments or investments from the information which was originally provided to them

### **Discretionary Benefits**

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

### **1.6 Events After the Reporting Period**

In accordance with International Accounting Standard (IAS) 10, it is the Council's policy to reflect events which have come to light between the end of the financial year and the date the Accounts were issued for publication. Within this context there are two types of events:

- **Adjusting event** – an event after the reporting period that provides further evidence of conditions that existed at the end of the reporting period. The accounting statements are adjusted to reflect this.
- **Non-adjusting event** – an event after the reporting period that is indicative of a condition that arose after the end of the reporting period. The accounting statements are not adjusted but further information about the event is provided in the Notes.

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

### **1.7 Grants and Contributions**

#### **Revenue Grants and Contributions**

Service revenue grants and contributions are accounted for on an accruals basis and are credited as income to appropriate service headings within the Comprehensive Income and Expenditure Statement once the Council has satisfied conditions of the grant/contribution, to the extent that the grant/contribution does not have to be repaid to the awarding body and there is reasonable certainty that the funding is receivable. Specific grants not received at the balance sheet date but where the related expenditure has been incurred and the grant conditions have been complied with are recorded in the Balance Sheet as debtors.

When grants have been received but the related expenditure has not been incurred, and it is expected that the grant conditions will be complied with in the following or a subsequent financial year, the grant is recorded as a receipt in advance.

Grants received at the balance sheet date, where the related expenditure has not been incurred, and it is expected that the grant conditions will not be complied with, are recorded as creditors as there is reasonable certainty that the grant will have to be repaid.

## Notes to the Core Financial Statements

General non-specific grants (Revenue Support Grant, National Non-Domestic Rates) are credited to the Comprehensive Income and Expenditure Statement as sources of funding under Taxation and Non-Specific Grant Income.

Grants received in respect of PFI contracts are credited to the relevant service lines in the net cost of service section of the Comprehensive Income and Expenditure Statement.

### Capital Grants and Contributions

Grants and contributions to capital expenditure are accounted for on an accruals basis and are credited to the Comprehensive Income and Expenditure Statement under taxation and non-specific grant income when the grant conditions have been met to the extent that the grant/contribution does not have to be repaid to the awarding body. They are then reversed out in the Movement in Reserves Statement and transferred to Capital Grants Unapplied.

Capital grants received where conditions have been met are transferred from Capital Grants Unapplied to the Capital Adjustment Account when they are applied to fund capital expenditure. Capital grants received where the grant conditions have not been met are recorded as capital grants receipts in advance where conditions are expected to be met in a future year or capital grants creditors where the conditions are not expected to be met and it is expected the grant/contribution will have to be repaid.

### 1.8 Cost of 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.

### 1.9 Contingent Liabilities and Contingent Assets

Contingent liabilities refer to possible material obligations as at 31 March that cannot be readily quantified properly at the balance sheet date and there is a possible, but not probable uncertainty over the extent of the Council's liability. No entries in the Accounts are made for contingent liabilities but they are reported, where material, in the Notes to the Core Financial Statements. In the main, they refer to contractual matters that may be subject to legal proceedings.

Contingent assets refer to transactions that may give rise to future economic benefits to the Council but cannot be estimated with reasonable certainty at the balance sheet date. A contingent asset may be a sum owed to the Council but which at the balance sheet date is subject to the resolution of legal proceedings.

### 1.10 Council Tax

The amount of council tax income recognised in the Comprehensive Income and Expenditure Statement is the Council's share of the accrued council tax income for the year and not the tax demand for the year. This treatment recognises the role of the Council as a billing authority acting as an agent of the precepting Council, the Greater London Authority (GLA) and of itself for the collection and distribution of council tax income. This does not affect the Collection Fund Statement itself since the preparation of this statement is prescribed by legislation.

The Collection Fund Adjustment Account records the difference between the amount of council tax income included in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund by regulation, the council tax demand.

The movement on the Collection Fund Adjustment Account is a reconciling item in the Movement in Reserves Statement. The balance on the Collection Fund Adjustment Account reflects the Council's share of the accumulated net surplus/deficit on the Collection Fund.

## Notes to the Core Financial Statements

The GLA's share of the net surplus/deficit on the Collection Fund, council tax arrears, council tax overpayments and impairment of debt is disclosed as a net debtor/creditor in the Balance Sheet.

### 1.11 National Non-Domestic Rates

The Council collects business rates, proportions of which are then paid to the Council, the GLA and Central Government. Prior to London pool arrangements, 30% of business rates were retained by the Council and included in the Comprehensive Income and Expenditure Statement as accrued income. Since the Council joined the London Pool arrangements in 2018/19, the Council has pooled its business rate income across London, which means the Council has passed its resources over to the GLA, which then passed some of it back as Revenue Support Grant monies. However, the specific terms and conditions of the pool change year to year, based on agreements with Central Government. For 2019/20 Enfield retained 48% of business rates, 27% was passed over to the GLA under the 75% business rates retention scheme (the remaining 25% being returned to Central Government).

The Council also retains the cost of collection allowance which is also recognised in the Comprehensive Income and Expenditure Statement (CIES). The Council's share of arrears, provision for impairment of debt, prepayments and overpayments are shown on the Balance Sheet.

Business Rate top-up income is included in the Comprehensive Income and Expenditure Statement as accrued income.

As with council tax, the difference between the income in the CIES required to be credited to the General Fund by regulation is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement (MiRS).

The GLA and Central Government's shares of arrears, provision for impairment of debt, prepayments and over payments are consolidated into single debtors/creditors for the purposes of presenting the financial statements.

The Council accounts for the GLA's business rate supplement on an agency basis through the Collection Fund and only accounts for the receipt of the associated cost of collection allowance in its Comprehensive Income and Expenditure Statement. The year end balances attributable to the collection of the business rate supplement including arrears, overpayments and impairment of debt is disclosed as a net debtor/creditor with the GLA in the Balance Sheet.

### 1.12 Intangible Assets

Occasionally the Council incurs expenditure on assets that have no physical form, but which provide future economic benefit. In general, they are classified as non-current assets on the Balance Sheet and tend to relate to computer software and licences. However, the Council recognises purchases of carbon emission rights as current intangible assets as required by the Code.

Intangible assets are capitalised at cost and are amortised to revenue over the expected economic life of the asset with effect from the financial year following their recognition. Where there is evidence of impairment at the end of the financial year, the impairment loss is written off against any revaluation gain held in the Revaluation Reserve for the relevant asset with any excess charged in the CIES. The impairment loss is reversed out in the MiRS and posted to the Capital Adjustment Account so there is no impact on the General Fund.

Useful economic lives are estimated as follows:

Software Applications: 3-5 Years

IT infrastructure: 5 Years

### 1.13 Property, Plant and Equipment

### Acquisition and Recognition

Items of property, plant and equipment are recognised as non-current assets when future economic benefits or service potential are expected to flow to the Council. Relevant accrued costs comprise initial acquisition, construction and subsequent enhancement or replacement (whole or in part) of the asset and include incidental costs such as professional and technical fees attributable to bringing the asset into working condition for its intended use. Development work on existing land surplus assets e.g. decontamination / site clearance which is necessary to prepare the land for its intended use is initially recognised as Assets under Construction (AuC). Once each piece of development work has been completed the expenditure is then moved from AuC to Surplus Assets.

Expenditure necessarily incurred in either maintaining the operational capacity of the assets or ensuring that their original estimated lives are achieved is considered maintenance and is treated as an expense as incurred.

Property, plant and equipment assets including items acquired under finance leases are valued at fair value, except as stated below, and are subject to ongoing review and re-valuation as necessary so that the carrying amount of each asset class does not materially differ from its fair value (where applicable) at the reporting date. Note 14 provides additional information on the approach taken. The measurement basis for different classes of assets is as follows:

- Operational land and buildings including operational facilities in parks – are included in the balance sheet at current value in existing use (non-specialised) or depreciated replacement cost (specialised) adopting the modern equivalent asset methodology, car parks and parks concessions having an operational purpose are valued according to their income generation potential, residential establishments are valued on bed capacity with reference to market values;
- Community assets – parks land is recorded at a nominal value per hectare as market values cannot be economically and reliably measured. The use of nominal values per hectare is considered to give a fairer representation of value for these assets; expenditure on parks (other than in connection with material operational facilities) is recorded at historic cost;
- Council dwellings are valued at existing use value and social housing using beacon property values;
- Vehicles, plant and equipment are valued at historic cost less depreciation as an approximation to current value.

Infrastructure and community assets are recognised in the Balance Sheet as the expenditure is incurred. Other operational assets are recognised from the date they become operational. Until that time, they are included as assets under construction and valued at cost.

The Council has adopted the following de minimis levels for the recognition of new assets and for assessing the effect of additional expenditure on the value of existing assets in the asset register. The asset register forms the basis for recording the carrying value of non-current assets in the Balance Sheet. Expenditure is not recognised in the asset register where it falls below the following criteria:

- Purchases of short life (up to 5 years) single item assets having a value of less than £50,000 at the date of acquisition. This excludes the acquisition of furniture and equipment where part of a larger capital scheme representing the fitting out costs of new or refurbished premises can be capitalised even though individual items are below the de minimis level since the expenditure is necessary to bring premises into use.
- Capital schemes costing less than £50,000 relating to construction projects.

### Revaluations

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains which are shown under other comprehensive income in the CIES.

## Notes to the Core Financial Statements

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For a revaluation loss, the carrying value of the asset is written down against any balance for the asset in the Revaluation Reserve in the first instance, and once the Revaluation Reserve balance is exhausted, the remaining revaluation loss is debited to the relevant service line in the CIES. The impact on the CIES for General Fund is reversed out in the MiRS to the Capital Adjustment Account.

Where a revaluation loss that has been debited to the CIES and is subsequently reversed by a revaluation gain, the CIES is credited up to the amount of the original debit less the amount of depreciation that would have been charged had the loss not taken place. The revaluation gain is reversed out in the MiRS to the Capital Adjustment Account.

The Revaluation Reserve records the effect of the revaluation of property, plant and equipment and intangible fixed assets. The reserve was created with a zero balance on 1 April 2007. The historic cost of assets was taken to be their current value at that date. The balance on the Revaluation Reserve therefore includes only the net effect of revaluations subsequent to 1 April 2007.

Non-current assets are revalued prior to disposal. In general, non-current assets are revalued where more than £250,000 of in year capital expenditure has taken place – although this excludes expenditure on land which is measured by a set price per hectare and is not affected by planting, drainage etc.

### Impairment

The balance sheet valuation of all Property, Plant and Equipment assets is reviewed annually to determine whether there is an indication that impairment has occurred as opposed to a downward valuation. An impairment loss may be due to the consumption of economic benefits e.g. physical damage or obsolescence, an adverse change in the statutory or regulatory environment relating to the use of the asset or a material deterioration in the service potential of the asset beyond normal depreciation.

An impairment loss is determined as the amount by which the carrying value of the asset exceeds its recoverable amount being determined as the higher of its fair value (less costs to sell) or its depreciated replacement cost. An impairment loss is recognised in the CIES unless the asset is carried at a re-valued amount. Where the asset is measured at a re-valued amount, the impairment loss is offset against any available amount in the Revaluation Reserve in the first instance. Where an impairment loss or balance of an impairment loss is charged to the CIES, it is reversed out to the Capital Adjustment Account through the MiRS. Where an impairment loss is subsequently re-estimated as a consequence of a reassessment of the factors giving rise to the impairment, the carrying amount of the asset is increased to the revised estimate of its recoverable amount provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

A reversal of an impairment loss is credited in the CIES unless the asset is carried at a re-valued amount in which case the reversal of the impairment loss is treated as a revaluation increase to the extent that no impairment losses have been previously recognised in the CIES.

Where a reversal of an impairment loss is credited to the CIES, it is reversed out to the Capital Adjustment Account through the MiRS.

### Disposals

Where an asset is disposed of, decommissioned or transferred, the carrying value of the asset in the balance sheet is written off to the CIES. Receipts from disposals are credited to the CIES. The net figure is reported as the gain or loss on disposal after taking into account costs incurred incidental to the disposal. However, in accordance with statutory financing arrangements, the carrying value of disposals is appropriated to the Capital Adjustment Account and the receipts appropriated to the Usable or Deferred Capital Receipts Reserve as a reconciling item through the MiRS. Any revaluation gain held in the Revaluation Reserve in respect of a disposal is transferred to the Capital Adjustment Account.



## Notes to the Core Financial Statements

Capital receipts arising from the disposal of assets held in the General Fund are used to finance new capital expenditure where the total amount of the receipt is in excess of £10,000. Regulations enable up to 4% of each receipt to be used in the funding of the costs associated with, and incidental to, the disposal of the asset. In accordance with statutory regulation, receipts of £10,000 or less in total are credited to the relevant service heading in the CIES.

Under legislation, a proportion of the proceeds from the sale of Council Dwellings and HRA land are paid over to Central Government. The exact proportion depends on the circumstances of each sale and is based on a formula prescribed by the Ministry of Housing, Communities and Local Government (MHCLG). The total amount payable to Government is disclosed as other operating expenditure in the CIES and is offset by a contribution from the Usable Capital Receipts Reserve in the MiRS. The proportion of sale receipts retained by the Council must be spent on providing new build dwellings.

### 1.14 Depreciation

Depreciation represents the consumption of the service potential embodied in the asset. To achieve a systematic and rational allocation of their value, property, plant and equipment assets (excluding land) are depreciated over their estimated useful lives reviewed annually. The Council uses the straight-line method of depreciation.

Property, plant and equipment assets are depreciated from the start of the year in which they are acquired or installed ready for use or in the case of constructed assets the start of the year the asset is completed and commissioned. Charges for depreciation are included as charges to service revenue accounts. Estimated useful lives are reviewed as part of the asset revaluation exercises, or where, in the interim there has been an enhancement to an asset that has extended its useful operational life, or where, as a result of physical damage, obsolescence or similar impairment, its estimated operational life has reduced.

Where revaluation gains are depreciated, the amount is transferred from the Revaluation Reserve to the Capital Adjustment Account. The Council's general policy is to provide for the depreciation of assets over the following periods unless in the opinion of the Council's Valuation Officer or the responsible service manager in the case of vehicles and equipment a lesser period should be used having regard to the nature of the expenditure incurred.

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

The land element of Community Assets e.g. parks, are held in perpetuity and have an indefinite useful life. As such no depreciation charges are made. However, where a building is present on community asset land – e.g. a pavilion, it is classed as an operational asset and depreciation is charged based on its useful economic life, consistent with operational buildings.

### 1.15 Heritage Assets

Heritage Assets are those that the Council holds in trust for future generations because of their cultural, environmental or historical associations – they include historical buildings (Forty Hall and Broomfield House), civic regalia, museum and art gallery collections and works of art. Heritage assets excludes listed buildings which are held for operational purposes.

Heritage Assets are generally recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. Similarly,



impairment is recognised and measured in accordance with the Council's general policy on impairment – with regard to Heritage Assets, this refers to circumstances where an item has suffered deterioration, physical damage or where doubts have arisen over the item's authenticity. The civic regalia, museum collections and works of art are reported in the Balance Sheet at insurance valuation based on market values. These items are deemed to have indeterminate lives; the Council, therefore, does not consider it appropriate to charge depreciation.

The balance sheet valuation of the museum collection, which is carried out by external valuers, is based only on artefacts that are considered to have a material financial value – the balance sheet value therefore only reflects some 250 items. This comprises the whole of the Council's art collection, furniture and coins and a small proportion of the rest of the collection as recommended by the museum staff.

Acquisitions are rare but should they occur they are initially recognised at cost. If the item has been donated to the Council, it is recognised at market valuation.

Historical buildings are re-valued in accordance with the five year rolling programme of property valuations; other items including civic regalia, the museum collections and works of art (where material) are valued every five years – the date of the most recent valuation of these artefacts was October 2015.

### **1.16 Investment Properties**

Investment properties are held either for earning rental income or for capital appreciation; they do not have a function that supports the delivery of council services. They are valued at fair value annually reflecting their potential highest and best use at the balance sheet date; they are not depreciated. Rental income and revaluation gains or losses are recognised in the CIES under financing and investment income and expenditure. Disposal and revaluation gains and losses are reversed out to the Capital Adjustment Account through the MiRS. In classifying assets as investment properties (Note 13), the Council formed a judgement that the purpose of holding the properties meets the definition of IAS40 – the accounting standard relating to Investment Properties. In doing so the Council has concluded the properties are held for capital appreciation and / or to generate income. Investment Properties include council owned retail, commercial and industrial premises.

### **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.

### **1.18 Charges to Revenue for Non Current Assets**

The capital charges made to General Fund and HRA services lines in the net cost of service include:

- depreciation on property, plant and equipment;
- amortisation of intangible assets attributable to services;
- revaluation and impairment losses, where there are insufficient revaluation gains held for the assets concerned in the Revaluation Reserve against which the losses can be written off; and
- capital expenditure below de-minimus levels or deemed as non-enhancing by Council valuers.

For the General Fund, none of these charges are met from the council tax. Accordingly, the impact to the General Fund and to the surplus/deficit on provision of services is reversed out to the Capital Adjustment Account through 'adjustments between accounting basis and funding basis under regulations' in the MiRS.

For HRA, all depreciation charges are met from housing rents and therefore are 'real' costs to the HRA. All other capital charges to the HRA service are not met from housing rents. Accordingly, the impact to the HRA and to the surplus/deficit on provision of services is reversed out to the Capital Adjustment Account through 'adjustments between accounting basis and funding basis under regulations' in the MiRS. The Council is required to set aside an annual provision from revenue to reduce its overall underlying borrowing requirement, the capital financing requirement. The provision is known as the Minimum Revenue Provision (MRP) and must be determined prudently in accordance with government guidance and charged to the General Fund through the MiRS.

On 21 February 2018, the Council approved the 2018/19 Treasury Management Strategy which updated the 2017/18 MRP policy. The updated policy is compliant with DCLG guidance issued in 2012 and takes into account the MHCLG revised guidance on MRP published in February 2018<sup>1</sup>. The MRP policy provides for a prudent amount for the repayment of debt which resulted in the cumulative MRP charge exceeding what would be considered prudent and appropriate at 31 March 2017 by £33.3m. In continuation of the policy in 2018/19 and subsequent years there will be a realignment of MRP charged to the General Fund to recognise the excess sum, capped at the level of the annual budget for that year. The policy will be kept under review to ensure it remains compliant with the latest guidance.

In applying this policy in 2019/20, £8.1m of MRP has been charged to the General Fund from the ongoing budget, and a further £3.2m of MRP was charged within PFI unitary payments.

### **1.19 Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Legislation allows some expenditure to be classified as capital for funding purposes even though it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. The purpose of this is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund/HRA and impact on that year's council tax or rent income from council house tenants. For example, the Council pays housing assistance grants to owner-occupiers. These are recorded as expenditure for capital purposes, but such expenditure does not result in the Council acquiring an asset. Such expenditure and any grant receivable is debited/credited to the relevant service heading in the CIES. Statutory provisions that allow capital resources to meet the expenditure are accounted for by debiting the Capital Adjustment Account and crediting the General Fund/HRA Balance and are shown as a reconciling item in the MiRS.

### **1.20 PFI Contracts**

The Council has three Public Finance Initiative (PFI) contracts wherein the private sector have financed new assets (or enhancements to existing assets) which are leased to the Council for the delivery of services. The Council's three PFI contracts are:

- Highlands Secondary School;
- Starksfield Primary School and the refurbishment and extension to Tottenhall Primary School and Lea Valley Secondary School; and
- The provision of street lighting services.

As the Council controls/regulates the services provided under the above PFI contracts and acquires ownership of the assets at the end of the contract term at no additional charge, the Council has concluded that these arrangements meet the definition of service concessions.

The accounting policy for PFI contracts:

- recognises on the Council's Balance Sheet the assets/enhancements provided and a corresponding liability for the amounts due to the contractor to pay for the assets;
- recognises on the Council's Balance Sheet all non-current assets that were transferred to the PFI contractor at the start of the contract and used directly in the delivery of services; and

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<sup>1</sup> Applicable for accounting periods starting on or after 1 April 2019

- provides for the depreciation and revaluation of assets in the same way as other property, plant and equipment owned by the Council.

The amounts payable to the PFI contractor annually are therefore analysed into the following five elements:

- the value of services provided during the year charged to the relevant service in the CIES;
- an interest charge on the outstanding balance sheet liability charged to interest payable in the CIES;
- a payment towards the liability applied to write down the balance sheet liability to the PFI contractor equivalent to MRP under statutory regulation;
- a contingent rent representing increases in the amount paid for the assets during the contract charged to interest payable in the CIES; and
- lifecycle replacement costs recognised as non-current assets where material or expensed to revenue where immaterial.

### 1.21 Leasing

#### Finance Leases

Leases are treated as finance leases where, in the professional judgement of the Council, substantially all the risks and rewards of ownership of the asset are transferred from the lessor to the lessee. In forming this judgement, the Council considers the presence of five key factors prescribed by the Code which provide evidence of a finance lease. However, leases of land and buildings for a period under 50 years are generally treated as operating leases without further evaluation (although other objective indicators of a finance lease are taken into consideration) as are leases with annual rental income under £50,000. For non-property leases, a single item de-minimis threshold of £50,000 and lease term of 10 years has been set. This means any single non-property item with an initial purchase value under £50,000 and / or a lease term 10 years or under is treated as an operating lease without further evaluation.

Assets which the Council has acquired under finance leases which meet these recognition criteria are recorded in the Council's Balance Sheet as non-current assets and are valued and depreciated in the same way as other assets of the same classification; they are depreciated over the lease term where this is shorter than the asset's estimated useful life. The acquisition of the interest is recorded as a liability at the commencement of the lease and written down as the leasing charges become payable at a constant rate of return. The finance element of the leasing charge is debited to external interest payable in the CIES; the principal repayment of the lease liability is accounted for as part of MRP within the MiRS under statutory regulation. Assets owned by the Council that are leased out and which meet the finance lease recognition criteria result in amounts due to the Council. Amounts due to the Council under finance leases are accounted for as long-term debtors; the related asset is not recognised in the Balance Sheet. The repayment of the principal element is applied in reducing the long-term debtor and classified as a capital receipt. The interest element of the lease repayment is credited in the CIES as interest receivable. In accordance with statutory regulation, an amount equivalent to the total principal repaid to the Council under finance leases taken out prior to 1 April 2010 is transferred from the Usable Capital Receipts Reserve to the General Fund through the MiRS.

#### Operating Leases

Lease rentals payable or receivable under operating leases (including all leases of land) are debited or credited to service revenue accounts in equal instalments over the term of the lease net of incentives contained in the lease (such as rent-free periods). Assets acquired under operating leases are not recorded as assets in the financial statements. Assets leased out under operating leases are recognised in the Balance Sheet and depreciated over their expected useful life consistent with similar owned property, plant and equipment. The exception to this is assets owned by the Council leased out as Investment Properties (See 1.17 above).

### 1.22 Inventories

All specific inventory items with a value above £10,000 are recognised as a current asset in the Balance Sheet at the lower of cost or net realisable value.

### 1.23 Provisions, Reserves and Balances

#### Provisions

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events where it is probable an outflow of resources will be required to settle the obligation and where a reasonable estimate of the provision can be made. In accounting for the Council's exposure to possible future losses and obligations, provisions are made where there is sufficient objective evidence to enable the extent and timing to be reasonably estimated; where there is a high degree of uncertainty, a contingent liability has been disclosed where material (above £1m). Provisions are reviewed at the Balance Sheet date and adjusted to reflect current available information. When it is considered very likely that the provision is no longer needed, the provision is reversed and credited back to the relevant revenue account. Further details are set out in Note 20.

#### Reserves and Balances

Reserves and balances are amounts set aside from Council funds, including unapplied revenue grants where conditions have been met at the balance sheet date, at the discretion of the Council for either general or earmarked purposes to meet future expenditure. Earmarked Reserves are created by appropriating amounts in the MiRS.

When expenditure is incurred in connection with a reserve, the expenditure is charged to the service heading in the CIES and met by an appropriation from the reserve so there is no charge against council tax for the expenditure.

Capital Grants Unapplied, the Capital Receipts Reserve and the Major Repairs Reserve can only be used to fund capital expenditure.

Certain reserves do not represent usable resources for the Council and can only be used for specific statutory purposes. The purpose of these reserves is explained in the relevant policies e.g. the Revaluation Reserve represents the surplus balance arising from the periodic revaluation of property, plant and equipment and intangible assets; the Capital Adjustment Account represents the amounts set aside from revenue, capital grants and usable capital receipts to finance new capital expenditure and for the statutory repayment of the Council's underlying borrowing requirement.

The Capital Adjustment Account also includes the equal and opposite (or "contra") entries to the debits/credits posted to the CIES for depreciation, impairment and revaluation, the carrying value of assets disposed of and revenue expenditure funded from capital under statute (REFCUS<sup>2</sup>).

### 1.24 Schools

The Council includes the income and expenditure of all non-Academies within its financial statements as required by regulation. Moreover, assets of schools are also included in the accounts except for non-current assets owned by another legal body acting as a trustee, such as the diocese in the case of Voluntary Aided Schools or Foundation Trusts in the case of Foundation Schools and made available for the school's use.

Academies control their own assets and prepare accounts under the Charities' Statement of Recommended Practice. This is a requirement in their funding agreements. Academies are therefore excluded from the Council's accounts from the date of conversion with any outstanding grant allocations for the financial year of conversion being included as expenditure within the CIES.

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<sup>2</sup> See glossary for definition.

### 1.25 Financial Instruments

Financial instruments are contracts between the Council and third parties which create a financial asset in the accounts of one entity and a financial liability in the accounts of the other entity. Typically, these relate to borrowing and investments, trade creditors and trade debtors. Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the financial instrument. They are initially measured at fair value. Financial instruments comprise financial liabilities and financial assets.

#### Financial Liabilities

Financial liabilities are subsequently measured at amortised cost. For the Council's borrowing this means the amount presented in the Balance Sheet is the outstanding principal repayable plus any accrued interest. Annual charges to the 'financing and investment income & expenditure' line in the CIES are based on the carrying amount of the liability multiplied by the effective interest rate of the instrument.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expired.

#### Financial Assets

Financial assets are subsequently measured in one of two ways: -

- Amortised cost – assets where the contractual terms are consistent with basic lending arrangements (i.e. 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 – for any financial assets which do not meet the amortised cost definition

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable plus any accrued interest. The only exception to this is loans the Council has made to Housing Gateway Ltd - the Council's largest subsidiary – which meet the definition of a "soft loan" (because the interest rate is below market rates) and where part of the amount owing is classified as 'investment in subsidiaries' (see paragraph 1.32 below).

Annual credits to the financing and investment income and expenditure line in the CIES are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Allowances for impairment losses have been considered for all financial instrument assets measured at amortised cost by applying the expected credit loss model – details of which are set out in Note 37 to the Core Financial Statements. Changes in loss allowances are debited or credited to the financing and investment income and Expenditure line in the CIES. Where the financial asset meets the CIPFA definition of capital expenditure, the impact of any increase/decrease in expected credit loss is reversed out in the MiRS to the Capital Adjustment Account.

Changes in the value of assets subsequently measured at fair value are debited /credited to the financing and investment income and expenditure line in the CIES.

#### Debtors and Creditors

Financial instruments include the Council's debtors and creditors with certain exceptions as stated in Note 37.

The accounts are prepared on the basis of accrued income and expenditure and include sums due to the Council and sums payable by the Council for work done or goods received – subject to the de minimis level for recognising accrued income and expenditure of £50,000. This de-minimis level is not applied where the expenditure is funded by a time limited grant or debt relating to housing rents, council tax and business rates

## Notes to the Core Financial Statements

where amounts below £50,000 are accrued. Accruals are not recognised for utilities and rental income where, by custom and practice, the similar value of invoices are recognised each financial year.

Amounts due to the Council from financial instrument assets which are within the scope of IFRS9 are assessed for the probability of expected credit loss where the balance is above £50k.

Any movements in expected credit loss (from one year to another) are debited / credited to the carrying value of the asset and debited / credited to the Comprehensive Income and Expenditure Statement.

For general trade debtors / accounts receivable the expected credit loss provision is maintained at a level which reflects the age profile of the amounts owed at the reporting date and the likelihood of recovery based on data which has been adjusted for future expectations.

Note 37 provides further detail on the loss model applied to the various types of debtors.

### 1.26 VAT

Income and expenditure amounts in these financial statements exclude VAT. Reimbursement of VAT paid on expenditure but not yet reimbursed by HMRC at the reporting date is included as a current debtor on the Council's Balance Sheet.

### 1.27 Group Accounts

In determining which organisations should be consolidated in its Group Accounts, the Council:

- determines its interests in subsidiaries (companies owned and controlled by the Council) and joint ventures (where the Council shares control of the company);
- regards the requirements of the Code;
- follows the process for assessing materiality, both in qualitative and quantitative contexts, as per the guidance provided in CIPFA's 'Accounting for Collaboration in Local Government' publication

Based on this, the Council includes in the Group Accounts all its operational subsidiary companies. These are Housing Gateway Limited (HGL), Independence and Well-Being Ltd (IWE), Enfield Innovations Ltd (EIL) and Lee Valley Heat Network (LVHN), trading as Energetik.

These subsidiary companies are consolidated into the Group Accounts by adding items of assets, liabilities, reserves, income and expenses together line by line to those of other group members and the Council's accounts in the financial statements. Intragroup balances and transactions are eliminated in full. Note 33 lists all organisations which fall within the Council's group boundary.

### 1.28 Insurance Arrangements

It is the Council's policy to project estimated in-year insurance related expenditure, which includes both internal and external arrangements. Insurance related transactions are initially recorded in a corporate insurance account and subsequently re-allocated to departments so that the charge to each service area reflects the economic cost of providing cover for their activities. It is also the Council's policy to hold an insurance fund earmarked reserve, the purpose of which is to set aside resources to cover projected claim incidents incurred but not reported at the balance sheet date, as informed by independent actuarial reviews.

### 1.29 Borrowing Costs

The Code allows local authorities to capitalise borrowing costs under IAS 23 where certain conditions apply. The Council's policy is to capitalise borrowing costs where:

- the asset(s) acquired take a substantial period of time to get ready for their intended use or sale (referred to hereinafter as 'qualifying assets'), and

## Notes to the Core Financial Statements

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- this period of time is sufficiently long for a significant balance of borrowing costs to accrue over the timeframe of the asset's development. Significant in this context is where the accrued borrowing costs exceed £1m.

Borrowing costs on capital schemes which meet the above criteria are added to the opening carrying value of that asset. Borrowing costs which do not meet the above criteria are treated as revenue expenditure.

The amount of borrowing costs capitalised during a period together with the capitalisation rate used to determine them are disclosed in Note 12 to the Core Financial Statements.

### 1.30 Loans to Subsidiaries

The Council makes loans to some of its subsidiaries at less than market rates. The Council recognises this undercharge of interest as an investment in the company, which forms part of long-term debtors. The amount is based on the difference between the cumulative cash value of loans advanced to the company and their fair value. Further details are set out in Note 15.

### **NOTE 2. Accounting Standards That Have Been Issued but Not Yet Adopted**

The following new or amended Accounting Standards have been issued and are expected to be adopted in subsequent versions of the Code:

- From 1st April 2022, the Code's adoption of IFRS16 will mean all items of property, plant, equipment, furniture and ICT which the Council leases in will have to be recognised as assets on the Council's Balance Sheet, with a matching liability for the repayments due to the lessor. This will be the most significant change to Local Government Accounting since 2010 when the Code moved from UK Generally Accepted Accounting Practices (UKGAAP) to International Financial Reporting Standards (IFRS). The implementation of this was delayed due to COVID-19.
- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.
- The changes to IAS 28 Investments in Associates and Joint Ventures, relating to the reporting of long-term Interests in associates and joint ventures are not anticipated to have a material impact on the Council's financial performance or financial position.

### **NOTE 3. 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 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty over future events. These are:



## Notes to the Core Financial Statements

- 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 2020 is £200.0m and have been valued at market value, on the basis of 'highest and best use', which is industrial. When the sites have received both detailed planning consent and a development agreement, 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 4. Assumptions Made About The Future And Other 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>	
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.	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.
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.	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.
	The Council's Property, Plant & Equipment includes assets that a 1% change in market values would



increase/decrease the Council's net equity by £18m (PPE valuation of £1.961bn includes £109m of Assets Under Construction and £61m of community assets).

### **Pension Fund Liability**

Estimation of the net liability to pay pensions depends on a number of 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 £29.6m.
- b. 1% increase in assumed earnings inflation would increase the value of liabilities by approx. £30m.
- c. three-year increase in assumed life expectancy would increase the liability by approximately £147m.

**NOTE 5. Other Operating Expenditure**

Restated 2018/19 £000		2019/20 £000
1,400	Payments to Housing Capital Receipts Pool	2,513
7,500	Precepts and Levies	8,259
65,200	(Gain)/ Loss on disposal of non-current assets	48,794
-	Movement in fair value of surplus assets	29,719
-	Repayment of Right-to-Buy receipts	7,894
<b>74,100</b>	<b>Total</b>	<b>97,179</b>

**NOTE 6. Financing and Investment Income and Expenditure**

Restated 2018/19* £000		2019/20 £000
20,300	Interest payable and similar charges	19,477
14,000	Net interest on the net defined pension liability	13,465
(4,800)	Interest Receivable and Similar Income	(4,746)
(6,200)	Income and Expenditure in relation to investment properties	(6,691)
(7,435)	Changes in fair value of investment properties	(10,599)
1,400	Other Investment Income and Expenditure	1,030
<b>17,265</b>	<b>Total</b>	<b>11,936</b>

\*Restated as per Prior Period Adjustment, Note 43

**NOTE 7. Taxation and Non-Specific Grant Income**

Restated 2018/19* £000		2019/20 £000
(122,800)	Income from Council Tax	(125,571)
(101,100)	Locally Retained Business Rates	(90,719)
(10,000)	General Government Grants and Contributions	(26,008)
(34,900)	Capital Grants and Contributions	(71,271)
<b>(268,800)</b>	<b>Total</b>	<b>(313,569)</b>

\*Restated as per Prior Period Adjustment, Note 43

**NOTE 8. Events After the Reporting Period**

The Director of Finance and Resources authorised the Statement of Accounts on 22 April 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The main events after the reporting period relate to the impact of COVID-19 on the Council's financial position, whether valuation impacts or additional expenditure, income losses or one-off grants that the Council is the recipient of or is managing the allocation on behalf of central government.

The following grants, bar the 1<sup>st</sup> Tranche of the COVID-19 grant, came in after the year end. The timing of the one-off cash led to unusually high cash balances. However, it is important to recognise that many of the grants such as the Business Support Grant is passported to other organisations, therefore this is a short-term cash situation.

		Grants Received	
Covid-19 Related Grant funding	Received Year	£000	£000
Business Support Grant Round 1	2020/21	50,182	
Business Support Grant Round 2	2020/21	11,888	
Covid-19 Hardship Fund	2020/21	5,897	
Local Authority Business Discretionary Fund	2020/21	3,108	
<b>Funding Specified for Council Tax and Business Rates</b>			<b>71,075</b>
Infection Control	2020/21	5,006	
Contain Outbreak Management Fund (COMF)	2020/21	5,007	
Other Smaller Grants	2020/21	7,526	
<b>Service Specific Grants</b>			<b>17,539</b>
Covid-19 Grant Tranche 1	2019/20	8,827	
Covid-19 Grant Tranche 2	2020/21	9,092	
Covid-19 Grant Tranche 3	2020/21	3,357	
Covid-19 Grant Tranche 4	2020/21	9,618	
<b>Funding allocated against Financial Implications of Covid-19</b>			<b>30,894</b>
<b>Total</b>			<b>119,508</b>

Debt recoverability is a risk in relation to the impact of COVID-19 and the Council is monitoring it on an ongoing basis. It will have an impact on the Impairment of Debts, reducing the short-term debtors but due to furloughing and Central Government grants to businesses, the impact is less than was originally feared.

## Notes to the Core Financial Statements

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There were limited market transactions at the end of 2019/20 but while a major market downward valuation was assumed, it appears to have affected certain property sectors rather than others, such as inner city office space. The Council seems to have largely been insulated from such market movements in 2020/21, although it appears likely there will be less potential for market growth in the future. Equally, the Pensions Liability increased significantly due to a reduction in investment valuations at the end of 2019/20. However, that appears to have been reversed in the following months of 2020/21.

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

All material items of income and expenditure in 2019/20 have been covered in other disclosure notes.

Notes to the Core Financial Statements

**NOTE 10. Adjustments Between Accounting Basis and Funding Basis Under Regulations**

2019/20	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Depreciation of Property, Plant and Equipment	(28,353)	(11,179)	-	-	-	(39,532)
Revaluation (losses) on Property, Plant and Equipment	(36,271)	(79,793)	-	-	-	(116,064)
Movements in the market value of Investment Property	10,555	44	-	-	-	10,599
Amortisation of Intangible Assets	(7,680)	-	-	-	-	(7,680)
Fair Value of Loan Adjustment	(1,473)	-	-	-	-	(1,473)
Revenue expenditure funded from capital under Statute	(9,615)	(510)	-	-	-	(10,125)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(34)	(2,505)	-	-	-	(2,539)
Write out of non-current assets - Notional loss (academy transfers)	(38,523)	-	-	-	-	(38,523)
Write out of non current assets - Aerials & AUC	(552)	(24,170)	-	-	-	(24,722)
Other	157	-	-	-	(157)	-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Provision for the financing of capital investment-MRP	11,342	-	-	-	-	11,342
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Capital Grants & Contributions unapplied credited to the CIES	58,664	12,607	-	-	(71,271)	-
Application of Grants to Capital Financing transferred to the CAA	-	-	-	-	39,821	39,821
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as par to the gain/(Loss) on disposal to the CIES	602	14,746	-	(15,348)	-	-
Repayment of RTB receipts	-	(7,894)	-	7,894	-	-
Use of Flexible Capital Receipts	(2,721)	-	-	2,721	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	5,549	-	5,549
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	(2,513)	-	2,513	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Capital Income reversed out of General Fund into DCRR	552	1,081	-	-	-	1,633
<b>Adjustments primarily involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Reserve Allowance credited to the HRA	-	15,962	(15,962)	-	-	-
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(51,843)	(3,726)	-	-	-	(55,569)
Employer's pensions contributions and direct payments to pensioners payable in the year	31,509	2,729	-	-	-	34,238
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements	(1,947)	-	-	-	-	(1,947)
<b>Total Adjustments</b>	<b>(65,631)</b>	<b>(85,121)</b>	<b>(15,962)</b>	<b>3,329</b>	<b>(31,607)</b>	<b>(194,992)</b>

## Notes to the Core Financial Statements

2018/19*	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Depreciation of Property, Plant and Equipment	(35,015)	(14,300)	-	-	-	(49,315)
Revaluation (losses)/gain on Property, Plant and Equipment	(31,083)	(14,421)	-	-	-	(45,504)
Movements in the market value of Investment Properties	7,835	(400)	-	-	-	7,435
Amortisation of Intangible Assets	(6,972)	-	-	-	-	(6,972)
Revenue expenditure funded from capital under Statute	(33,000)	-	-	-	-	(33,000)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(71,900)	(11,200)	-	-	-	(83,100)
Write out of non-current assets - Valuation	-	-	-	-	-	-
Other	1,300	-	-	-	-	1,300
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Provision for the financing of capital investment-MRP	4,100	-	-	-	-	4,100
Capital expenditure charged against the General Fund & HRA Balances-RCCO	8,700	22,300	-	-	-	31,000
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Capital Grants & Contributions unapplied credited to the CIES	33,800	100	-	-	(33,900)	-
Application of Grants to Capital Financing transferred to the CAA	1,000	-	-	-	34,600	35,600
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as par to the gain/(Loss) on disposal to the CIES	-	17,900	-	(17,900)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	24,200	-	24,200
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	(1,400)	-	1,400	-	-
Movement from DCRR to CRR	(3,600)	(200)	-	3,800	-	-
<b>Adjustments primarily involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Reserve Allowance credited to the HRA	-	14,300	(14,300)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	27,300	-	-	27,300
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(87,800)	(2,100)	-	-	-	(89,900)
Employer's pensions contributions and direct payments to pensioners payable in the year	33,300	-	-	-	-	33,300
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements	(3,900)	-	-	-	-	(3,900)
<b>Total Adjustments</b>	<b>(183,235)</b>	<b>10,579</b>	<b>13,000</b>	<b>11,500</b>	<b>700</b>	<b>(147,456)</b>

\*Restated as per Prior Period Adjustment, Note 43

**NOTE 11. 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.

	31 March 2018	Net Transfers 2018/19	31 March 2019	Net Transfers 2019/20	31 March 2020
Reserves and Balances	£000	£000	£000	£000	£000
<b>General Fund</b>					
01 - MTFP Smoothing Reserves	(19,986)	(4,325)	(24,311)	(4,372)	(28,683)
02 - Capital Financing	(15,332)	(9,240)	(24,572)	(1,030)	(25,602)
03 - Service Specific	(19,402)	7,145	(12,257)	(1,996)	(14,253)
04 - Insurance	(6,475)	(88)	(6,563)	(459)	(7,022)
05 - Property	(1,975)	(551)	(2,526)	400	(2,126)
06 - Grants & Other	(1,645)	(4,555)	(6,200)	(15,582)	(21,782)
Contributions					
07 - Schools	(2,935)	1,047	(1,888)	9,563	7,675
<b>Sub Total</b>	<b>(67,750)</b>	<b>(10,567)</b>	<b>(78,317)</b>	<b>(13,476)</b>	<b>(91,793)</b>
08 - General Fund Balance	(14,000)	-	(14,000)	50	(13,950)
<b>Total General Fund Earmarked Reserves</b>	<b>(81,750)</b>	<b>(10,567)</b>	<b>(92,317)</b>	<b>(13,426)</b>	<b>(105,743)</b>
<b>Housing Revenue Account</b>					
09 - Insurance	-	(175)	(175)	(147)	(322)
10 - Property	(13,500)	1,515	(11,985)	(10,013)	(21,998)
<b>Sub Total</b>	<b>(13,500)</b>	<b>1,340</b>	<b>(12,160)</b>	<b>(10,160)</b>	<b>(22,320)</b>
11 - HRA Balance	(6,700)	2,077	(4,623)	-	(4,623)
<b>Total HRA Earmarked Reserves</b>	<b>(20,200)</b>	<b>3,417</b>	<b>(16,783)</b>	<b>(10,160)</b>	<b>(26,943)</b>
<b>Total Earmarked Reserves</b>	<b>(101,950)</b>	<b>(7,150)</b>	<b>(109,100)</b>	<b>(23,586)</b>	<b>(132,686)</b>

A brief description of significant **General Fund** Earmarked Reserves are as follows

**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 that arrive at the end of the 2019/20 calendar year.

### **Schools**

These are two reserves that represent the deficits of the Designation 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 12. Property, Plant and Equipment**

Movement in Balances 2019/20	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets** £000	Assets Under Construction £000	Total £000	PFI Assets £000
<b>Cost or Valuation</b>									
<b>As at 1 April 2019*</b>	<b>672,692</b>	<b>648,167</b>	<b>50,400</b>	<b>296,809</b>	<b>64,800</b>	<b>218,600</b>	<b>76,917</b>	<b>2,028,385</b>	<b>77,619</b>
Additions	22,281	9,680	3,163	19,910	327	31,004	75,360	161,725	766
Revaluation increases / (decreases) recognised in Revaluation Reserve	(20,518)	(658)	-	-	-	3,955	-	(17,221)	-
Revaluation increases / (decreases) recognised in the CIES	(88,828)	(6,530)	-	-	(1,803)	(31,939)	-	(129,100)	(3,529)
Derecognition - Disposals	(2,505)	(38,558)	(17,142)	-	-	-	(23,123)	(81,328)	-
Other movements in cost or valuation	75,295	10,686	3,348	-	(2,661)	(3,203)	(89,903)	(6,438)	2,636
<b>As at 31 March 2020</b>	<b>658,417</b>	<b>622,787</b>	<b>39,769</b>	<b>316,719</b>	<b>60,663</b>	<b>218,417</b>	<b>39,251</b>	<b>1,956,023</b>	<b>77,492</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>As at 1 April 2019*</b>	-	-	(30,300)	(127,621)	-	-	-	<b>(157,921)</b>	<b>(8,505)</b>
Depreciation charge for 2019/20	(10,722)	(7,022)	(8,716)	(12,925)	-	-	-	(39,385)	(834)
Derecognition - disposals	-	47	17,132	-	-	-	-	17,179	-
Write out of accumulated depreciation	10,722	2,084	-	-	-	-	-	12,806	-
<b>As at 31 March 2020</b>	-	<b>(4,891)</b>	<b>(21,884)</b>	<b>(140,546)</b>	-	-	-	<b>(167,321)</b>	<b>(9,339)</b>
<b>Net Book Value:</b>									
<b>As at 31 March 2020</b>	<b>658,417</b>	<b>617,896</b>	<b>17,885</b>	<b>176,173</b>	<b>60,663</b>	<b>218,417</b>	<b>39,251</b>	<b>1,788,702</b>	<b>68,153</b>
<b>As at 31 March 2019*</b>	<b>672,692</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>1,870,464</b>	<b>69,114</b>

\*Restated as per Prior Period Adjustment, Note 43

\*\*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 2018/19 and 2019/20.

## Notes to the Core Financial Statements

### Comparative Restated Figures for 2018/19

Movement in Balances 2018/19	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000	PFI Assets £000
<b>Cost or Valuation</b>									
<b>As at 1 April 2018*</b>	<b>682,200</b>	<b>646,272</b>	<b>32,700</b>	<b>259,716</b>	<b>67,400</b>	<b>187,600</b>	<b>102,528</b>	<b>1,978,416</b>	<b>106,619</b>
Additions	26,100	13,100	8,400	15,600	100	22,200	59,454	<b>144,954</b>	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	4,068	98,440	-	(100)	(1,400)	4,100	-	<b>105,108</b>	4,700
Revaluation increases / (decreases) recognised in the CIES	(29,821)	(57,682)	-	(366)	-	(20,201)	(9,935)	<b>(118,005)</b>	-
Derecognition – Disposals	(5,100)	(74,200)	(200)	-	-	(4,800)	(1)	<b>(84,301)</b>	(33,700)
Other movements in cost or valuation	(4,755)	22,237	9,500	21,959	(1,300)	29,701	(75,129)	<b>2,213</b>	-
<b>As at 31 March 2019*</b>	<b>672,692</b>	<b>648,167</b>	<b>50,400</b>	<b>296,809</b>	<b>64,800</b>	<b>218,600</b>	<b>76,917</b>	<b>2,028,385</b>	<b>77,619</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>As at 1 April 2018*</b>	<b>(12,900)</b>	<b>(25,300)</b>	<b>(28,100)</b>	<b>(116,006)</b>	-	-	-	<b>(182,306)</b>	<b>(9,546)</b>
Depreciation charge for 2018/19	(13,300)	(22,200)	(2,200)	(11,615)	-	-	-	<b>(49,315)</b>	(759)
Derecognition – disposals	-	1,200	-	-	-	-	-	<b>1,200</b>	1,800
Write out of accumulated depreciation	26,200	46,300	-	-	-	-	-	<b>72,500</b>	-
<b>As at 31 March 2019*</b>	<b>-</b>	<b>-</b>	<b>(30,300)</b>	<b>(127,621)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(157,921)</b>	<b>(8,505)</b>
<b>Net Book Value:</b>									
<b>As at 31 March 2018*</b>	<b>669,300</b>	<b>620,972</b>	<b>4,600</b>	<b>143,710</b>	<b>67,400</b>	<b>187,600</b>	<b>102,528</b>	<b>1,796,110</b>	<b>97,073</b>
<b>As at 31 March 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>1,870,464</b>	<b>69,114</b>

\*Restated as per Prior Period Adjustment, Note 43

## Notes to the Core Financial Statements

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### 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 2020 total £26.5m (£10.9m as at 31 March 2019). £13m of which is related to Genotin Road.

Schemes	Contracted £000
Property & Economy	13,715
Housing Revenue Account	8,560
Meridian Water	2,459
Environment & Operations	1,010
Education	810
<b>Total</b>	<b>26,554</b>

### Capitalisation of Borrowing Costs

During 2019/20 borrowing costs of £8.4m were capitalised based on an average capitalisation rate of 2.53%. (£7.2m in 2018/19).

### Schools

As at 31 March 2020 there were 62 Local Authority Maintained Schools, comprising 40 Community Schools, 21 Voluntary Aided Schools and 1 Foundation Schools.

The Council has taken a professional judgement following extensive consultation with the Diocese of Westminster and other religious bodies that the Voluntary Aided (and Foundation) school buildings do not fall under the control of the Council. From the evidence provided these non-current assets are not owned by the school but by another legal body which is sometimes the diocese or other representatives of the clergy. The assets therefore have not been recognised as the assets of the school and not consolidated in the Council's balance sheet. They are held at notional £1 values in the balance sheet to represent the ultimate land ownership only.

In addition, as at 31 March 2020 there were 33 Academy Schools located within the Borough, which also fall outside the control of the Council. There were 5 academy conversions during 2019/20 as follows:

- Brettenham Primary School
- Fleecefield Primary School
- Raynham Primary School
- Walker Primary School
- Wilbury Primary School

### **NOTE 13.** Investment Properties

The fair value for investment properties has been certified by Property Experts (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. 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 2019/20 or the preceding year.

## Notes to the Core Financial Statements

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 are analysed as follows:

	*Restated 2018/19 £000	2019/20 £000
Land	46,354	50,788
Commercial Units	32,318	34,078
Shops	29,541	29,510
Other	40,949	44,406
<b>Total</b>	<b>149,162</b>	<b>158,782</b>

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

	*Restated 2018/19 £000	2019/20 £000
Rental and Service Charge Income from Investment Property	(8,900)	(9,409)
Related Operating Expenses	2,700	2,718
Changes in Fair Value	(7,435)	(10,599)
<b>Net (gain)/loss</b>	<b>(13,635)</b>	<b>(17,290)</b>

\*Restated as per Prior Period Adjustment, Note 43

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

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out externally by Avison Young in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

	2018/19* £000	2019/20 £000
<b>Balance at the start of the year</b>	<b>145,241</b>	<b>149,162</b>
Capital Expenditure	-	210
Write Out of Disposals	-	(1,633)
Nets gains/(losses) from Fair Value Adjustments	7,435	10,599
Transfers:		
From Property, Plant and Equipment	486	1,184
To Property, Plant and Equipment	(4,000)	(740)
From Assets Under Construction	-	-
<b>Balance at the end of the year</b>	<b>149,162</b>	<b>158,782</b>

\*Restated as per Prior Period Adjustment, Note 43

## Notes to the Core Financial Statements

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

	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	-	-	-	-
Unrealised Gains/Losses	6,348	(294)	9	6,063
<b>Closing Balances</b>	<b>33,611</b>	<b>5,614</b>	<b>188</b>	<b>39,413</b>

### **NOTE 13B. Surplus Assets**

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

	*Restated 2018/19 £000	2019/20 £000
<b>Balance at the start of the year</b>	<b>187,600</b>	<b>218,600</b>
<b>Capital Expenditure</b>		
Additions	22,200	31,004
Write Out of Disposals	(4,800)	-
Nets gains/(losses) from Fair Value Adjustments	(16,101)	(27,984)
<b>Transfers:</b>		
From Other Non-Current Asset Categories	29,880	6,703
To Other Non-Current Asset Categories	(179)	(9,906)
<b>Balance at the end of the year</b>	<b>218,600</b>	<b>218,417</b>

\*Restated as per Prior Period Adjustment, Note 43

Meridian Water calculation is 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**

	1 April 2019 £000	Transfers In £000	Transfers Out £000	Additions £000	Disposals £000	Fair Value Movements £000	31 March 2020 £000
<b>Land</b>	200,000	4,496	-	25,194	-	(29,690)	200,000
<b>Buildings</b>	-	-	-	-	-	-	-
	<b>200,000</b>	<b>4,496</b>	<b>-</b>	<b>25,194</b>	<b>-</b>	<b>(29,690)</b>	<b>200,000</b>

### **2018/19 Level 3**

	1 April 2018 £000	Transfers In £000	Transfers Out £000	Additions £000	Disposals £000	Fair Value Movements £000	31 March 2019 £000
<b>Land</b>	175,423	4,078	-	20,532	-	(33)	200,000
<b>Buildings</b>	-	-	-	-	-	-	-
	<b>175,423</b>	<b>4,078</b>	<b>-</b>	<b>20,532</b>	<b>-</b>	<b>(33)</b>	<b>200,000</b>

### **NOTE 14. Non-Current Assets Valuation**

The freehold and leasehold properties which comprise the Council's property portfolio are subject to annual review. Enfield's valuers inspect a representative portion of its Council Dwelling Assets every 5 years, by determining archetypes based on postcode, dwelling type and construction methodology, and identifying beacon values. In 2019/20, 416 properties were utilised to represent the estate. They then undertake a desk top valuation for the next four years, taking account of any relevant factors identified at the inspected sites. This is subject to the ongoing need to add any new archetypes, if new properties are purchased with new identifying characteristics.

For Council Dwellings, the Council's housing stock was valued by Strutt & Parker, subcontracted from Avison Young. The Valuations have been verified by Jon Bowie & Jim Crafford both MRICS of Strutt and Parker. In January 2016, the Ministry for Housing, Communities and Local Government (MHCLG)<sup>3</sup> published a Valuation Guide for Council Housing Stock. The guide set out factors for adjusting the total vacant possession value of council housing stock to give a social housing valuation for the purposes of disclosure in the financial statements.

The guide advises the adoption of an adjustment factor to apply to the gross stock value to arrive at the social housing stock value – this adjustment reduces the carrying value of the stock down to 25% of the market value. There has been no change in the adjustment factor from that used in 2011/12. The Valuer uses indexation techniques where appropriate to reflect changes in asset values during the course of the year and provides these to the Council as part of their Report. For council dwellings, the Council sought a market movement commentary from Strutt & Parker as part of their valuation report.

The rest of the estate is valued on a rolling basis over 5 years based on a category by category approach, as a census of all assets is regarded as more likely to produce a more accurate assessment of the underlying value of the assets.

Local knowledge is also factored into valuations and the Council believe this approach meets the latest CIPFA Code of Practice guidance in respect of asset valuations ensuring no selective revaluations are undertaken. Valuations have been commissioned from external valuers having specialised knowledge in particular property types and categories e.g. heritage and listed building properties.

The valuation of green belt and retail portfolios was outsourced to the Council's managing agents for these properties. Green Belt valuations have been prepared and verified by Knight Frank LLP and were approved by George Jewell MRICS FAAV.

Retail portfolios have been prepared and verified by Spencer Craig Partnership Limited and were approved by Nigel Herd FRICS Surveyor, in accordance with the RICS Valuation standards, 8<sup>th</sup> edition and VS 6.12 of the Red Book. All other valuations have been prepared and verified by Avison Young – the Council's Property Review Contractor and were carried out in accordance with the requirements of the Royal Institution of Chartered Surveyors as incorporated in the Red Book. Valuations were approved by Roger Dunnett MRICS and David Johnson MRICS from Avison Young. Valuations are determined as at 31<sup>st</sup> March 2020.

The whole of the Council's investment portfolio has been re-valued to reflect market variations.

Specialist buildings valued at DRC (Depreciated Replacement Cost) following the MEA (Modern Equivalent Asset) approach that have not been inspected have been re-valued by adjusting asset lives and updating building costs from the BCIS Index. An impairment review has been undertaken to consider circumstances

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<sup>3</sup> At that time, it was the Department for Communities and Local Government (DCLG)

## Notes to the Core Financial Statements

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where there have been indications of a reduction in the service potential of assets through physical deterioration.

Intangible asset values and estimated useful lives have been reviewed with senior officers in the Resources Directorate.

The Council's vehicle fleet values and estimated useful lives have been reviewed by senior officers in Environmental Services.

In common with advice issued by RICS to their members following the declaration of the Novel Coronavirus (Covid-19) Worldwide Pandemic the Valuers have advised caution when placing reliance on their 1/12/19 and 31/3/20 valuations due to the 'Material Valuation Uncertainty' that impacts on the market during the Pandemic and they have drawn attention to this in their valuation as required by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

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>Held at Historic Cost and at depreciated historic cost</b>	-	-	39,770	316,715	60,663	-	39,248	-	1,467	-	47,047	504,910
<b>Different Valuations are applied to different asset classes</b>												
31 March 2020	658,415	162,487	-	-	-	212,620	-	152,734	-	-	-	1,186,256
31 March 2019	-	460,300	-	-	-	5,797	-	6,048	277	5,900	-	478,322
31t March 2018	-	-	-	-	-	-	-	-	3,575	-	-	3,575
<b>Total Cost or Valuation</b>	<b>658,415</b>	<b>622,787</b>	<b>39,770</b>	<b>316,715</b>	<b>60,663</b>	<b>218,417</b>	<b>39,248</b>	<b>158,782</b>	<b>5,319</b>	<b>5,900</b>	<b>47,047</b>	<b>2,173,063</b>

## Notes to the Core Financial Statements

### **NOTE 15. 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:

	Long-term		Short-term	
	Restated 31 March 2019	31 March 2020	Restated 31 March 2019	31 March 2020
	£000	£000	£000	£000
<b>Fair Value through Profit or Loss</b>				
<b>Debtor</b>				
Loan to LVHN	4,357	6,728	-	-
<b>Amortised Cost</b>				
<b>Debtor</b>				
Loans to LVHN	-	-	-	-
Loans to HGL	88,424	92,990	-	-
Loans to EIL	-	-	12,236	3,678
Loan to Enfield Enterprise	750	-	-	-
Accrued Interest on above loans	-	-	1,505	1,166
School Loans	147	106	17,770	-
Trade debtors	-	-	67,881	68,041
Finance lease	1,485	1,473	-	-
Other Debtors	-	1,632	-	-
<b>Cash and Cash Equivalents</b>	-	-	41,700	110,551
<b>Total</b>	<b>95,163</b>	<b>102,929</b>	<b>141,092</b>	<b>183,436</b>

#### **Financial Instruments - Liabilities**

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

	Long-term		Short-term	
	*Restated 31 March 2019 £000	31 March 2020 £000	*Restated 31 March 2019 £000	31 March 2020 £000
<b>Amortised Cost</b>				
<b>Borrowings</b>				
Principal	(682,595)	(889,465)	(164,737)	(99,527)
Accrued interest	-	-	(5,944)	(6,172)
<b>Creditors</b>				
PFI - Highlands School	(7,358)	(6,366)	(865)	(992)
PFI - Street lighting	(12,419)	(11,283)	(1,132)	(1,136)
PFI - Starksfield & Refurbishment	(17,572)	(16,264)	(1,193)	(1,308)
Finance leases	(145)	(145)	-	-
Trade creditors	-	-	(76,343)	(64,870)
<b>Cash and Cash Equivalents</b>	-	-	(1,700)	(1,437)
<b>Total</b>	<b>(720,089)</b>	<b>(923,523)</b>	<b>(251,914)</b>	<b>(175,442)</b>

## Notes to the Core Financial Statements

\*Restated as per Prior Period Adjustment, Note 43

### 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 £118.4m outstanding nominal loan, proper accounting practice requires that £25.4m 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 £11.5m outstanding nominal loan, proper accounting practice required that £0.2m be deemed to be investment in subsidiary, £6.7m as debtor, with the balance (£4.6m) 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.

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.

	HGL		LVHN	
	Restated 2018/19	2019/20	Restated 2018/19	2019/20
	£000	£000	£000	£000
<b>Total Loans (nominal values)</b>				
Opening Balance	114,909	113,912	6,209	8,874
New Loans Granted	-	5,503	2,750	2,744
Loans Repaid	(997)	(1,021)	(85)	(116)
<b>Closing Balance . . .</b>	<b>113,912</b>	<b>118,394</b>	<b>8,874</b>	<b>11,502</b>
<i>. . . of which:</i>				
Loans at Market Rates	-	-	5,301	5,992
Loans at Sub-Market Rates	113,912	118,394	3,573	5,510
	<b>113,912</b>	<b>118,394</b>	<b>8,874</b>	<b>11,502</b>
<b>Loans are shown on the Balance Sheet as:</b>				
Debtors at Amortised Cost	88,424	92,990	-	-
Debtors at Fair Value	-	-	4,357	6,728
<b>Total</b>	<b>88,424</b>	<b>92,990</b>	<b>4,357</b>	<b>6,728</b>

Note: Although not classed as soft loans as at market rates the Council also has an outstanding loan balance of £3.7m with EIL (£12.2m in 2018/19)

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 £11.5m to LVHN, but the loans on the Balance Sheet were valued at £6.95m. The residual amount of £4.55m has been charged to the CIES over the last three years, of which

## Notes to the Core Financial Statements

£2.33m 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 and EIL loans under IFRS 9 for an expected credit loss allowance provision. As at 31<sup>st</sup> March 2020 there was no requirement to set aside a provision to cover twelve months expected credit losses for HGL and EIL 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.

### 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:

	2018/19	2019/20
<b>Net (gains)/losses on:</b>	<b>£000</b>	<b>£000</b>
Financial Assets at Fair Value in Profit and Loss	1,500	(443)
Financial Assets at Amortised Cost	400	-
Financial Liabilities at Amortised Cost	-	-
Interest Revenue	(4,800)	(4,555)
Interest Expense	20,300	26,871
<b>Total</b>	<b>17,400</b>	<b>21,873</b>

### 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.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to 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.
- 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

## Notes to the Core Financial Statements

- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

	Fair Value Level	*Restated 31 March 2019		31 March 2020	
		Carrying amount	Fair Value	Carrying amount	Fair Value
<b>Financial Liabilities:</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total Borrowing	2	(853,276)	(1,139,000)	(995,164)	(1,038,652)
PFI and Finance Lease Liabilities**	2	(40,682)	(36,882)	(37,493)	(32,972)
Cash and Cash Equivalents		(1,700)	(1,700)	(1,437)	(1,437)
Trade Payables (Creditors)	n/a	(76,343)	(76,343)	(64,870)	(64,870)
<b>Total Financial Liabilities</b>		<b>(972,001)</b>	<b>(1,253,925)</b>	<b>(1,098,964)</b>	<b>(1,137,931)</b>
<b>Financial Assets:</b>					
Long Term Loans to HGL	2	88,424	88,424	92,990	92,990
Long Term Loans to EIL	2	12,236	12,236	3,678	3,678
Long Term Loans to LVHN	3	8,874	4,357	11,502	6,728
Long Term Loan to Enfield Enterprise	n/a	750	750	-	-
Other Long Term debtors	n/a	-	-	1,632	1,632
Finance Leases	n/a	1,485	1,485	1,473	1,473
Trade Receivables (Debtors)	n/a	67,881	67,881	68,041	68,041
Cash and Cash Equivalents	n/a	41,700	41,700	110,551	110,551
<b>Total Financial Assets</b>		<b>221,350</b>	<b>216,833</b>	<b>289,867</b>	<b>285,093</b>

\*Restated as per Prior Period Adjustment, Note 43

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

### Financial Instruments - Risks

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 2019/20 treasury management strategy was approved at the Council's meeting on the 27 February 2019. 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.

## Notes to the Core Financial Statements

- *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 and EIL 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 (£11.502m to £6.955m), 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.

Credit Rating	31 March 2019		31 March 2020	
	Long Term	Restated Short Term	Long Term	Restated Short Term
	£000	£000	£000	£000
AAA	-	10,000	-	70,500
AA-	-	15,000	-	24,850
A+	-	12,700	-	-
<b>Total</b>	-	<b>37,700</b>	-	<b>95,350</b>

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.

## Notes to the Core Financial Statements

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

### Credit Risk: Trade and Lease 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:

	Restated 31 March 2019 Trade Receivables £000	31 March 2020 Trade Receivables £000
<b>Invoices Raised</b>		
Current debt	11,238	16,546
Past due < 3 months	-	-
Past due 3-6 months	12,045	5,029
Past due 6-12 months	3,521	3,204
Past due 12+ months	12,156	15,285
Loss allowance	(3,700)	(3,567)
<b>Total invoices raised</b>	<b>35,260</b>	<b>36,497</b>
Other debtors due at 31 March	68,986	57,154
<b>Total</b>	<b>104,246</b>	<b>93,651</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.

The maturity analysis of financial instruments is as follows:

	2018/19			2019/20		
	Principal £000	Interest £000	Portion %	Principal £000	Interest £000	Portion %
<b>Short Term</b>						
1 Year	165,100	16,800	3.3%	99,028	25,255	4.0%
<b>Long Term</b>						
1-2 Years	22,900	16,500	3.3%	24,360	24,177	3.9%
2-5 years	44,100	49,100	9.7%	44,776	46,872	7.5%
5-10 Years	85,000	81,300	16.1%	124,987	110,305	17.7%
10-15 Years	151,800	78,800	15.6%	126,129	98,911	15.8%
15-20 Years	48,000	71,200	14.1%	156,198	84,368	13.5%
20-25 Years	19,500	63,900	12.6%	24,793	71,104	11.4%
25-30 Years	58,500	57,200	11.3%	58,529	64,281	10.3%
30-35 Years	101,900	39,000	7.7%	101,895	47,160	7.6%
35-40 Years	39,500	20,900	4.1%	39,508	27,361	4.4%

## Notes to the Core Financial Statements

	2018/19			2019/20		
	Principal £000	Interest £000	Portion %	Principal £000	Interest £000	Portion %
40-45 Years	83,800	10,600	2.1%	83,789	16,750	2.7%
45+ Years	25,000	900	0.2%	105,000	7,900	1.3%
	<b>845,100</b>	<b>506,200</b>	<b>100.0%</b>	<b>988,992</b>	<b>624,444</b>	<b>100%</b>
<b>Short Term</b>						
Accrued Interest	-	5,944		-	6,172	
<b>Total</b>	<b>845,100</b>	<b>512,144</b>		<b>988,992</b>	<b>630,616</b>	

The total interest commitment on all outstanding borrowing (as shown in the table above) if all borrowing is held to maturity is £630.6m.

Loans and other long term liabilities outstanding (nominal value)	Restated	
	31 March 2019 £000	31 March 2020 £000
Public Works Loans Board	660,116	875,907
Market Debt	22,479	13,558
<b>Long Term Borrowing</b>	<b>682,595</b>	<b>889,465</b>
Temporary Borrowing	145,000	68,000
Other Loans Less than 1 year	19,737	31,527
Accrued Interest	5,944	6,172
<b>Long &amp; Short Term Borrowing</b>	<b>853,276</b>	<b>995,164</b>
Deferred Liabilities – PFI and finance leases	40,682	37,493
<b>Total</b>	<b>893,958</b>	<b>1,032,657</b>

### Market Risk

*Interest Rate Risk:* The Council is exposed to risks arising from movements in interest rates. 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 2020, 100% of the debt portfolio was held in fixed rate instruments, and none in variable rate instruments. Deposits are also subject to movements in interest rates. As deposits are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk must be balanced against actions taken to mitigate credit risk.

*Price Risk:* The Council does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).

*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.

### **NOTE 15B. Investments in Subsidiaries**

Subsidiary	Accounting Valuation Basis	Fair Value Level	2018/19	2019/20
			£000	£000
HGL	Amortised Cost	2	25,488	25,405



## Notes to the Core Financial Statements

LVHN	FVPL	3	1,000	225
<b>Total</b>			<b>26,488</b>	<b>25,630</b>

As at 31st March 2020 the Council held long-term investments in two of its wholly owned subsidiaries.

With respect to HGL the investment has arisen as a result of advancing loans to HGL where the rate of interest charged is below that of market rates for comparable organisations. Soft loan accounting for these loans has resulted in a long-term investment being created. Total nominal loans of £118.4m was outstanding nominal loan at 31 March 2020, proper accounting practice requires that £25.4m is deemed to be "investment in the subsidiary", that is valued on an amortised cost basis, and represents the benefit of the reduced interest rate.

The LVHN long-term investment, total nominal loans of £11.5m were advanced as at 31st March 2020, of which £0.2m were 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 their very nature are deemed to be of a higher business risk.

### **NOTE 16. 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.

Type	Restated	
	31 March 2019	31 March 2020
	£000	£000
<b>Current Assets</b>		
Petty Cash	20	20
Money Market Funds	10,000	70,500
Call Accounts	27,700	24,850
Cash in Transit	(8,955)	(5,786)
Bank	12,744	20,776
Imprest Accounts	191	191
<b>Total Current Assets</b>	<b>41,700</b>	<b>110,551</b>
<b>Current Liabilities</b>		
Trust Funds	(1,066)	(1,066)
Credit	(634)	(371)
<b>Total Current Liabilities</b>	<b>(1,700)</b>	<b>(1,437)</b>
<b>Total Current Liabilities &amp; Assets</b>	<b>40,000</b>	<b>109,114</b>

**NOTE 17. Debtors**  
**Short Term Debtors**

	<b>31-Mar 2019* £000</b>	<b>31-Mar 2020 £000</b>
Sundry Debtors	49,658	31,035
Central Government Debtors	14,262	16,847
Business Rate Debtors	2,137	2,288
Payments in Advance	7,229	10,873
Tax Debtors	10,214	10,290
Rent Debtors	7,601	8,041
Council Tax Debtors	10,273	11,003
Housing Benefit Overpayments	12,224	14,192
Court Costs	2,801	1,590
Local Government Debtors	4,302	57
NHS Debtors	10,901	14,278
Payroll Debtors	37	16
Leaseholder Debtors	4,150	4,844
Lease Debtors	11	22
<b>Total</b>	<b>135,800</b>	<b>125,376</b>

\*Restated as per Note 43 Prior Period Adjustment

Trade debtors are contained within Sundry Debtors and NHS Debtors.

<b>2018/19</b>				<b>2019/20</b>		
<b>Gross Amount £'000s</b>	<b>Loss Rate</b>	<b>Impairment for Debt Required £'000s</b>		<b>Gross Amount £'000s</b>	<b>Loss Rate</b>	<b>Impairment for Debt Required £'000s</b>
23,739	9.6%	(2,278)	0-1 Years	22,823	2.6%	(588)
9,537	9.6%	(915)	1-2 Years	6,307	8.0%	(502)
2,882	9.6%	(277)	2-3 Years	7,895	7.7%	(607)
1,362	9.6%	(131)	3-4 Years	1,070	45.5%	(487)
686	9.6%	(66)	4-5 Years	881	42.4%	(374)
418	9.6%	(40)	5-6 Years	505	84.0%	(425)
336	9.6%	(32)	6+Years	584	100.0%	(584)
<b>38,960</b>		<b>(3,739)</b>	<b>Total</b>	<b>40,065</b>		<b>(3,567)</b>

## Notes to the Core Financial Statements

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The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as 2019/20 when it increased to 48% under the London Business Rate Pool pilot.

	<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>
<b>Local Taxation Debtors</b>		
Council Tax		
Under 1 year	8,106	8,499
Over 1 Year	15,313	15,611
<b>Total Council Tax</b>	<b>23,419</b>	<b>24,110</b>
<b>National Non Domestic Rates</b>		
Under 1 year	2,856	2,981
Over 1 Year	4,869	5,528
<b>Total National Non Domestic Rates</b>	<b>7,724</b>	<b>8,509</b>

### **NOTE 18. Estate Renewals**

In conjunction with development partners, the Council is in the process of implementing major new estate renewal projects to regenerate the Borough. The projects will re-provide residential housing (both private and affordable housing), provide new community facilities and develop new commercial space. The Council has sought to secure the full vacant possession of certain sites by decanting existing council tenants and negotiating with residential and commercial leaseholders and other third parties to release their interests in the sites. As at 31 March 2020, the decanted/empty premises are disclosed as Other Land and Buildings in the Balance Sheet. When decants occur significantly in advance of development, assets are leased to Registered Providers and used for temporary accommodation for individuals on the Housing List. The carrying value of the assets associated with new developments have been valued in the financial statements based on Market Value.

Further decants and the buying out of leaseholder interests will continue into future years as projects proceed. Assets will be formally de-recognised in the financial statements when they are demolished or as they are transferred to the developer during the implementation phases of projects.

## Notes to the Core Financial Statements

### **NOTE 19. Creditors and Long-Term Liabilities**

#### **Short Term Creditors**

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

	*Restated 31 March 2019 £000	*Restated 31 March 2020 £000
Deposits	(2,609)	(3,148)
Sundry Creditors	(73,761)	(55,661)
Business Rate Creditors	(3,495)	(2,036)
Lease Creditors	(3,189)	(3,435)
Council Tax Creditors	(4,191)	(4,151)
Central Government Creditors	(420)	(13,458)
Local Government Creditors	(2,988)	(380)
Rent Creditors	(2,786)	(3,491)
Housing Benefit Overpayment Creditors	(8)	(11)
Leaseholder Creditors	(1,006)	(735)
Leave Creditors	(6,147)	(6,147)
<b>Total</b>	<b>(100,600)</b>	<b>(92,653)</b>

\*Restated as per Note 43 Prior Period Adjustment

#### **Long Term Creditors**

Long Term Creditors are amounts payable beyond one year of the Reporting Date. The composition and movement of Long-Term Creditors is as follows:

	31 March 2019 £000	31 March 2020 £000
Amounts due to be paid under PFI Contracts	(37,300)	(33,914)
Amounts due to be paid under other Finance Leases	(100)	(144)
Other long-term creditors	(300)	-
<b>Total</b>	<b>(37,700)</b>	<b>(34,058)</b>

### **NOTE 20. 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).

## Notes to the Core Financial Statements

Provisions: Classification and Description	Balance 31 March 2019 £000	Adjustments to correct opening balances £000	New Provisions raised in year £000	Provisions Utilised in Year £000	Provisions written back to revenue in year £000	Balance 31 March 2020 £000
<b>Short Term</b>						
Claims from internal insurance fund	(1,600)	(54)	-	-	134	(1,520)
Carbon Reduction Commitment Levy	(100)	20	-	-	80	-
<b>Short Term</b>	<b>(1,700)</b>	<b>(34)</b>	<b>-</b>	<b>-</b>	<b>214</b>	<b>(1,520)</b>
<b>Long Term</b>						
Claims from internal insurance fund	(4,000)	(147)	(181)	-	-	(4,328)
Tenant Water Rate Refund	(3,000)	97	-	-	-	(2,903)
Compensation Awards	(200)	(28)	-	-	228	-
Business Rate Valuation Appeals	(8,600)	35	(4,927)	-	8,564	(4,928)
<b>Long Term</b>	<b>(15,800)</b>	<b>(43)</b>	<b>(5,108)</b>	<b>-</b>	<b>8,792</b>	<b>(12,159)</b>
<b>Total Provisions</b>	<b>(17,500)</b>	<b>(77)</b>	<b>(5,108)</b>	<b>-</b>	<b>9,006</b>	<b>(13,679)</b>

The largest provisions relate to: -

- i) The combined short and long-term insurance provisions total of £5.8m 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 £4.9m provision for business rate valuation appeals is Enfield's 64% share of a total provision of £10.2m set out in more detail in the Collection Fund note on page 91.

### **NOTE 21. Unusable Reserves**

The table below summarises the unusable reserves as disclosed in the Balance Sheet:

Note	Unusable Reserves	*Restated 31 March 2019 £000	31 March 2020 £000
(i)	Revaluation Reserve	(666,311)	(620,497)
(ii)	Capital Adjustment Account	(528,164)	(384,915)
(iii)	Collection Fund Adjustment Account	900	2,883
(iv)	Accumulated Absences Account	6,100	6,147
(v)	Pensions Reserve	583,300	496,480
(vi)	Deferred Capital Receipts Reserve	-	(1,633)
	<b>Total</b>	<b>(604,175)</b>	<b>(501,535)</b>

\*Restated as per Note 43 Prior Period Adjustment

#### **i Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets having accumulated gains are:

- Revalued downwards and the gains are reduced or lost;
- Depreciated in the provision of services and the gains are consumed;
- Disposed of and the gains are realised.

## Notes to the Core Financial Statements

The Reserve only comprises revaluation gains accumulated since 1 April 2007 when the Reserve was created. Accumulated gains before that date are consolidated in the balance of the Capital Adjustment Account.

	Restated 31 March 2019 £000	31 March 2020 £000
<b>Revaluation Reserve</b>		
<b>Balance at 1 April</b>	<b>(592,156)</b>	<b>(666,311)</b>
<b>Surplus on revaluation of non-current assets not posted to the surplus/deficit on the provision of services</b>	<b>(105,108)</b>	<b>15,924</b>
<b>Total Amount written off to the Capital Adjustment Account</b>		
Difference between current value depreciation and historical cost depreciation	13,600	8,377
Accumulated gains on assets disposed of in the year	27,500	21,977
Other Adjusting Amounts Written Off to the Capital Adjustment Account	(10,147)	(464)
<b>Balance at 31 March</b>	<b>(666,311)</b>	<b>(620,497)</b>

## Notes to the Core Financial Statements

### ii Capital Adjustment Account

The Capital Adjustment Account reconciles the timing differences between the different accounting arrangements for the consumption of non-current assets and for the financing of the acquisition, construction and enhancement of those assets under statutory provisions.

The Account is debited with the cost of depreciation, impairment losses and amortisations that have been charged to the CIES with reconciling items from the Revaluation Reserve to write off the depreciation, impairment and amortisation of re-valued amounts. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. It contains the accumulated net gains and losses on investment properties that have yet to be consumed by the Council. The Account also contains the net accumulated revaluation gains on property, plant and equipment prior to 1 April 2007, the date when the Revaluation Reserve was created to hold such gains.

	2018/19 Restated	2019/20
	£000	£000
<b>Capital Adjustment Account</b>		
<b>Balance at 1 April</b>	<b>(584,167)</b>	<b>(528,164)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Depreciation of Property, Plant and Equipment, and Heritage Assets	49,315	39,532
Amortisation and Impairment Losses of Intangible Assets	6,972	7,680
Revaluation and Impairment Losses on Property, Plant and Equipment	45,504	116,064
Fair Value Adjustment of Loans		1,473
Revenue Expenditure Funded from Capital Under Statute	33,000	10,125
Carrying amounts of Non-Current Assets written off on disposal as part of the Gain/Loss on Disposal in the Comprehensive Income and Expenditure Statements	83,100	41,062
Write out of non current assets - Aerials & AUC	-	24,722
Other adjustments		(208)
<b>Sub Total</b>	<b>217,891</b>	<b>240,450</b>
<b>Adjusting Amounts written out of the Revaluation Reserve</b>		
Valuation of assets disposed of in the Comprehensive Income and Expenditure Statement	(27,500)	(21,977)
Difference in Current Cost and Fair Value depreciation	(13,600)	(8,377)
Other adjusting amounts written out of the Revaluation Reserve	10,447	464
<b>Net Written Out Amount of the Cost of Non-Current Assets Consumed in the Year</b>	<b>(30,653)</b>	<b>(29,890)</b>
<b>Capital financing applied in the year:</b>		
Capital receipts applied	(24,200)	(5,549)
Revenue contributions to fund capital expenditure	(31,000)	
Major Repairs Reserve applied	(27,300)	
Capital grants and contributions applied	(35,600)	(39,821)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(4,100)	(11,342)
	<b>(122,200)</b>	<b>(56,712)</b>
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(7,435)	(10,599)
Other Movements	(1,600)	-
<b>Balance at 31 March</b>	<b>(528,164)</b>	<b>(384,915)</b>

## Notes to the Core Financial Statements

### iii Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the difference between the Council's share of council tax and business rates income in the year shown in the CIES and the statutory arrangement for transferring amounts from the Collection Fund to the General Fund based on the council tax demand.

<b>Collection Fund Adjustment Account</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1st April</b>	<b>(3,000)</b>	<b>900</b>
Opening balance adjustment	-	36

**Amount by which Council Tax and Business Rates Income credited to the CIES is different from Income calculated for the year in accordance with Statutory Requirements:**

Council Tax	2,700	4,224
Business Rates	1,200	(2,277)
<b>Balance at 31 March</b>	<b>900</b>	<b>2,883</b>

### iv Accumulated Absences Account

The Accumulated Absences Account holds the costs of accrued compensated absences not taken in the year e.g. annual leave and flexitime entitlements carried forward at 31 March. Statutory arrangements require the impact on the General Fund to be neutralised by transfers to or from the Account. The Council's policy is to review the accrued cost of compensated absences periodically. The next review will be done in financial year 2020/21.

<b>Accumulated Absences Account</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>6,100</b>	<b>6,100</b>
Opening balance adjustment	-	47
Settlement or cancellation of accrual made at the end of the preceding year	(6,100)	(6,147)
Amounts accrued at the end of the current year	6,100	6,147
Amount by which Employee Remuneration charged to the CIES differs from Remuneration Chargeable in the year according to Statutory Regulation	-	-
<b>Balance at 31 March</b>	<b>6,100</b>	<b>6,147</b>

### v Pensions Reserve

The Pensions Reserve reconciles the timing differences between the accounting arrangements for post-employment benefits and the funding of benefits in accordance with statutory requirements. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees based on accrued years of service, updating liabilities to reflect inflation, reviewing assumptions and investment returns on resources set aside to meet such costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or pays pensions for which it is directly responsible. The debit balance on



## Notes to the Core Financial Statements

the Pension Reserve means there is a shortfall in the benefits earned by past and current employees and the resources that have been set aside to meet them. Statutory arrangements ensure that the required funding will be set aside by the time the benefits become payable.

### Movement in Pension Fund Reserve

Movement in Pension Fund Reserve	2018/19 £000	2019/20 £000
<b>Deficit Balance at 1 April</b>	<b>555,100</b>	<b>583,300</b>
Opening balance adjustment	-	19
Re-measurement of the Net Defined Pension Liability	(28,400)	(108,170)
Reversal of charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the code	89,900	55,569
Employer's pension contributions payable in the year	(33,300)	(34,238)
<b>Deficit Balance at 31 March</b>	<b>583,300</b>	<b>496,480</b>

### vi Deferred Capital Receipts Reserve

Movement in Deferred Capital Receipts Reserve	2018/19 £000	2019/20 £000
<b>Balance at 1 April</b>	-	-
Recognition of deferred capital receipt	-	(1,633)
Realisation of deferred capital receipt transferred to CRR	-	-
<b>Deficit Balance at 31 March</b>	-	<b>(1,633)</b>

### **NOTE 22. 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

Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES, meaning that the financing and surplus figures reported above are not the same as those reported in the CIES. This is because of a number of accounting entries, such as depreciation, that are required to be reflected in CIES are reversed out through the MiRS under statutory regulations.

## Notes to the Core Financial Statements

*Restated 2018/19					Net Cost of Service		2019/20				
Income and Expenditure per Management Accounts	Adjustments Between Internal Reporting and Statutory Position	Net Expenditure Chargeable to General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES	Segment	Income and Expenditure per Management Accounts	Adjustments Between Internal Reporting and Statutory Position	Net Expenditure Chargeable to General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES	
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	
8,900	700	9,600	6,300	15,900	Chief Executive	10,565	(395)	10,170	2,483	12,653	
24,300	(14,400)	9,900	26,900	36,800	Corporate	25,866	(52,298)	(26,432)	21,675	(4,757)	
124,800	(12,724)	112,076	27,910	139,986	People	120,532	5,013	125,545	5,610	131,155	
32,700	(5,600)	27,100	71,512	98,612	Place	37,736	6,449	44,185	36,766	80,951	
42,400	11,700	54,100	6,472	60,572	Resources	41,853	(138)	41,715	10,611	52,326	
2,000	(4,500)	(2,500)	(6,079)	(8,579)	HRA	-	4,177	4,177	54,138	58,315	
<b>235,100</b>	<b>(24,824)</b>	<b>210,276</b>	<b>133,015</b>	<b>343,291</b>	<b>Net Cost of Service</b>	<b>236,552</b>	<b>(37,192)</b>	<b>199,360</b>	<b>131,283</b>	<b>330,643</b>	
(232,700)	15,624	(217,076)	39,641	(177,435)	Other Income and Expenditure	(236,552)	13,559	(222,993)	19,469	(203,524)	
<b>2,400</b>	<b>(9,200)</b>	<b>(6,800)</b>	<b>172,656</b>	<b>165,856</b>	<b>Deficit/(Surplus)</b>	<b>-</b>	<b>(23,633)</b>	<b>(23,633)</b>	<b>150,752</b>	<b>127,119</b>	
		(101,900)			Opening General Fund & HRA Balance			(109,100)			
		(400)			Opening balance adjustment			47			
		(6,800)			In year surplus / (deficit)			(23,633)			
		<b>(109,100)</b>			<b>Closing General Fund &amp; HRA Balance</b>			<b>(132,686)</b>			

\*Restated as per Note 43 Prior Period Adjustment

## Notes to the Core Financial Statements

Adjustments for Capital Purposes £000	Adjustments for IAS 19 Purposes £000	Other Adjustments £000	Total Adjustments between Funding and Accounting Bases £000	Segment	Adjustments for Capital Purposes £000	Adjustments for IAS 19 Purposes £000	Other Adjustments £000	Total Adjustments between Funding and Accounting Bases £000
6000	300	-	6,300	Chief Executive	1,461	1,022	-	2,483
(9400)	35,600	700	26,900	Corporate	21,069	606	-	21,675
25,210	2,700	-	27,910	People	6,860	(1,250)	-	5,610
70,612	900	-	71,512	Place	32,846	3,920	-	36,766
4,950	1,500	22	6,472	Resources	8,040	2,571	-	10,611
(7,679)	1,600	-	(6,079)	HRA	53,142	997	-	54,139
<b>89,693</b>	<b>42,600</b>	<b>722</b>	<b>133,015</b>	<b>Net Cost of Service</b>	<b>123,418</b>	<b>7,866</b>	-	<b>131,284</b>
29,541	14,000	(3,900)	39,641	Other Income and Expenditure	7,950	13,465	(1,947)	19,468
<b>119,234</b>	<b>56,600</b>	<b>(3,178)</b>	<b>172,656</b>	<b>Deficit/(Surplus)</b>	<b>131,368</b>	<b>21,331</b>	<b>(1,947)</b>	<b>150,752</b>

\*Restated as per Note 43 Prior Period Adjustment

### Notes to Expenditure Funding Analysis tables

#### 1. Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for other operating expenditure adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. Financing and investment income and expenditure the statutory charges for capital financing i.e. Minimum Revenue Provision (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 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.

#### 2. 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.

#### 3. 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.

#### 4. 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.

## Notes to the Core Financial Statements

Nature of Expenses	*Restated 2018/19	2019/20
	£000	£000
Employee Related Expenses	326,600	330,758
Other Service Expenses	682,532	639,026
Depreciation & Amortisation	57,722	47,212
Impairment & Revaluation	45,504	116,064
Interest Payments	62,200	59,984
Precepts & Levies	7,500	8,259
Loss on the Disposal of Assets	87,898	48,794
<b>Expenditure Total</b>	<b>1,269,956</b>	<b>1,250,097</b>
Fees, Charges & Other Service Income	(204,561)	(197,164)
Interest & Investment Income	(44,935)	(48,018)
Income from Council Tax & Non-Domestic Income	(197,600)	(216,290)
Government Grants & Contributions	(657,004)	(661,506)
<b>Income Total</b>	<b>(1,104,100)</b>	<b>(1,122,978)</b>
<b>Deficit on Provision of Services</b>	<b>165,856</b>	<b>127,119</b>

\*Restated as per Note 43 Prior Period Adjustment

### **NOTE 23. Cash Flow Adjustments to Net Deficit on The Provision of Services**

	*Restated 2018/19	2019/20
	£000	£000
Depreciation of Non-Current Assets	49,315	39,532
Impairment of Non-Current Assets	38,069	128,554
Amortisation of intangible Fixed Assets	6,972	7,680
Pension Fund adjustments	56,600	21,331
Impairment losses on loans & advances debited to the CI&E in year	-	1,473
Increase/decrease in impairment for provision for bad debts	1,900	1,540
Contributions to Provisions	5,700	(3,822)
Carrying amount of PP&E, investment property and intangible assets sold	83,100	41,062
(Increase)/Decrease in Inventories	300	(81)
(Increase)/Decrease in Debtors	(21,400)	10,424
Increase/(Decrease) in Creditors	(30,300)	(10,292)
Other non-cash movement	(1,700)	(481)
<b>Total adjustments to net deficit on the provision of services</b>	<b>188,556</b>	<b>236,920</b>

\*Restated as per Note 43 Prior Period Adjustment

## Notes to the Core Financial Statements

Cashflows from Operating Activities includes the following	*Restated 2018/19 £000	2019/20 £000
Interest Paid	(20,300)	(19,476)
Interest Received	4,800	4,746
<b>Total adjustments to net deficit on the provision of services</b>	<b>(15,500)</b>	<b>(14,730)</b>

\*Restated as per Note 43 Prior Period Adjustment

### **NOTE 24. Investing Activities**

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

Cash Flow Statement – Investing Activities	*Restated 2018/19 £000	2019/20 £000
Purchase of property, plant and equipment, investment property and intangible assets	(152,900)	(165,323)
Other payments for investing activities	5,800	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	17,900	15,348
Proceeds from Short and Long Term Investments	6,000	(11,071)
Capital Grants Received	34,900	68,756
Other receipts from investing activities	-	-
<b>Total Investing Activities</b>	<b>(88,300)</b>	<b>(92,290)</b>

\*Restated as per Note 43 Prior Period Adjustment

### **NOTE 25. Financing Activities**

Cash Flow Statement – Financing Activities	*Restated 2018/19 £000	2019/20 £000
Cash receipts of short and long term borrowing	290,400	207,365
Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(3,100)	(3,642)
Repayments of short and long term borrowing	(141,800)	(65,501)
Other payments for financing activities	2,500	-
<b>Total Financing Activities</b>	<b>148,000</b>	<b>138,222</b>

\*Restated as per Note 43 Prior Period Adjustment

### **NOTE 26. 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:

Cash Flow Statement – Investing and Financing Activities	*Restated 2018/19 £000	2019/20 £000
Proceeds from sale of property plant equipment & investment property	(17,900)	(15,348)
Any other items for which the cash effects are investing or financing cash flows: Capital Grants & Contributions	(34,900)	(71,271)
<b>Total Financing Activities</b>	<b>(52,800)</b>	<b>(86,619)</b>

\*Restated as per Note 43 Prior Period Adjustment

## Notes to the Core Financial Statements

### Reconciliation of Liabilities Arising From Financing Activities

	• *Restated 2017/18	Financing	Investing	Non- Cash Changes	*Restated 2018/19	Financing	Investing	Non- Cash Changes	2019/20
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Long-Term Borrowings	(575,200)	(151,100)	-	44,200	(682,100)	(207,365)	-	-	(889,465)
Short-Term Borrowings	(127,000)		(88,300)	44,100	(171,200)	65,501	(92,290)	92,290	(105,699)
Other Long Term Liabilities	(40,800)	3,100	-	-	(37,700)	3,642	-	-	(34,058)
<b>Total Liabilities from Financing Activities</b>	<b>(743,000)</b>	<b>(148,000)</b>	<b>(88,300)</b>	<b>88,300</b>	<b>(891,000)</b>	<b>(138,222)</b>	<b>(92,290)</b>	<b>92,290</b>	<b>(1,029,222)</b>

\*Restated as per Note 43 Prior Period Adjustment

#### **NOTE 27. Pooled Budgets**

Under Section 75 of the NHS Act 2006, the Council has established joint arrangements with NHS Enfield Clinical Commissioning Group for a collaborative working agreement relating to the establishment and management of jointly commissioned services and an associated integrated joint commissioning structure. This is contributing to an improvement in services for patients and service users and ensuring the most effective use of resources by working in partnership.

- i. **The Integrated Communities Equipment Service** provides equipment services for people with permanent and substantial difficulties, helping them to live in their own home.
- ii. **The Learning Disabilities Pool** enables the Council and the NHS to maintain integrated provision for the delivery of services to people with learning disabilities, for whom the Council and the NHS have a responsibility to provide health and social care.
- iii. **Mental Capacity Act** and Deprivation of Liberty Safeguards services for both NHS Enfield and the Council. This is in line with the Mental Capacity Act (2005), whereby the NHS and the Council have a duty to deal with all requests for urgent and/or standard authorisations to deprive a person of their liberty.
- iv. **A Service Development Team** across health and social care works in partnership to manage an increase in demand against diminishing resources.
- v. **Continuing Health Care (CHC)** is the purchase of bed placements from Bridgewood House for continuing needs by Enfield CCG.
- vi. **The Better Care Fund Programme** is an evolving initiative spanning both the NHS and local government. It has been created to improve the lives of some of the most vulnerable people in our society, placing them at the centre of their care and support, and providing them with 'wraparound' fully integrated health and social care, resulting in an improved experience and better quality of life.

A funding and expenditure statement for these pooled budgets in 2019/20 and comparison with 2018/19 is set out below.

Notes to the Core Financial Statements

Pooled Budgets 2019/20	Integrated Communities Equipment Service £000	Learning Disabilities Pool £000	Mental Capacity Act £000	Service Development Team £000	CHC Beds £000	Total £000
<b>Funding provided to the pooled budget:</b>						
London Borough of Enfield	(1,031)	(4,596)	(835)	(246)	-	(6,708)
National Health Service Enfield	(762)	(1,881)	(46)	(410)	-	(3,099)
<b>Total Funding Available</b>	<b>(1,793)</b>	<b>(6,477)</b>	<b>(881)</b>	<b>(656)</b>	<b>-</b>	<b>(9,807)</b>
<b>Expenditure met from the pooled budget</b>						
Enfield Council	2,076	3,670	880	656	-	7,282
National Health Service Enfield	-	1,880	-	-	-	1,880
<b>Total Expenditure</b>	<b>2,076</b>	<b>5,550</b>	<b>880</b>	<b>656</b>	<b>-</b>	<b>9,162</b>
<b>Net Surplus / Deficit</b>	<b>283</b>	<b>(927)</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(645)</b>

Pooled Budgets 2018/19	Integrated Communities Equipment Service £000	Learning Disabilities Pool £000	Mental Capacity Act £000	Service Development Team £000	CHC Beds £000	Total £000
<b>Funding provided to the pooled budget:</b>						
London Borough of Enfield	(1,000)	(3,400)	(1,000)	(100)	-	(5,500)
National Health Service Enfield	(700)	(2,000)	-	-	(800)	(3,500)
<b>Total Funding available</b>	<b>(1,700)</b>	<b>(5,400)</b>	<b>(1,000)</b>	<b>(100)</b>	<b>(800)</b>	<b>(9,000)</b>
<b>Expenditure met from the pooled budget</b>						
Enfield Council	1,800	2,600	900	100	800	6,200
National Health Service Enfield	-	2,800	-	-	-	2,800
<b>Total Expenditure</b>	<b>1,800</b>	<b>5,400</b>	<b>900</b>	<b>100</b>	<b>800</b>	<b>9,000</b>
<b>Net Surplus / Deficit</b>	<b>100</b>	<b>-</b>	<b>(100)</b>	<b>-</b>	<b>-</b>	<b>-</b>

Better Care Fund Programme 2019/20	Commissioned by Enfield CCG £000	Commissioned by LB Enfield £000	Total £000
Better Care Fund	10,646	3,736	14,382
Protection of ASC	-	6,828	6,828
Improved Better Care Fund	-	10,038	10,038
Disabilities Facilities Grant	-	3,293	3,293
<b>Total</b>	<b>10,646</b>	<b>23,895</b>	<b>34,541</b>



## Notes to the Core Financial Statements

<b>Better Care Fund Programme 2018/19</b>	<b>Commissioned by Enfield CCG £000</b>	<b>Commissioned by LB Enfield £000</b>	<b>Total £000</b>
Better Care Fund	9,900	3,900	13,800
Protection of ASC	-	6,300	6,300
Improved Better Care Fund	-	8,200	8,200
Disabilities Facilities Grant	-	3,400	3,400
<b>Total</b>	<b>9,900</b>	<b>21,800</b>	<b>31,700</b>

### **NOTE 28. 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](#)

	<b>2018/19 £000</b>	<b>2019/20 £000</b>
Basic allowances	665	666
Special responsibility allowances	301	314
<b>Total</b>	<b>966</b>	<b>980</b>

## Notes to the Core Financial Statements

### **NOTE 29. 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
		£	£	£	£
<b>Ian Davies (Chief Executive)</b>	2019/20	195,870	-	-	<b>195,870</b>
	2018/19	191,342	-	-	<b>191,342</b>
<b>Tony Theodoulou Executive Director of People (Note 1)</b>	2019/20	159,801	-	-	<b>159,801</b>
	2018/19	148,327	3,489	-	<b>151,816</b>
<b>Sarah Cary - Executive Director of Place</b>	2019/20	160,092	-	39,703	<b>199,795</b>
	2018/19	135,303	-	33,014	<b>168,317</b>
<b>James Rolfe - Executive Director of Resources (left end September 2018)</b>	2019/20	-	-	-	-
	2018/19	75,188	3,560	-	<b>78,748</b>
<b>Fay Hammond - Executive Director of Resources (Note 2)</b>	2019/20	132,931	-	13,438	<b>146,369</b>
	2018/19	113,621	-	27,723	<b>141,344</b>
<b>Jeremy Chambers – Director of Law &amp; Governance (Note 3)</b>	2019/20	120,947	1,103	-	<b>122,049</b>
	2018/19	112,871	3,242	-	<b>116,113</b>
<b>Director of Public Health (Note 4)</b>	2019/20	107,717	794	26,910	<b>135,421</b>
	2018/19	99,760	1,816	24,784	<b>126,360</b>
<b>Ray James - Executive Director of Health, Housing &amp; Adult Social Care (External Secondment) (Note 5)</b>	2019/20	156,170	2,542	-	<b>158,712</b>
	2018/19	142,428	9,969	-	<b>152,397</b>

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 Up Executive Director of Resources October 2018 to March 2020, the figures included are for the whole year

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 during 2018/19 (started in October 2017). His actual salary for 2018/19 was £152,397, which

## Notes to the Core Financial Statements

was recharged to NHS England (recharge amount was £173,000 including on-costs. For 2019/20 his total salary was £158,712, with £180,000 being recharged to NHS England including on-costs.

**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.

Taxable Remuneration Band	2018/19				2019/20			
	Non Schools		Schools		Non Schools		Schools	
	Current	Left during year	Current	Left during year	Current	Left during year	Current	Left during year
£50,000 - £54,999	69	2	149	5	82	4	149	4
£55,000 - £59,999	86	4	67	-	72	3	73	2
£60,000 - £64,999	19	5	40	1	37	1	32	1
£65,000 - £69,999	17	1	28	2	24	2	28	3
£70,000 - £74,999	26	-	14	3	15	2	21	-
£75,000 - £79,999	12	1	21	-	15	1	9	1
£80,000 - £84,999	2	1	6	-	3	3	7	-
£85,000 - £89,999	4	1	6	-	1	-	1	-
£90,000 - £94,999	-	1	7	-	1	1	4	1
£95,000 - £99,999	2	-	3	1	3	-	7	-
£100,000 - £104,999	3	-	1	-	1	-	-	-
£105,000 - £109,999	2	-	3	1	1	1	2	-
£110,000 - £114,999	-	-	1	-	-	-	2	-
£115,000 - £119,999	1	-	1	-	4	-	-	-
£120,000 - £124,999	1	-	1	-	2	1	-	-
£125,000 - £129,999	-	-	1	-	-	-	-	-
£130,000 - £134,999	-	-	-	-	1	-	-	-
£135,000 - £139,999	-	-	-	1	-	-	-	-
£140,000 - £144,999	-	-	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-	-	-
£150,000 - £154,999	-	-	-	-	-	-	-	-
£155,000 - £159,999	-	-	-	-	-	-	-	-
£160,000 - £164,999	-	-	-	-	-	-	-	-
£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	-	-	-	-	-	-	-	-
£200,000 - £204,999	-	-	-	-	-	0	-	-
<b>Totals</b>	<b>244</b>	<b>16</b>	<b>349</b>	<b>14</b>	<b>262</b>	<b>19</b>	<b>335</b>	<b>12</b>
<b>Annual Total</b>				<b>623</b>				<b>628</b>

The above figures include severance payments to staff whose employment was terminated in the financial year. The above numbers exclude remuneration for the most senior officers, details for who are shown on the previous table.

## Notes to the Core Financial Statements

### **NOTE 30. 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:

	Fees in Respect of Audit Year	
	2018/19 £'000	2019/20 £'000
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor for the year	188	132
Fees payable to the External Auditors for the certification of grant claims and returns for the year	-	-
<b>Full Year Audit Cost Total</b>	<b>188</b>	<b>132</b>

\*Included in the audit fee of £188k is £56k for additional work carried out in respect of the 2018/19 audit.

### **NOTE 31. 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 2019/20 before Academy Recoupment	334,643		
Academy Figure recouped for 2019/20	(133,030)		
<b>Total DSG after Academy Recoupment 2019/20</b>	<b>201,613</b>		
Plus brought forward from 2018/19	1,094		
Less carry forward to 2020/21 agreed in advance	(412)		
<b>Agreed initial budget distribution 2019/20</b>	<b>202,295</b>	<b>160,827</b>	<b>41,468</b>
In year adjustments	13	13	
<b>Final budget distribution for 2019/20</b>	<b>202,308</b>	<b>160,840</b>	<b>41,468</b>
Less: Actual Central Expenditure	<b>44,742</b>		<b>44,742</b>
Less: Actual ISB Deployed to Schools	<b>162,460</b>	<b>162,460</b>	
<b>Carry forward to 2020/21</b>	<b>(4,482)</b>	<b>(1,620)</b>	<b>(3,274)</b>

## Notes to the Core Financial Statements

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 2020 were in a £3.2m deficit position (£0.8m surplus position, 31 March 2019).

### **NOTE 32. Grant Income**

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

	2018/19	2019/20
	£000	£000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
CIL Income	-	4,656
New Homes Bonus	1,986	1,594
Section 31 Grants	4,410	7,386
Pool Benefit	-	1,347
Discretionary Rate Relief Scheme	239	-
Business Rate Levy Account Surplus	1,091	-
Housing Benefit Administration Grant	1,561	1,575
Covid-19 General Grant	-	8,521
Council Tax Administration Grant & Other Grants	713	929
<b>Specific Corporate Grants</b>	<b>10,000</b>	<b>26,008</b>
Revenue Support Grant	-	-
<b>General Government Grants</b>	<b>10,000</b>	<b>26,008</b>
Capital Grants and Contributions	34,900	71,271
<b>Total Grants and Contributions</b>	<b>44,900</b>	<b>97,279</b>

	2018/19	2019/20
	£000	£000
<b>Service Specific Grants</b>		
Housing Benefits Subsidy	295,277	264,615
Dedicated Schools Grant	223,867	200,222
Pupil Premium Grant	11,851	17,941
Education Funding Agency- Learning & Skills Grant	11,593	10,604
Public Health Grant	16,828	16,384
Discretionary Housing Payments	2,144	2,537
Unaccompanied Asylum Seeker Support Grant	2,293	3,412
Flexible Homelessness Support Grant	8,453	7,163
COVID-19 Funding	-	8,827
Other Grants	31,557	41,043
<b>General Government Grants</b>	<b>603,863</b>	<b>572,748</b>

Note: Excludes PFI Grants which are recognised as General Government Grants in the CIES but as Departmental Grants in the Segmental Analysis.

The Council has received several grants, contributions and donations that have yet to be recognised as income as they have conditions outstanding as at 31 March. The balance as at 31 March 2020 was £4.2m (£9.7m 31 March 2019).

**NOTE 33. Related Parties**

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.

**Other Public Bodies**

The Council operates a pooled budget arrangement with NHS Enfield for the administration of an Integrated Communities Equipment Service and a Learning Disabilities Pool and a Drug Alcohol Action Team - details of which are set out in Note 27.

**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 2019/20 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. The following Members declared interests with the following organisations with whom there was economic activity in the year.

Organisation	Members / Officers Declaring an Interest	Payments made by LBE to Organisation in 2018-19	Payments made by LBE to Organisation in 2019-20
Cyprian Care Ltd	Cllr Ahmet Oykenner was a Director of Cyprian Care Ltd (until September 2019), who provide Home Care Services in Enfield as well as other London Boroughs	Payment for Services of £0.9m	Payment for Services of £0.6m

### **Entities Controlled or Significantly Influenced by the Authority**

#### **Wholly Owned Subsidiaries of the Council**

##### **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 provides 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 as Energetik. The Company began trading in 2016/17. During 2019/20, the Management Board included Councillors Doug Taylor and Officer Ian Davis (Chief Executive). As at 31 March 2020 the Council made net loan advances to LVHN of £2.6m and had outstanding loan advances of £11.5m. The company also had accrued interest of £0.1m outstanding on loan balances as at 31 March 2020 and is included on the Council's balance sheet within the current assets value.

##### **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 2019/20 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 2020 the Council made net loan advances to HGL of £4.5m and had outstanding loan advances of £118.4m. The company also had accrued interest of £1.0m outstanding on loan balances as at 31 March 2020 and is included on the Council's balance sheet within the current assets value.

##### **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. EIL falls within the Group Boundary. During 2019/20, the Management Board included Councillor Sabri Ozaydin, and Officer Mark Bradbury (Director of Property & Economy) and Matt Bowmer (Interim Director of Finance). As at 31 March 2020 the Council received net loan repayments from EIL of £8.6m and had outstanding loan advances of £3.7m. The advances to EIL are treated as a short-term investment that is held at amortised cost on the Council's balance sheet.

##### **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 Management Board included Councillor Hassan Yusuf and Officers Marc Gadsby (Managing Director), Monamie Millat (Commercial Director) and Jon Newton (Director).

##### **Enfotec Ltd**

## Notes to the Core Financial Statements

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In March 2017 the Council Registered Enfotec Ltd. The Company is dormant with no financial activity but was intended to be used in the future as an ICT trading platform. The Enfotec Ltd Board includes Councillors Ayfer Orhan, Dino Lemonides, and Achilleas Georgiou. There was no Council officer present on the Board as at 31 March 2020 as the previous appointed officer (James Rolfe) had left his role at the Council during the year. The Council is currently going through a governance process of winding the company up and is not legally required to appoint a new officer.

### 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.

### Associates

#### Enfield Norse Limited

The Authority owns 40% of the shares in Enfield Norse Limited – the Trading Arm of Norfolk County Council. The Company provides building cleaning services.

During financial year 2019/20 the Authority did not receive dividend income from Enfield Norse. As at 31 March 2020 the Management Board included Councillor Charith Gunawardena and Officer Doug Wilkinson (Director of Environment and Operational Services).

#### Red Lion Homes' (RLH)

The company was wound up during the year and removed from the Companies House Register.



## Notes to the Core Financial Statements

### **NOTE 34. Capital Expenditure and Capital Financing**

The following analyses in year capital expenditure and how it has been financed.

	*Restated 2018/19	2019/20
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>930,100</b>	<b>991,921</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	144,954	161,725.0
Investment Properties	-	210.0
Intangible Assets	7,949	3,143.0
Assets Held for Sale	-	-
Long Term Investment	-	-
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	33,000	10,125
Heritage Assets	-	278
Companies Investment	7,800	7,537
<b>Total Capital Investment</b>	<b>193,700</b>	<b>183,018</b>
<b>Sources of Finance</b>		
Capital Receipts	(24,200)	(5,549)
Government Grants and Contributions	(35,600)	(39,821)
HRA Major Repairs Reserve	(27,300)	-
Direct Revenue Contributions	(31,158)	-
Minimum Revenue Provision	(4,100)	(8,152)
Repayment of Loans	(6,424)	(8,997)
Decrease in PFI Contract Liabilities	(3,100)	(3,190)
<b>Total Sources of Finance</b>	<b>(131,882)</b>	<b>(65,709)</b>
<b>Closing Capital Financing Requirement</b>	<b>991,921</b>	<b>1,109,230</b>
Increase in underlying need to borrow	61,821	117,309
<b>Increase in Capital Financing Requirement</b>	<b>61,821</b>	<b>117,309</b>

\*Restated as per Note 43 Prior Period Adjustment

### **NOTE 35. 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 2019	31 March 2020
	£000	£000
Not later than one year	1,199	1,075

## Notes to the Core Financial Statements

Later than one year and not later than five years	3,974	3,829
Later than five years	26,406	25,477
<b>Total</b>	<b>31,579</b>	<b>30,381</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.

	<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>
Amount due not later than one year	5,152	5,561
Amount due between one and five years	17,325	17,958
Later than five years	52,635	48,925
<b>Total</b>	<b>75,112</b>	<b>72,444</b>

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

### **NOTE 36. Private Finance Initiative (PFI) Contracts**

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

#### **Street Lighting Services**

<b>Period</b>	<b>Payment for Services</b>	<b>Reimbursement of Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>

## Notes to the Core Financial Statements

	£000	£000	£000	£000
Within one year	1,989	1,136	620	3,745
Two - five years	8,598	4,370	1,938	14,906
six - 10 years	12,274	5,580	1,173	19,027
11 - 15 years	2,884	1,334	65	4,283
<b>Total</b>	<b>25,745</b>	<b>12,420</b>	<b>3,796</b>	<b>41,961</b>

The carrying value of the Street Lighting scheme assets at 31 March 2020 was £21.1m (£21.9m as at 31 March 2019 - restated)

Outstanding Liability for Reimbursement of Capital Expenditure	2018/19 £000	2019/20 £000
Balance Outstanding 1 April	(14,800)	(13,500)
Opening balance adj for prior year rounding	-	(52)
Payments During the Year	1,300	1,132
<b>Balance Outstanding 31 March</b>	<b>(13,500)</b>	<b>(12,420)</b>

### Education – Provision of Highlands Secondary School

Period	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Within one year	798	992	758	2,548
Two - five years	3,384	5,537	1,832	10,753
six - 10 years	463	828	85	1,376
<b>Total</b>	<b>4,645</b>	<b>7,357</b>	<b>2,675</b>	<b>14,677</b>

The carrying value of assets held at 31 March 2020 was £32.1m (£35.6m as at 31 March 2019).

Outstanding Liability for Reimbursement of Capital Expenditure	2018/19 £000	2019/20 £000
Balance Outstanding 1 April	(9,100)	(8,200)
Opening balance adj for prior year rounding	-	(22)
Payments During the Year	900	865
<b>Balance Outstanding 31 March</b>	<b>(8,200)</b>	<b>(7,357)</b>

### Education – Provision of Starksfield Primary School and Refurbishment of Tottenham Primary and Lea Valley Secondary Schools

Period	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Within one year	2,014	1,308	1,741	5,063
Two - five years	8,756	6,346	5,558	20,660
six - 10 years	11,040	9,920	2,916	23,876

## Notes to the Core Financial Statements

11 - 15 years	-	-	-	-
<b>Total</b>	<b>21,810</b>	<b>17,574</b>	<b>10,215</b>	<b>49,599</b>

The carrying value of assets held at 31 March 2020 was £14.9m (£11.6m as at 31 March 2019 - restated).

<b>Outstanding Liability for Reimbursement of Capital Expenditure</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
<b>Balance Outstanding 1 April</b>	(19,800)	(18,800)
Opening balance adj for prior year rounding	-	33
Payments During the Year	1,000	1,193
<b>Balance Outstanding 31 March</b>	<b>(18,800)</b>	<b>(17,574)</b>

### **NOTE 37. Expected Credit Losses on Financial Assets and Movements in Fair Value** **Expected Credit Losses**

The 2018 CIPFA Code of Practice adopted IFRS9, the new financial instrument standard. Under IFRS9, the basis for recognising impairment loss allowances on financial instrument assets has changed from the incurred losses model to the expected losses model.

- Incurred losses (IAS 39) – an impairment loss was provided for in relation to a financial asset if, and only if, there was objective evidence of impairment as a result of a past event that occurred subsequent to the initial recognition of the asset. Examples of such evidence would include significant financial difficulty of the debtor or a breach of contract including a default on interest or principal payments.
- Expected losses (IFRS 9) – an impairment loss is provided for the present value of the difference between the cash flows that the authority is contracted to receive in relation to each financial asset and the cash that it expects to actually receive, taking into account the risks that defaults might occur over the remaining term.

This means the Council has to take a forward, prospective look at the likelihood of repayment default and, if material, recognise by way of a provision before any impairment event has actually taken place. Whilst this has always been done for trade debtors, from 2018/19 the expected credit loss model now applies to all of the Council's financial instrument assets, with the following exceptions:

- Central Government Bodies
- Other Local Authorities
- NHS Organisations
- Council Tax Debtors
- Business Rate Debtors
- Housing Benefit Related Overpayment Arrears

The Council's policy is to assess all financial instrument assets within the scope of IFRS9 for expected credit loss. Consistent with this policy the Council has calculated the expected credit loss on the following financial instrument asset types

- a) Non-Housing Trade Debtors / Accounts Receivable
- b) Housing Related Rent Arrears
- c) Loans to Subsidiary Companies

## Notes to the Core Financial Statements

As types a) to b) have shared risk characteristics, the lifetime expected credit loss is based on a practical expedient which uses historic payment information to arrive at provision matrices; further consideration has been given to macro-economic factors that may impact on trend data and this has been found to be negligible. It is calculated based on historic collection rates.

As loans to subsidiary companies have individual risk characteristics separate expected credit losses are calculated for each using a weighted average of various scenarios. The expected credit losses recognised are calculated by determining the difference between:

- the net present value of the contractual cash flows (principal and interest) that are due to the authority in accordance with the instrument's contract, discounted at the original effective interest rate for the instrument, and
- the net present value of the cash flows that the authority expects to receive, discounted at the original effective interest rate for the instrument

As wholly owned subsidiaries, the Council holds collateral in that it owns the companies' assets and can direct its operations. Upon review, expected credit losses on all other financial instrument assets within the scope of IFRS9 were judged to be immaterial.

### **Movement in Fair Value**

The loans to LVHN have been valued at Fair Value through profit and loss by an external expert and are noted in Note 15.

### **NOTE 38. 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 2019/20 and 2018/19 were as follows:

Exit Package Cost Band	Number of Redundancies		Number of Other Departures		Total Number of Exit Packages by Band		Total Cost of Exit Packages by Band	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
							£000	£000
£0 - £20,000	46	110	20	29	66	139	404	918
£20,000 - £40,000	6	23	2	5	8	28	265	798
£40,000 - £60,000	2	4	1	3	3	7	142	305
£60,000 - £80,000	-	3	-	1	-	4	-	270
£80,000 - £100,000	2	1	-	-	2	1	175	98
£100,000 - £150,000	1	2	-	-	1	2	100	211

## Notes to the Core Financial Statements

Over £150,000	-	1	-	-	-	1	-	295
<b>Total</b>	<b>57</b>	<b>144</b>	<b>23</b>	<b>38</b>	<b>80</b>	<b>182</b>	<b>1,086</b>	<b>2,895</b>

In addition to the 80 terminations in 2019/20 totalling £1,085,568 there were 10 redundancies which occurred in previous years where capital early retirement costs were finalised and paid in 2019/20. These costs amounted to £84,000.

### **NOTE 39. 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. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2019/20 employer contributions of £14.4m were paid to the Teacher's Pension Scheme (£12.4m paid in 2018/19). 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 and detailed in Note 40 below.

#### **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 the NHS, the scheme is accounted for as if it were a defined contribution scheme. Therefore, it is not possible to identify the underlying scheme assets and liabilities for those staff who were transferred from the PCTs to the Council in April 2013. Given this, the Council has decided to follow the recommendation from CIPFA's Local Authority Accounting Panel and to account for the NHS pension scheme on a defined contribution basis. In 2019/20 the Council's employer contributions to the NHS Pension Scheme were £21,769.

### **NOTE 40. 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 41. 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			2018/19		
	Scheme Assets	Pensions Obligations	Net Pensions Liability	Scheme Assets	Pensions Obligations	Net Pensions Liability
	£000	£000	£000	£000	£000	£'000
<b>Opening Balance at 1 April</b>	<b>1,092,312</b>	<b>(1,675,631)</b>	<b>(583,319)</b>	<b>1,019,000</b>	<b>(1,574,100)</b>	<b>(555,100)</b>
Current Service Cost	-	(46,759)	<b>(46,759)</b>	-	(38,200)	<b>(38,200)</b>
Past Service cost and gains/losses on curtailments	-	(606)	<b>(606)</b>	-	(37,700)	<b>(37,700)</b>
Interest Income and Expense	25,982	(39,447)	<b>(13,465)</b>	26,500	(40,500)	<b>(14,000)</b>
Admin Expense	-	-	-	-	-	-
• Retirement Grants and Pensions	(46,328)	46,328	-	(42,700)	42,700	-
• Settlements	(8,247)	13,508	<b>5,261</b>	-	-	-
• Effects of business combinations and disposals	-	-	-	-	-	-
<b>Total post-employment benefits charged to Surplus or Deficit on Provision of Services</b>	<b>(28,593)</b>	<b>(26,976)</b>	<b>(55,569)</b>	<b>(16,200)</b>	<b>(73,700)</b>	<b>(89,900)</b>
<b>Contributions</b>						
• The Council	34,238	-	<b>34,238</b>	33,300	-	<b>33,300</b>
• Employees	8,178	(8,178)	-	7,900	(7,900)	-
<b>Employers contributions payable to scheme</b>	<b>42,416</b>	<b>(8,178)</b>	<b>34,238</b>	<b>41,200</b>	<b>(7,900)</b>	<b>33,300</b>
<b>Remeasurements</b>						
• Return on Plan Assets	(75,747)	-	<b>(75,747)</b>	48,500	-	<b>48,500</b>
• Actuarial Gains and Losses arising from changes in demographic assumptions	-	52,222	<b>52,222</b>	-	67,000	<b>67,000</b>
• Actuarial Gains and Losses from changes in Financial Assumptions	-	30,921	<b>30,921</b>	-	(84,400)	<b>(84,400)</b>
• Experience loss /(gain) on defined benefit obligation	-	100,774	<b>100,774</b>	-	(2,700)	<b>(2,700)</b>
Changes in the effect of the Asset Ceiling	-	-	-	-	-	-
<b>Post-Employment Benefits Charged to other Comprehensive Income and Expenditure Statement</b>	<b>(75,747)</b>	<b>183,917</b>	<b>108,170</b>	<b>48,500</b>	<b>(20,100)</b>	<b>28,400</b>
<b>Closing Balance at 31 March</b>	<b>1,030,388</b>	<b>(1,526,868)</b>	<b>(496,480)</b>	<b>1,092,500</b>	<b>(1,675,800)</b>	<b>(583,300)</b>



**Composition of Scheme Assets**

Scheme Asset Type	31 March 2020			As at 31 March 2019
	Quoted	Unquoted	Total	
Equity Investments	37.0%	6.4%	43.4%	44.3%
Property	3.9%	16.7%	20.6%	6.8%
Government Bonds	7.9%	0.0%	7.9%	13.6%
Corporate Bonds	14.5%	0.0%	14.5%	14.6%
Cash	4.6%	0.0%	4.6%	5.0%
Other Assets	0.0%	9.0%	9.0%	15.7%
<b>Total</b>	<b>67.9%</b>	<b>32.1%</b>	<b>100.0%</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:

<b>Mortality Assumptions:</b>	<b>2018/19</b>	<b>2019/20</b>
Future lifetime for Males		
Member aged 65 at accounting date	23.7	22.4
Member aged 45 at accounting date	25.3	23.0
Future lifetime for Females		
Member aged 65 at accounting date	26.1	24.3
Member aged 45 at accounting date	27.8	25.0
<b>Economic Assumptions:</b>		
Discount Rate	2.4%	1.7%
RPI Inflation	3.3%	3.2%
CPI Inflation	2.2%	2.1%
Rate of increase to pensions	2.2%	2.1%
Rate of general increase in salaries	3.7%	3.6%

## Notes to the Core Financial Statements

### Sensitivity Analysis

Impact on the Defined Benefit Obligation	Increase in Assumption £000	Decrease in Assumption £000
Discount Rate (increase or decrease by 0.1%)	(28,137)	29,618
Rate of increase in salaries (increase or decrease by 0.1%)	2,962	(2,962)
Rate of increase in pensions (increase or decrease by 0.1%)	26,656	(25,175)
Longevity (increase or decrease by 1 year)	48,870	(47,389)

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 £28.1m. 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 above.

Expected employer contributions for funded benefits and unfunded LGPS benefits in 2019/20 are £25.4m and £3.5m respectively. The duration of the liabilities for the funded LGPS benefits are 19.4 years.

### **NOTE 42. Intangible Assets**

The Council's intangible assets comprise only internally generally software.

	*Restated 2018/19 £000	2019/20 £000
<b>Balances at 1<sup>st</sup> April</b>		
Gross carrying amounts	33,454	43,904
Accumulated amortisation	(6,482)	(13,255)
<b>Net carrying amount at 1<sup>st</sup> April</b>	<b>26,972</b>	<b>30,649</b>
Reclassification	2,501	-
Additions	7,949	3,144
Amortisation for the period	(6,773)	(7,681)
<b>Net carrying amount at 31 March</b>	<b>30,649</b>	<b>26,112</b>
Comprising:		
Gross carrying amounts	43,904	47,048
Accumulated amortisation	(13,255)	(20,936)
	<b>30,649</b>	<b>26,112</b>

\*Restated as per Note 43 Prior Period Adjustment

### **NOTE 43. Prior Period Adjustments (LBE Single Entity Accounts)**

A review of the Council's accounts concluded that a restatement of the 2017/18 and 2018/19 figures was required for the following reasons: -

(i) In the course of replacing the Council's asset register, a number of issues were identified that demonstrated that the data was unreliable for the purpose of preparing the Statement of Accounts including:

## Notes to the Core Financial Statements

- misclassification of assets within the categories of Property, Plant and Equipment (PPE) and between PPE and other non-current assets. This has been corrected in 2017/18 and 2018/19.
- assets with unfeasible useful economic lives

These errors have been corrected as part of the creation of the new asset register and the Balance Sheet restated, with a resulting reduction in Long Term Assets of £83.7m at 1 April 2018 and £37.3m at 31 March 2019 (see Tables 1 and 8 – Effect on Balance Sheet).

(ii) A £2.5m loan was misclassified as a capital grant and accounted for as such. Subsequently, the funds were used to finance capital expenditure. This financing has been cancelled, requiring the funding to be withdrawn from the Capital Adjustment Account and recognised as a loan on the Balance Sheet. Although the error is quantitatively below audit materiality levels, the Council views this as material as it understates the risk attached to its key strategic project, Meridian Water.

The tables below show the impact on line items in the financial statements.

**Table 1**

<b><u>Effect on Balance Sheet at 1 April 2018</u></b>	<b>31 March 2018</b>	<b>Restatements</b>		<b>31 March 2018</b>
	<b>Balance as previously stated</b>	<b>Fixed Asset Register</b>	<b>Misclassified Loan</b>	<b>Balance Restated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, Plant and Equipment	1,901,800	(105,690)	-	1,796,110
Investment Properties	125,400	19,841	-	145,241
Intangible Assets	24,800	2,172	-	26,972
<b>Long Term Assets</b>	<b>2,189,300</b>	<b>(83,677)</b>	-	<b>2,105,623</b>
<b>Net Assets</b>	<b>867,600</b>	<b>(83,677)</b>	-	<b>783,923</b>
Capital Adjustment Account	(656,000)	71,833	-	(584,167)
Revaluation Reserve	(604,000)	11,844	-	(592,156)
<b>Unusable Reserves</b>	<b>(701,800)</b>	<b>83,677</b>	-	<b>(618,123)</b>
<b>Total Reserves</b>	<b>(867,600)</b>	<b>83,677</b>	-	<b>(783,923)</b>

**Table 2**

<b><u>Effect on Comprehensive Income and Expenditure Statement 2018/19</u></b>	<b>2018/19 as previously stated</b>	<b>Restatements</b>		<b>2018/19 Restated</b>
	<b>£000</b>	<b>Fixed Asset Register</b>	<b>Misclassified Loan</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Gross Expenditure	1,155,200	23,391	-	1,178,591
<b>Total Cost of Services</b>	<b>319,900</b>	<b>23,391</b>	-	<b>343,291</b>
Financing and Investment Income and Expenditure	17,300	(35)	-	17,265
Taxation and Non-specific Grant income	(271,300)	-	2,500	(268,800)
<b>Deficit on the Provision of Services</b>	<b>140,000</b>	<b>23,356</b>	<b>2,500</b>	<b>165,856</b>
(Surplus) / Deficit on revaluation of non-current assets	(35,400)	(69,708)	-	(105,108)
<b>Other Comprehensive Income and Expenditure</b>	<b>(64,200)</b>	<b>(69,708)</b>	-	<b>(133,908)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>75,800</b>	<b>(46,352)</b>	<b>2,500</b>	<b>31,948</b>

## Notes to the Core Financial Statements

**Table 3**

<u>Movement in Reserves Statement - General Fund Balance</u>	2018/19 as previously stated £000	Restatements		2018/19 Restated £000
		Fixed Asset Register £000	Misclassified Loan £000	
<b>Total comprehensive income and expenditure</b>	<b>145,500</b>	<b>24,635</b>	<b>2,500</b>	<b>172,635</b>
Adjustments between accounting basis & funding basis under regulations	(156,100)	(24,635)	(2,500)	(183,235)

**Table 4**

<u>Movement in Reserves Statement - Housing Revenue Account</u>	2018/19 as previously stated £000	Restatements		2018/19 Restated £000
		Fixed Asset Register £000	Misclassified Loan £000	
<b>Total comprehensive income and expenditure</b>	<b>(5,500)</b>	<b>(1,679)</b>	<b>-</b>	<b>(7,179)</b>
Adjustments between accounting basis & funding basis under regulations	8,900	1,679	-	10,579

**Table 5**

<u>Movement in Reserves Statement - Total Usable Reserves</u>	2018/19 as previously stated £000	Restatements		2018/19 Restated £000
		Fixed Asset Register £000	Misclassified Loan £000	
<b>Total comprehensive income and expenditure</b>	<b>140,000</b>	<b>22,956</b>	<b>2,500</b>	<b>165,456</b>
Adjustments between accounting basis & funding basis under regulations	(122,000)	(22,956)	(2,500)	(147,456)

**Table 6**

<u>Movement in Reserves Statement - Total Unusable Reserves</u>	2018/19 as previously stated £000	Restatements		2018/19 Restated £000
		Fixed Asset Register £000	Misclassified Loan £000	
<b>Balance At 01 April 2018</b>	<b>(701,800)</b>	<b>83,677</b>	<b>-</b>	<b>(618,123)</b>
<b>Total comprehensive income and expenditure</b>	<b>(64,200)</b>	<b>(69,308)</b>	<b>-</b>	<b>(133,508)</b>
Adjustments between accounting basis & funding basis under regulations	122,000	22,956	2,500	147,456
<b>Net (Increase) / decrease before Earmarked Reserve Movements</b>	<b>57,800</b>	<b>(46,352)</b>	<b>2,500</b>	<b>13,948</b>
<b>(Increase) / decrease in the year</b>	<b>57,800</b>	<b>(46,352)</b>	<b>2,500</b>	<b>13,948</b>
<b>Balance At 31 March 2019</b>	<b>(644,000)</b>	<b>37,325</b>	<b>2,500</b>	<b>(604,175)</b>

Notes to the Core Financial Statements

Table 7

<u>Movement in Reserves Statement - Total Reserves</u>	2018/19 as previously stated £000	Restatements		2018/19 Restated £000
		Fixed Asset Register £000	Misclassified Loan £000	
Balance At 01 April 2018	(867,600)	83,677	-	(783,923)
Total comprehensive income and expenditure	75,800	(46,352)	2,500	31,948
Net (Increase) / decrease before Earmarked Reserve Movements	75,800	(46,352)	2,500	31,948
(Increase) / decrease in the year	75,800	(46,352)	2,500	31,948
Balance At 31 March 2019	(791,800)	37,325	2,500	(751,975)

Table 8

<u>Effect on Balance Sheet at 31 March 2019</u>	31 March 2019 Balance as previously stated £000	Restatements		31 March 2019 Balance Restated £000
		Fixed Asset Register £000	Misclassified Loan £000	
Property, Plant and Equipment	1,931,600	(61,136)	-	1,870,464
Investment Properties	128,900	20,262	-	149,162
Intangible Assets	27,100	3,549	-	30,649
<b>Long Term Assets</b>	<b>2,211,900</b>	<b>(37,325)</b>	-	<b>2,174,575</b>
Short Term Borrowing	(170,700)	-	(500)	(171,200)
<b>Current Liabilities</b>	<b>(274,700)</b>	-	<b>(500)</b>	<b>(275,200)</b>
Long Term Borrowing	(680,100)	-	(2,000)	(682,100)
<b>Long Term Liabilities</b>	<b>(1,323,400)</b>	-	<b>(2,000)</b>	<b>(1,325,400)</b>
<b>Net Assets</b>	<b>791,800</b>	<b>(37,325)</b>	<b>(2,500)</b>	<b>751,975</b>
Capital Adjustment Account	(637,400)	106,736	2,500	(528,164)
Revaluation Reserve	(596,900)	(69,411)	-	(666,311)
<b>Unusable Reserves</b>	<b>(644,000)</b>	<b>37,325</b>	<b>2,500</b>	<b>(604,175)</b>
<b>Total Reserves</b>	<b>(791,800)</b>	<b>37,325</b>	<b>2,500</b>	<b>(751,975)</b>

## Housing Revenue Account

### 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.

	Notes	*Restated 2018/19 £000	2019/20 £000
<b>Income</b>			
Dwelling rents (gross)		(52,600)	(51,835)
Non-dwelling rents (gross)		(600)	(4,986)
Charges for services and facilities		(15,000)	(17,143)
Contributions towards expenditure		(1,900)	(24)
<b>Total Income</b>		<b>(70,100)</b>	<b>(73,988)</b>
<b>Expenditure</b>			
Repairs and maintenance	4	12,200	12,623
Supervision and management		17,800	26,179
Rents, rates, taxes and other charges		700	2,396
Depreciation	6	14,421	11,179
Revaluation		14,400	79,793
Revenue Expenditure Funded from Capital Under Statute	6	-	510
Movement in the allowance for bad debts	9	300	(510)
<b>Total Expenditure</b>		<b>59,821</b>	<b>132,170</b>
<b>Net Expenditure or Income of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement</b>		<b>(10,279)</b>	<b>58,182</b>
Exceptional increase in pension obligations		1,400	0
HRA services' share of Corporate & Democratic Core		300	134
<b>Net Cost of HRA Services</b>		<b>(8,579)</b>	<b>58,316</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>			
(Gain) or loss on sale of HRA non-current assets		(6,700)	(12,240)
Repayment of right-to-buy receipts		-	7,894
Interest payable and similar charges		8,200	8,243
Interest and Investment income		(200)	(201)
Income and expenditure and changes in fair value of Investment Properties	7	(1,700)	(44)
Pensions interest cost and expected return on pension assets	8	500	-
Capital grants and contributions receivable		(100)	(12,608)
Other Operating Expenditure		1,400	25,602
<b>(Surplus)/ Deficit for The Year on HRA Services</b>		<b>(7,179)</b>	<b>74,962</b>

## Housing Revenue Account

Statement of Movement on the Housing Revenue Account	Notes	*Restated 2018/19 £000	2019/20 £000
<b>Balance on the HRA at the end of the previous reporting period</b>		<b>(6,600)</b>	<b>(4,623)</b>
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(7,179)	74,962
Adjustments between Accounting and Funding Basis under Statute		10,579	(85,121)
<b>Net (Increase) or Decrease before transfers or from reserves</b>		<b>3,400</b>	<b>(10,159)</b>
Transfers to/(from) earmarked reserves		(1,400)	10,159
<b>(Increase) or decrease in-year on the HRA Balance</b>		<b>2,000</b>	<b>-</b>
<b>Balance on the HRA at the end of the reporting period</b>		<b>(4,600)</b>	<b>(4,623)</b>
<b>Adjustments between Accounting and Funding Basis under Statute</b>			
Transfer to Major Repairs Reserve		14,300	15,962
Offsetting transfer in from capital adjustment account		(28,721)	(91,482)
Difference between any other items of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements		100	12,607
Investment property - Gain / loss on disposal & movement in fair and market value		(400)	44
Gain on sale of HRA non-current assets		6,700	12,241
Repayment of right-to-buy receipts		-	(7,894)
HRA share of contribution to / from pension reserve		(2,100)	(997)
Capital expenditure funded by the HRA		22,300	-
Write out of non current assets - Aerials & AUC		-	(24,170)
Transfer of receipts to Deferred Capital Receipts Reserve		-	1,081
Transfer from Capital Receipts Reserve equal to the amounts payable into the Capital Receipts Pool		(1,400)	(2,513)
Other contribution from the Capital Receipts Reserve		(200)	-
<b>Total Adjustments between Accounting and Funding Basis under Statute</b>		<b>10,579</b>	<b>(85,121)</b>

\*Restated as per Note 43 Prior Period Adjustment

## Housing Revenue Account

### 1. Housing Stock

The Council was responsible for managing a Housing Revenue Account stock of 10,576 properties at 31st March 2020 compared with a total of 10,302 properties at 31st March 2019. An analysis of the types of homes is shown below. The Council is also a freeholder of 4,831 leased homes that were previously sold to tenants under the right-to-buy legislation.

	*Restated 31 March 2019	31 March 2020
	Number of Properties	Number of Properties
Houses	3,037	3,055
Bungalows	110	110
Maisonettes	1,469	1,475
Flats	5,686	5,936
<b>Total Housing stock</b>	<b>10,302</b>	<b>10,576</b>

\*Restated as per Prior Period Adjustment, Note 43

### 2. Stock Valuation

The open market value of the council's dwellings was £2.634bn at 31 March 2020. The difference between this value and the existing use value £658.4m 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.

### 3 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.

	2018/19	2019/20
	£000	£000
<b>Balance at 1 April</b>	<b>(13,000)</b>	-
Transfer in at depreciation for operational assets	(14,300)	(11,179)
Voluntary Transfer	-	(4,783)
Amount applied in the funding of expenditure on council dwellings during year	27,300	-
<b>Balance at 31 March</b>	<b>-</b>	<b>(15,962)</b>

### 4. Repairs & Maintenance

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

	2018/19	2019/20
	£000	£000
Balance brought forward	(9,400)	(11,077)
Expenditure for the year	12,200	12,623
Contribution to the Repairs Fund	(13,877)	(14,799)
<b>Balance carried forward</b>	<b>(11,077)</b>	<b>(13,253)</b>



## Housing Revenue Account

### 5. HRA Assets

	*Restated 1 April 2019 £000	Acquisitions and Transfers £000	Disposals £000	Depreciation £000	Net Revaluation £000	31 March 2020 £000
<b>Operational Assets</b>						
Council Dwellings	672,692	97,576	(2,505)	(10,722)	(98,624)	658,417
Other Land and Buildings	42,122	4,848	-	(457)	(553)	45,960
<b>Total Property, Plant &amp; Equipment</b>	<b>714,814</b>	<b>102,424</b>	<b>(2,505)</b>	<b>(11,179)</b>	<b>(99,177)</b>	<b>704,377</b>
Aerial Sites	1,064	-	(1,081)	-	17	-
Shops and Commercial	28,354				(62)	28,292
<b>Total Investment Properties</b>	<b>29,418</b>	<b>-</b>	<b>(1,081)</b>	<b>-</b>	<b>(45)</b>	<b>28,292</b>
<b>TOTAL</b>	<b>744,232</b>	<b>102,424</b>	<b>(3,586)</b>	<b>(11,179)</b>	<b>(99,222)</b>	<b>732,669</b>

\*Restated as per Note 43 Prior Period Adjustment

Capital expenditure in the year amounted to £85m consisting of:

Expenditure on	£000
Works to Stock – General Works	15,833
Leaseholder Buy Backs	31,400
Buying Out Commercial and Residential Interests (Regeneration Projects)	39,781
<b>Total</b>	<b>87,014</b>
<b>Financed by</b>	
Capital Grants and Contributions	13,141
Capital Receipts	4,549
Prudential Borrowing	69,324
<b>Total</b>	<b>87,014</b>

### 6. Depreciation and Impairment

	2019/20 £000
<b>Depreciation</b>	
Council Dwellings	(10,722)
Other Land and Buildings	(457)
<b>Impairment and Downward Valuation</b>	
Council Dwellings	(78,106)
Other Land and Buildings	(553)
Surplus Properties	(12,575)
REFCUS	(510)
<b>Total Capital Charges</b>	<b>(102,923)</b>

## Housing Revenue Account

### 7. Investment Properties

	<b>*Restated 2018/19 £000</b>	<b>2019/20 £000</b>
Rental Income from Investment Properties	(2,300)	(2,300)
Direct Operating Expenses arising from Investment Property	200	201
Net (gain)/loss from fair value adjustments	(1,700)	(44)
<b>Net (Gain) / Loss</b>	<b>(3,800)</b>	<b>(2,143)</b>

\*Restated as per Note 43 Prior Period Adjustment

### 8. 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.

### 9. Rent Arrears and Impairment of Debts

Council tenants' rent arrears as at 31 March 2020 were £4.0m compared to £4.1m at the 31st March 2019. The provision for impairment of debts was £0.9m (2018/19 £1.6m).

In 2019/20 there was a release of the Impairment of debt of £0.5m (£0.3m contribution in 2018/19).

## 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	(152,900)	-	(152,900)	(161,579)	-	(161,579)
Business ratepayers	2	-	(115,400)	(115,400)	-	(113,068)	(113,068)
Transitional Protection Payment		-	500	500	-	1,031	1,031
Business Rate Supplement	3	-	(3,300)	(3,300)	-	(2,836)	(2,836)
		<b>(152,900)</b>	<b>(118,200)</b>	<b>(271,100)</b>	<b>(161,579)</b>	<b>(114,873)</b>	<b>(276,452)</b>
<b>Expenditure</b>							
<b>Council Tax Precepts and demands:</b>							
London Borough of Enfield demand		121,100	-	121,100	127,311	-	127,311
London Borough of Enfield surplus		4,100	-	4,100	2,484	-	2,484
Greater London Authority precept		28,200	-	28,200	31,113	-	31,113
Greater London Authority surplus		900	-	900	580	-	580
<b>Business Rates Retention:</b>							
Central Government		-	900	900	-	26,205	26,205
Greater London Authority		-	40,000	40,000	-	28,538	28,538
London Borough of Enfield		-	72,400	72,400	-	52,794	52,794
Cost of collection allowance		-	300	300	-	325	325
<b>GLA Business Rate Supplement</b>							
Payment to GLA		-	3,300	3,300	-	2,836	2,836
<b>Bad and Doubtful Debts:</b>							
Council Tax		1,900	-	1,900	5,348	-	5,348
Business Rates		-	1,100	1,100	-	99	99
<b>Provision for Business Rate Appeals</b>		-	2,300	2,300	-	(3,117)	(3,117)
		<b>156,200</b>	<b>120,300</b>	<b>276,500</b>	<b>166,836</b>	<b>107,680</b>	<b>274,516</b>
<b>Deficit / (Surplus) for the Year</b>		<b>3,300</b>	<b>2,100</b>	<b>5,400</b>	<b>5,257</b>	<b>(7,193)</b>	<b>(1,936)</b>
<b>Collection Fund Balances</b>							
Balance brought forward at 1 April		(5,600)	5,344	(256)	(2,300)	7,444	5,144
(Surplus) / Deficit for year		3,300	2,100	5,400	5,257	(7,193)	(1,936)
<b>Balance Carried Forward at 31 March</b>	3	<b>(2,300)</b>	<b>7,444</b>	<b>5,144</b>	<b>2,957</b>	<b>251</b>	<b>3,208</b>
<b>Allocated to:</b>							
London Borough of Enfield		(1,870)	2,806	936	2,354	529	2,883
Greater London Authority		(430)	2,738	2,308	603	298	901
Government		-	1,900	1,900	-	(576)	(576)
<b>Balance Carried Forward at 31 March</b>	3	<b>(2,300)</b>	<b>7,444</b>	<b>5,144</b>	<b>2,957</b>	<b>251</b>	<b>3,208</b>

## Collection Fund

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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 2019/20, Central Government returned with a 25% share of the retained NNDR collection with the lion's share of 75% amount, split 48% to 27% between the London boroughs and the GLA respectively. This has meant that the Collection Fund looks inconsistent year to year, as Enfield's share dropped from £72.4m to £52.8m. Nonetheless, the overall cash envelope for the Council is consistent with the local government finance settlement, bar the surplus/deficit. This is because the relative amount of Revenue Service Grant (RSG) increases or decreases with the level of retained NNDR.

### 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 2019/20 is as follows:

<b>Band</b>	<b>Chargeable properties adjusted for discounts</b>	<b>Band D equivalent adjusted for estimated non-collection</b>
A	2,613	1,753
B	6,390	4,927
C	22,811	19,936
D	27,580	27,093
E	17,487	20,995
F	8,263	11,715
G	5,469	8,957
H	858	1,698
	<b>91,471</b>	<b>97,074</b>

This basic amount of Council Tax for a Band D property, £1,631.99 including the GLA precept is multiplied by the proportion specified for the particular band to give an individual amount due.

## Collection Fund

### Analysis of Council Tax Impairment of debt

<b>Council Tax Bad Debt Provision</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
Council Tax Provision for Impairment of debt brought forward	(8,000)	(7,422)
Amount written off	2,400	2,322
Contribution to Provision for Impairment of debt	(1,822)	(5,319)
<b>Council Tax Bad Debt Provision</b>	<b>(7,422)</b>	<b>(10,419)</b>

The figures above show the total Council Tax impairment of debt reflecting both the GLA precept and Enfield elements of the provision. Note 17 (Debtors and Payments in Advance) shows the Enfield proportion of the Impairment of debt only.

#### 1. Business Rates

Business rates are organised on a national basis and re-valued periodically by the Valuation Office Agency. In 2019/20 the Government specified an amount of 49.1p for small businesses who qualify for rate relief and 50.4p 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 2019/20, a 75% Business Rates retention scheme was in place. Enfield retains 48% of the total collectable rates due. The remaining 27% is distributed to the Greater London Authority. These shares were estimated at the start of 2019/20 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 £10.3m<sup>4</sup> in 2019/20). Provision for appeals is in addition to the provision for bad debts set out below.

<b>Local Business Rates Bad Debt Provision</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
Provision for impairment of debt brought forward	(4,200)	(3,847)
Amount written off	1,500	112
Contribution to Provision for Impairment of debt	(1,147)	(13)
<b>Local Business Rates Bad Debt Provision</b>	<b>(3,847)</b>	<b>(3,748)</b>

The total non-domestic rateable value for the area at the year-end 2019/20 was £276.8m (2018/19 was £279.2m)

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.

<sup>4</sup> Enfield's share is £4.928m which is shown under the provisions in Note 19.

## Collection Fund

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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 2019/20 after reliefs and provisions was £2.836m.

## **Group Accounts**

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 do not necessarily, in themselves, present a full picture of its economic activities or financial position. Because of this, the Code requires a local authority to prepare group accounts if it has a control over one or more other legal entities and its interest in them is material. The aim of the group accounts is to give an overall picture of the extended services and economic activity that is under the control of the local authority.

Note 33 to the Core Financial Statements sets out the entities controlled or significantly influenced by the authority (Page 74 onwards). Having regard to CIPFA's Specific Guidance on assessing which subsidiary companies need to be consolidated, the Council has decided to consolidate all operational subsidiary companies.

### **Basis of Consolidation**

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. Further information on the companies is set out in the Related Parties Disclosure. The accounts of the subsidiary companies have been prepared using similar accounting policies, practices and reporting date to that of the reporting authority, including the implications and requirements of IFRS9 (Financial Instruments) and IFRS15 (Revenue from Customer Contracts).

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.

### **Prior Year Re-Statement**

The prior year group account figures have been restated in line with adjustments made to the Council's single entity accounts as set out in Note 43 on page 104. This has had the following impact on key indicators of Financial Performance and Financial Standing: -

<b>Key Indicator of Financial Performance and Financial Standing</b>	<b>Published 2018/19 Accounts £000</b>	<b>Re-stated amount £000</b>	<b>Difference £000</b>
Group Net Cost of Services	139,100	188,869	49,769
Group Total Comprehensive Expenditure	75,400	34,023	(41,377)
Group Long Term Assets	2,240,500	2,200,559	(39,941)
Group Total Reserves / Net Worth	791,300	749,013	(42,287)

## Group Accounts

### 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).

2019/20	LBE Usable Reserves £000	LBE Unusable Reserves £000	Total Authority Reserves £000	Usable Reserves of Subsidiaries £000	Unusable Reserves of Subsidiaries £000	Total Reserves £000
<b>*Restated Balance 31 March 2019</b>	<b>(147,800)</b>	<b>(604,175)</b>	<b>(751,975)</b>	<b>(7,245)</b>	-	<b>(759,220)</b>
Opening Balance adjustment	106	(106)	-	-	-	-
<b>Adjusted Opening Balance</b>	<b>(147,694)</b>	<b>(604,281)</b>	<b>(751,975)</b>	<b>(7,245)</b>	-	<b>(759,220)</b>
<b>Movement in Reserves during 2019/20:</b>						
Total comprehensive income and expenditure	127,119	(92,246)	<b>34,873</b>	7,977	-	<b>42,850</b>
Adjustments between accounting basis and funding basis under regulations	(194,992)	194,992	-	-	-	-
(Increase)/decrease in year	(67,873)	102,746	<b>34,873</b>	7,977	-	<b>42,850</b>
<b>Balance 31 March 2020</b>	<b>(215,567)</b>	<b>(501,535)</b>	<b>(717,102)</b>	<b>732</b>	-	<b>(716,370)</b>

\*Restated as per Prior Period Adjustment, Note 43 in the single entity accounts

2018/19	LBE Usable Reserves £000	LBE Unusable Reserves £000	Total Authority Reserves £000	Usable Reserves of Subsidiaries £000	Unusable Reserves of Subsidiaries £000	Total Reserves £000
<b>*Restated Balance 1 April 2018</b>	<b>(165,800)</b>	<b>(618,123)</b>	<b>(783,923)</b>	<b>(6,368)</b>	-	<b>(790,291)</b>
<b>Movement in Reserves during 2018/19:</b>						
Total comprehensive income and expenditure	165,456	(133,508)	<b>31,948</b>	(877)	-	<b>31,071</b>
Adjustments between accounting basis and funding basis under regulations	(147,456)	147,456	-	-	-	-
(Increase)/decrease in year	18,000	13,948	<b>31,948</b>	(877)	-	<b>31,071</b>
<b>*Restated Balance 31 March 2019</b>	<b>(147,800)</b>	<b>(604,175)</b>	<b>(751,975)</b>	<b>(7,245)</b>	-	<b>(759,220)</b>

\*Restated as per Prior Period Adjustment, Note 43 in the single entity accounts



## Group Accounts

### 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.

On its services the council spent:	*Restated 2018/19			2019/20		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Chief Executive	18,600	(2,700)	<b>15,900</b>	16,109	(3,456)	<b>12,653</b>
Corporate Place	37,513	(270)	<b>37,243</b>	3,609	(7,977)	<b>(4,368)</b>
Resources	189,357	(96,332)	<b>93,025</b>	179,713	(101,677)	<b>78,036</b>
People	378,772	(318,200)	<b>60,572</b>	337,782	(285,456)	<b>52,326</b>
Housing Revenue Account (HRA)	494,513	(354,527)	<b>139,986</b>	458,713	(327,578)	<b>131,135</b>
	61,512	(68,791)	<b>(7,279)</b>	130,905	(72,589)	<b>58,316</b>
<b>Total Cost of Services</b>	<b>1,180,267</b>	<b>(840,820)</b>	<b>339,447</b>	<b>1,126,831</b>	<b>(798,733)</b>	<b>328,098</b>
Other Operating Income and Expenditure	91,261	(17,900)	73,361	114,160	(16,981)	97,179
Financing and Investment Income and Expenditure	38,839	(18,299)	20,540	63,394	(48,154)	15,240
Taxation and non-specific grant income	-	(268,800)	(268,800)	-	(313,569)	(313,569)
<b>Deficit on the Provision of Services</b>			<b>164,548</b>			<b>126,948</b>
Group Tax			431			(928)
<b>Deficit on the Provision of Services after Tax</b>			<b>164,979</b>			<b>126,020</b>
(Surplus) / Deficit on revaluation of non-current assets			(105,108)			25,000
Remeasurement of the net defined pension liability - Actuarial (gains) / losses on pension fund assets and liabilities			(28,400)			(108,170)
Other comprehensive (income) / expenditure that may be recycled to surplus / deficit			(400)			-
<b>Other Comprehensive Income and Expenditure</b>			<b>(133,908)</b>			<b>(83,170)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>31,071</b>			<b>42,850</b>

\*Restated as per Prior Period Adjustments, Note 43 in the single entity accounts

## Group Accounts

### Group Balance Sheet

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

		1 April 2018 *Restated £000	31 March 2019 *Restated £000	31 March 2020 £000
<b>Note Non-Current Assets</b>				
G2	Property, Plant and Equipment	1,852,378	1,928,575	1,832,618
	Heritage Assets	4,800	3,600	5,319
G1	Investment Property	225,641	231,260	242,724
	Intangible Assets	31,572	35,982	32,155
	Long Term Investments	-	15	(83)
	Long Term Debtors	4,500	3,629	4,977
	<b>Total: Long Term Assets</b>	<b>2,118,891</b>	<b>2,203,061</b>	<b>2,117,710</b>
<b>Current Assets</b>				
	Assets Held for Sale	-	-	5,900
	Inventories	800	500	581
	Short Term Investments	-	-	4,844
G4	Short Term Debtors	103,700	111,791	110,761
G3	Cash and Cash Equivalents	25,000	51,110	122,276
	<b>Total: Current Assets</b>	<b>129,500</b>	<b>163,401</b>	<b>244,362</b>
<b>Current Liabilities</b>				
	Cash and Cash Equivalents	(4,600)	(1,700)	(1,437)
	Short Term Borrowing	(127,000)	(171,421)	(110,202)
	Short Term Creditors	(136,100)	(103,044)	(95,390)
	Short Term Provisions	(5,800)	(1,694)	(1,520)
	<b>Total: Current Liabilities</b>	<b>(273,500)</b>	<b>(277,859)</b>	<b>(208,549)</b>
<b>Long Term Liabilities</b>				
	Long-Term Provisions	(6,900)	(37,705)	(34,171)
	Long-Term Borrowing	(575,800)	(15,800)	(12,159)
	Pensions Liability	(555,100)	(682,701)	(885,817)
	Other Long-Term Liabilities	(40,800)	(584,377)	(496,479)
	LT Capital Grants RIA	(6,000)	(8,800)	(8,527)
	<b>Total: Long Term Liabilities</b>	<b>(1,184,600)</b>	<b>(1,329,383)</b>	<b>(1,437,153)</b>
	<b>Net Assets</b>	<b>790,291</b>	<b>759,220</b>	<b>716,370</b>
<b>Reserves</b>				
	<b>Unusable Reserves</b>	<b>(618,123)</b>	<b>(604,177)</b>	<b>(501,535)</b>
	<b>Usable Reserves</b>	<b>(172,168)</b>	<b>(155,043)</b>	<b>(214,835)</b>
	<b>Total Reserves / Net Worth</b>	<b>(790,291)</b>	<b>(759,220)</b>	<b>(716,370)</b>

\*Restated as per Prior Period Adjustments, Note 43 in the single entity accounts

## Group Accounts

### Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash flows of the Group during the reporting period. The statement shows how the Group has 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 Group has funded its operations from taxation and grant income or from the recipients of services provided by the Group. Investing activities refer to expenditure that contributes to the Group's future service delivery. Cash flows arising from financing activities refer to the raising and repayment of loans and other long-term liabilities.

	<b>*Restated 2018/19 £000</b>	<b>2019/20 £000</b>
<b>Net Deficit on the Provision of Services</b>	<b>(164,979)</b>	<b>(126,020)</b>
Adjust to deficit on the provision of services for non-cash movements	189,811	237,377
Adjustments for items included in net deficit in the provision of services that are investing & financing activities.	(48,868)	(82,946)
<b>Net Cash Inflow/(Outflow) From Operating Activities</b>	<b>(24,036)</b>	<b>28,411</b>
Investing activities	(91,529)	(90,283)
Financing activities	144,575	133,301
<b>Net Increase/(Decrease) In Cash and Cash Equivalents</b>	<b>29,010</b>	<b>71,429</b>
Cash and cash equivalents at the beginning of the reporting period	20,400	49,410
<b>Cash and Cash Equivalents at the End of the Reporting Period:</b>	<b>49,410</b>	<b>120,839</b>

\*Restated as per Prior Period Adjustments, Note 43 in the single entity accounts

## Group Accounts

### Notes to The Group Accounts

Notes to the Group Accounts are presented where it is deemed that extra disclosure supporting the Council's notes to the single entity accounts is appropriate. Where notes have not been replicated in the Group Accounts it is deemed that there is no material difference between the Council's single entity notes and the Group Accounts.

The single entity accounting policies also apply to the Group.

#### **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;

	2017/18	2018/19	2019/20
	£000	£000	£000
Land	72,100	46,354	50,788
Commercial Units	20,200	32,318	34,078
Shops	30,600	29,541	29,510
Housing	79,200	90,284	88,573
Other	23,541	32,763	39,775
<b>Total</b>	<b>225,641</b>	<b>231,260</b>	<b>242,724</b>

\*Restated

	*Restated 2018/19	2019/20
	£000	£000
<b>Balance at the start of the year</b>	<b>225,641</b>	<b>231,260</b>
Capital expenditure	1,898	4,735
Write out of disposals	(900)	-
Nets gains/(losses) from fair value adjustments	8,135	14,632
Transfers:	-	-
From Property, Plant and Equipment	486	(2,895)
To Property, Plant and Equipment	(4,000)	(5,008)
From Assets Under Construction	-	-
<b>Balance at the end of the year</b>	<b>231,260</b>	<b>242,724</b>

\*Restated as per Prior Period Adjustments, Note 43 in the single entity accounts

## Group Accounts

### **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 2018 *Restated £000	31 March 2019 *Restated £000	31 March 2020 £000
Council's PPE	1,796,110	1,870,464	1,788,702
Reclassified from Investment Property (HGL)	34,900	34,900	32,005
Reclassified from Investment Property (Social Care)	8,507	8,507	5,008
HGL	200	291	261
LVHN	1,100	1,912	3,286
EIL	11,255	12,310	3,356
IWE	306	191	
<b>Total</b>	<b>1,852,378</b>	<b>1,928,575</b>	<b>1,832,618</b>

\*Restated as per Prior Period Adjustments, Note 43 in the single entity accounts

### **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:

	Long-term		Short-term	
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000
<b>Amortised Cost</b>				
<b>Debtor</b>				
Loan to Enfield Enterprise	750	-	-	-
Trade debtors	-	-	71,247	65,480
Finance lease	1,473	1,473	-	-
<b>Cash and Cash Equivalents</b>	-	-	49,410	120,839
<b>Total</b>	<b>2,223</b>	<b>1,473</b>	<b>120,658</b>	<b>186,319</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*).

## Group Accounts

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### NOTE G4 Group Short Term Debtors

	1 April 2018	31 March 2019	31 March 2020
	£000	£000	£000
<b>Analysis of Group Short Term Debtors</b>			
Group Debtors	103,700	111,791	110,761
Less Related Parties (from Subsidiaries)	(10,700)	(24,968)	(15,477)
<b>Total</b>	<b>93,000</b>	<b>86,823</b>	<b>95,284</b>

## Glossary

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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

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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

<b>LONDON BOROUGH OF ENFIELD PENSION FUND ACCOUNT</b>			
<b>2018/19</b>			<b>2019/20</b>
<b>£000s</b>		<b>Notes</b>	<b>£000s</b>
<b>Dealings with members, employers and others directly involved in the Fund</b>			
47,179	Contributions	7	51,044
4,009	Transfers in from other pension funds	8	3,971
<b>51,188</b>			<b>55,015</b>
(41,966)	Benefits payable	9	(42,778)
(5,116)	Payments to and on account of leavers	10	(5,302)
<b>(47,082)</b>			<b>(48,080)</b>
<b>4,106</b>	<b>Net additions/(withdrawals) from dealings with members</b>		<b>6,935</b>
(9,442)	Management expenses	11	(10,089)
<b>(5,336)</b>	<b>Net additional/(withdrawals) including fund management</b>		<b>(3,154)</b>
<b>Returns on investments</b>			
12,643	Investment income	12	11,960
(462)	Taxes on income	13a	
79,653	Profit & losses on disposal of investments and changes in the market value of investments	14a	(44,875)
<b>91,834</b>	<b>Net returns on investments</b>		<b>(32,915)</b>
86,498	<b>Net change in assets available for benefits during the year</b>		(36,069)
1,099,002	<b>Opening net assets of the scheme</b>		1,185,500
<b>1,185,500</b>	<b>Closing net assets of the scheme</b>		<b>1,149,431</b>

## Pension Fund

NET ASSETS STATEMENT FOR YEAR ENDED 31 MARCH 2020			
2018/19		Notes	2019/20
£000s			£000s
1,124,026	Investment assets	14	1,094,703
(150)	Investment liabilities		(252)
<b>1,123,876</b>			<b>1,094,451</b>
58,091	Cash deposits	14	52,855
3,533	Other investment balances -assets	14	2,351
(183)	Other investment balances - liabilities	14	(149)
<b>1,185,317</b>	<b>Total net investments</b>	14	<b>1,149,508</b>
14	Long term debtor	20a	53
801	Current assets	20	897
(632)	Current liabilities	21	(1,027)
<b>1,185,500</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>1,149,431</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 20.

Signed:



Fay Hammond  
Executive Director Resources

**XXXX 2021**

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## Pension Fund

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## Pension Fund

### 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 39 employer organisations within the fund (including the Council itself), and 23,123 individual members, as detailed below. A full analysis is included

<b>Enfield Pension Fund</b>	<b>31 March 2019</b>	<b>31 March 2020</b>
Number of employers with active members	7,246	7,413
Number of pensioners	5,453	5,663
Deferred pensioners	5,930	6,899
Frozen/undecided	3,652	3,148
<b>Total number of members in pension scheme</b>	<b>22,281</b>	<b>23,123</b>

## Pension Fund

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### 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 2020. 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 x 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

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The statement of accounts summarises the fund's transactions for the 2019/20 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 2019/20, 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

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#### 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**

## Pension Fund

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

No judgement exercised for 2019/20

## 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 2020 (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	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: a. 1% decrease in the discount rate assumption would result in a decrease in the pension liability of approximately £223m. b. 1% increase in assumed earnings inflation would decrease the value of liabilities by approximately £223m. c. if life expectancy increases by two

## Pension Fund

	applied.	years, it would decrease the liability by approximately £92m. <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>
<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 £249m. 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 +/- £18.7m.
<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 £73.4m. 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 £0.68m, on carrying values of £6.8m.

### 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**

<b>2018/19</b>		<b>2019/20</b>
<b>£000s</b>		<b>£000s</b>
<b>10,151</b>	<b>Employees' contributions</b>	11,078
	<b>Employers' contributions: -</b>	
27,460	Normal	29,648
8,206	Deficit recovery contributions	9,503
1,362	Augmentation contributions	815
<b>37,028</b>	<b>Total employers' contributions</b>	<b>39,966</b>
<b>47,179</b>		<b>51,044</b>

**By authority**

<b>2018/19</b>		<b>2019/20</b>
<b>£000s</b>		<b>£000s</b>
38,245	Administering authority	39,237
7,296	Scheduled bodies	9,724
1,638	Admitted bodies	2,083
<b>47,179</b>		<b>51,044</b>

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

## Pension Fund

2018/19	2019/20
£000s	£000s
4,009 Individual transfers	3,971
<b>4,009</b>	<b>3,971</b>

### NOTE 9: BENEFITS PAID/PAYABLE

#### By category

2018/19	2019/20
£000s	£000s
(34,195) Pensions	(35,828)
(6,485) Commutation and lump sum retirement benefits	(6,684)
(1,286) Lump sum death benefits	(266)
<b>(41,966)</b>	<b>(42,778)</b>

#### By authority

2018/19	2019/20
£000s	£000s
(40,355) Administration authority	(40,988)
(1,248) Scheduled bodies	(1,405)
(363) Admitted bodies	(385)
<b>(41,966)</b>	<b>(42,778)</b>

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

## Pension Fund

2018/19	2019/20
£000s	£000s
(108) Refunds to members leaving service	(129)
(5,008) Individual transfers	(5,173)
<b>(5,116)</b>	<b>(5,302)</b>

### NOTE 11: MANAGEMENT EXPENSES

2018/19	2019/20
£000s	£000s
(935) Administrative costs	(1123)
(350) Oversight and governance costs	(108)
(8,157) Investment management expenses	(8,857)
<b>(9,442)</b>	<b>(10,088)</b>

### NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2018/19	2019/20
£000s	£000s
(6,494) Management fees	(6,512)
(186) Performance related fees	(304)
(1,405) Transaction costs	(1,848)
(66) Custody fees	(63)
(6) Other	(130)
<b>(8,157)</b>	<b>(8,857)</b>

### NOTE 12: INVESTMENT INCOME

2018/19	2019/20
£000s	£000s

## Pension Fund

5,066	Income from equities	2,053
3,290	Income from bonds	3,439
1,704	Pooled property investments	1,786
1,855	Pooled investments – unit trusts and other managed funds	4,121
728	Interest on cash deposits	561
<b>12,643</b>		<b>11,960</b>

### NOTE 13: TAXES ON INCOME

2018/19		2019/20
£000s		£000s
	<i>Withholding tax</i>	
(320)	Income from equities	-
(142)	Pooled investments – unit trusts and other managed funds	-
<b>(462)</b>		<b>-</b>

### NOTE 13A: EXTERNAL AUDIT FEES

2018/19		2019/20
£000s		£000s
19	Paid in respect of external audit (excluding VAT)	19
<b>19</b>		<b>19</b>



Pension Fund

NOTE 14: INVESTMENTS

Market value 31 March 2019 £000s		Market value 31 March 2020 £000s
<b>Investments</b>		
88,279	Fixed interest securities	90,622
43,141	Equities	45,015
824,211	Pooled investments	766,037
69,598	Pooled property investments	68,861
98,549	Private equity	124,000
<b>Derivative contracts:</b>		
215	- Futures	168
33	- Forward currency contracts	-
<b>1,124,026</b>	<b>Total investment assets</b>	<b>1,094,703</b>
58,091	Cash deposits	52,855
2,386	Investment income due	2,351
1,147	Amounts receivable for sales	-
<b>1,185,650</b>	<b>Total investment assets</b>	<b>1,149,909</b>
<b>Investment liabilities</b>		
<b>Derivative contracts:</b>		
(150)	- Futures	(69)
-	- Forward currency contracts	(183)
(183)	Investment expenditure due	(149)
<b>(333)</b>	<b>Total investment liabilities</b>	<b>(401)</b>
<b>1,185,317</b>	<b>Net investment assets</b>	<b>1,149,508</b>

Pension Fund

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS & DERIVATIVES

	1 April 2019	Purchases	Sales	Management fees in Market value	Change in market value	Market value 31 March 2020
Period 2019/20	£000s	£000s	£000s	£000s	£000s	£000s
Bonds	88,278	30,830	(27,041)	-	(1,445)	90,622
Equities	43,141	989	-	-	885	45,015
Pooled investments	824,211	10,111	(8,764)	(4,714)	(54,807)	766,037
Pooled property	69,598	-	-	(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 exchange	33	486	(455)	-	(247)	(183)
	99	1,387	(1,745)	-	175	(84)
	<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

## Pension Fund

	Market value 1 April 2018	Purchases	Sales	Management fees in Market value	Change in market value	Market value 31 March 2019
<b>Period 2018/19</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Fixed interest securities	82,344	23,989	(18,982)	-	927	<b>88,278</b>
Equities	192,565	143,829	(301,690)	-	8,437	<b>43,141</b>
Pooled investments	620,173	193,379	(32,356)	(3,474)	46,489	<b>824,211</b>
Pooled property	67,887	-	(1)	-	1,712	<b>69,598</b>
Private equity	63,333	29,985	(13,045)	(2,092)	20,368	<b>98,549</b>
	<b>1,026,302</b>	<b>391,182</b>	<b>(366,074)</b>	<b>(5,566)</b>	<b>77,933</b>	<b>1,123,777</b>
<b>Derivatives contracts:</b>						
Futures	173	4,078	(2,130)	-	(2,055)	66
Forward foreign exchange	43	1,612	(2,288)	-	666	33
	<b>216</b>	<b>5,690</b>	<b>(4,418)</b>	<b>-</b>	<b>(1,389)</b>	<b>99</b>
	<b>1,026,518</b>	<b>396,872</b>	<b>(370,492)</b>	<b>(5,566)</b>	<b>76,544</b>	<b>1,123,876</b>
<b>Other investment balances</b>						
Cash deposits	69,956				3,553	58,091
Investment income due	2,346					2,386
Pending investment sales	-					1,147
Other investment expenses	(476)				(444)	(183)
<b>Net investment assets</b>	<b>1,098,344</b>				<b>79,653</b>	<b>1,185,317</b>

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.

Pension Fund

NOTE 14B: ANALYSIS OF INVESTMENTS

Market value 31 March 2019 £000s		Market value 31 March 2020 £000s
<b>Bonds</b>		
<b>UK</b>		
4,703	Public sector quoted	2,703
39,103	Corporate quoted	42,100
<b>Overseas</b>		
1,868	Public sector quoted	806
42,604	Corporate quoted	45,013
<b>88,278</b>		<b>90,622</b>
<b>Equities</b>		
43,141	UK –quoted	45,015
-	Overseas –quoted	-
<b>43,141</b>		<b>45,015</b>
<b>Pooled funds –additional analysis</b>		
89,072	Indexed linked securities	90,762
458,410	Equities	426,067
50,041	Developed markets equity long short fund	38,925
46,806	Events driven fund hedge fund	36,286
72,354	Inflation opportunities fund	73,161
30,911	Absolute bond fund	29,321
25,921	Multi-strategy equity hedge fund	27,839
50,696	Multi asset credit fund	43,676
<b>824,211</b>		<b>766,037</b>
<b>Pooled property investments</b>		
69,598	UK property investments	68,861
<b>69,598</b>		<b>68,861</b>

## Pension Fund

<b>Private equity</b>		
4,610	Opportunistic property	6,791
17,045	European infrastructure	21,764
72,283	Fund of Funds global private equity	73,403
4,611	UK secured long income fund	22,042
<b>98,549</b>		<b>124,000</b>
<b>Derivatives- Assets</b>		
215	Futures	168
33	Forward foreign exchange	-
<b>248</b>		<b>168</b>
<b>1,124,025</b>	<b>Total Investment Assets</b>	<b>1,094,703</b>
58,091	Cash deposits	52,855
2,386	Investment income due	2,351
1,147	Amounts receivable from sales	-
<b>1,185,649</b>		<b>1,149,909</b>
<b>Investment liabilities</b>		
(149)	Derivatives- futures	(69)
-	Derivatives- forward foreign exchanges	(183)
(183)	Investment expenses	(149)
<b>(332)</b>		<b>(401)</b>
<b>1,185,317</b>	<b>Net investment assets</b>	<b>1,149,508</b>

## Pension Fund

### NOTE 14C: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2019			Market value 31 March 2020	
£000s	%		£000s	%
<b>Fixed income securities</b>				
90,940	7.7%	Western Asset Management	90,621	7.9%
<b>Equities</b>				
765	0.1%	Trilogy	-	-
43,141	3.6%	International Public Partnerships	45,015	3.9%
<b>Pooled investments</b>				
89,072	7.5%	Blackrock indexed linked bonds	90,762	7.9%
12,022	1.0%	Blackrock UK passive fund	9,782	0.9%
155,836	13.2%	Blackrock Global passive	148,736	12.9%
110,109	9.3%	MFS global equities	102,567	8.9%
75,336	6.4%	LCIV Baillie Gifford global equities	74,376	6.5%
28,156	2.4%	LCIV JP Morgan emerging equities	23,420	2.0%
76,950	6.5%	LCIV Longview	67,187	5.8%
50,696	4.3%	LCIV CQS Multi asset	43,676	3.8%
50,041	4.2%	Lansdowne hedge fund	38,925	3.4%
19,147	1.6%	York Capital hedge fund	11,051	1.0%
72,354	6.1%	M&G inflation opportunities	73,161	6.4%
30,911	2.6%	Insight hedge fund	29,321	2.6%
27,659	2.3%	Davidson Kempner hedge fund	27,839	2.4%
1,147	0.1%	Gruss hedge fund	-	-
25,921	2.2%	CFM hedge fund	25,235	2.2%

## Pension Fund

<b>Pooled property</b>					
338	-	RREEF commercial property	342	-	
36,797	3.1%	Blackrock commercial property	35,263	3.1%	
33,032	2.8%	Legal & General commercial prop.	33,256	2.9%	
<b>Private equity</b>					
72,283	6.1%	Adam St Partners fund of funds	73,403	6.4%	
17,045	1.4%	Antin European infrastructure	21,764	1.9%	
4,610	0.4%	Brockton opportunistic property	6,791	0.6%	
4,611	0.4%	CBRE UK secured long income fund	22,042	1.8%	
<b>Cash &amp; accruals</b>					
34,474	2.9%	Goldman Sachs cash	35,868	3.1%	
17,063	1.4%	Northern Trust cash	16,952	1.5%	
35	-	Blackrock MMF	35	-	
(183)	-	Investment accruals	2,118	0.2%	
<b>1,185,317</b>	<b>100.0%</b>		<b>1,149,508</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	% of total	Market value	% of total
	31 March 2019	Fund	31 March 2020	Fund
	£000s		£000s	
Blackrock –global equities	155,836	13.2%	158,518	13.8%
MFS – global equities	110,109	9.3%	102,567	8.9%
Western Asset – corporate bonds	90,940	7.7%	90,621	7.9%
Blackrock – indexed linked bonds	89,072	7.5%	90,762	7.9%
LCIV – Longview global equities	76,950	6.5%	67,187	5.8%
LCIV – Baillie Gifford global equities	75,336	6.4%	74,376	6.5%
M&G Inflation opportunities	72,354	6.1%	73,161	6.4%
Adam Street Partners – private equity	72,283	6.1%	73,403	6.4%

### 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 based on current yields	Not required	Not required



## Pension Fund

<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 to the end of the accounting period.	Cashflow transactions, i.e. distributions or capital calls, foreign exchange movements. Audited financial statements for underlying assets, which may include	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 reporting date, including cash flows transacted in

## Pension Fund

<p>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)</p>	<p>market approach valuations: taking into account actual observed transactions for the underlying assets or similar assets to help value the assets of each partnership.</p>	<p>between the audited accounts received and the pension fund's year end.</p>
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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 2020.

Description of asset	Assessed valuation range (+/-)	Value at 31 March 2020	Value on increase	Value on decrease
	%	£000s	£000s	£000s
UK secured long income fund	7.5%	22,042	23,695	20,389
UK opportunistic property	10.0%	6,791	7,470	6,112
European Infrastructure	5.0%	21,764	22,852	20,676
Private equity fund of funds	15.0%	73,403	84,414	62,393
<b>Total</b>		<b>124,000</b>	<b>138,431</b>	<b>109,569</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

## Pension Fund

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 2020	Level 1	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s
Financial assets at fair value	135,637	835,066	124,000	<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>834,734</b>	<b>124,000</b>	<b>1,094,302</b>

## Pension Fund

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2019	Level 1	Level 2	Level 3	Total
	£000s	£000s	£000s	£000s
Financial assets at fair value	131,420	894,057	98,549	1,124,026
Financial liabilities at fair value	-	(150)	-	(150)
<b>Net investment assets</b>	<b>131,420</b>	<b>893,907</b>	<b>98,549</b>	<b>1,123,876</b>

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

There has been no movement during 2019/20.

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

	Market value 1 April 2019	Transfers in/out of level	Purchases during the year	Sales during the year	Unrealised gains/losses	Realised gains/losses	Market value 31 March 2020
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Venture capital	72,283	-	5,506	(8,619)	(946)	5,179	73,403
Infrastructure	17,045	-	2,459	-	2,260	-	21,764
Property Funds	4,610	-	18,505	-	(1,074)	-	22,042
UK Secured Income Funds	4,611	-	2,800	(2,354)	(344)	2,079	6,791
	<b>98,549</b>	<b>-</b>	<b>29,270</b>	<b>(10,973)</b>	<b>(104)</b>	<b>7,258</b>	<b>124,000</b>

## Pension Fund

### 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 2019				31 March 2020			
Fair value through profit & loss	assets at amortised cost	liabilities at amortised cost		Fair value through profit & loss	amortised cost	liabilities at amortised cost	
£000s	£000s	£000s		£000s	£000s	£000s	
<b>Financial assets</b>							
88,278	-	-	Bonds	90,622	-	-	
43,141	-	-	Equities	45,015	-	-	
824,211	-	-	Pooled investments	766,037	-	-	
69,598	-	-	Pooled property	68,861	-	-	
98,549	-	-	Private equity	124,000	-	-	
248	-	-	Derivative contracts	168	-	-	
-	58,091	-	Cash deposits	-	52,855	-	
-	2,547	-	Other investment balances	-	2,351	-	
-	815	-	Trade debtors	-	-	-	
<b>1,124,025</b>	<b>61,453</b>	-	<b>Total financial assets</b>	<b>1,094,703</b>	<b>55,206</b>	-	
<b>Financial liabilities</b>							
(149)	-	-	Derivative contracts	-	-	(252)	
-	-	(183)	Other investment balances	-	-	(149)	
-	-	(632)	Trade creditors	-	-	-	
<b>(149)</b>	-	<b>(815)</b>	<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>(401)</b>	
<b>1,123,876</b>	<b>61,453</b>	<b>(815)</b>	<b>Grand total</b>	<b>1,094,703</b>	<b>55,206</b>	<b>(401)</b>	

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

31 March 2019		31 March 2020
£000s		£000s
<b>Financial assets</b>		
76,544	Designated at fair value through profit & loss	(46,916)
3,109	Financial assets at amortised costs	1,859
<b>79,653</b>	<b>Total</b>	<b>(45,057)</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.

## Pension Fund

Asset type	Potential market movements (+/-)	Potential market movements (+/-)
	2018/19	2019/20
Fixed income government bond	1.2%	0.2%
Inflation-linked government bonds	1.2%	0.2%
Investment grade corporate bonds	2.0%	1.5%
Equities	7.0%	7.2%
Private equity	9.3%	9.2%
Real estate	5.3%	5.4%
Hedge funds	4.2%	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 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
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>

Asset type	Value at 31	Potential value on	Potential value on
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## Pension Fund

	March 2019	increase	decrease
	£000	£000	£000
Fixed income government bond	43,806	44,332	43,280
Inflation-linked government bonds	89,072	90,141	88,003
Investment grade corporate bonds	44,473	45,362	43,584
Equities	501,551	536,660	466,442
Private equity	72,283	79,005	65,561
Real estate	91,253	96,089	86,417
Hedge funds	281,340	293,156	269,524
Cash & accruals	61,539	61,539	61,539
	<b>1,185,317</b>	<b>1,246,284</b>	<b>1,124,350</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 2020	Potential movement on 1% change in	Value on increase	Value on decrease
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**Pension Fund**

	interest rates			
	£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>

Assets exposed to interest rate risk	Value as at 31 March 2019	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash deposits	5,000	50	-	-
Cash & cash equivalents	53,091	531	-	-
Cash balances	13	-	-	-
Bonds	177,350	1,774	179,124	175,576
<b>Total</b>	<b>235,454</b>	<b>2,355</b>	<b>179,124</b>	<b>175,576</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	561	6	567	554
Bonds	3,440	34	3,474	3,406
<b>Total</b>	<b>4,001</b>	<b>40</b>	<b>4,041</b>	<b>3,960</b>

Income exposed to interest	Amount	Potential	Value on	Value on
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## Pension Fund

rate risks	receivable as at 31 March 2019	movement on 1% change in interest rates	increase	decrease
	£000	£000	£000	£000
<b>Interest on cash deposits</b>	728	7	735	721
<b>Bonds</b>	3,290	33	3,323	3,257
<b>Total</b>	<b>4,018</b>	<b>40</b>	<b>4,058</b>	<b>3,978</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%.

## Pension Fund

Assets exposed to currency risk	Assets value as at 31 March 2020	Potential movement	Value on increase	Value on decrease
	£000	£000	£000	£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	Potential movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Australian Dollar	1,562	156	1,718	1,406
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.

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:

## Pension Fund

	Rating	Balances as at 31 March 2019 £000	Balances as at 31 March 2020 £000
<b>Termed deposits</b>			
Close Brothers	A-	5,009	-
<b>Money market funds</b>			
Goldman Sachs money market fund	AAAm	34,474	35,868
Blackrock money market fund	AAAm	35	35
<b>Bank current accounts</b>			
HSBC	AA-	12	53
Northern Trust Custodian	AA-	17,063	15,108
Cash held by fund managers		1,510	1,844
		<b>58,103</b>	<b>52,908</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

## Pension Fund

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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 i 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.



## Pension Fund

- 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.

Summary of Assumptions	31 March 2016 Valuation	31 March 2019 Valuation
<b>Discount rate for periods in service</b>		
Scheduled body funding target *	4.5%pa	4.2%pa
Orphan body funding target	4.1%pa	3.3%pa
<b>Discount rate for periods after leaving service</b>		
Scheduled body funding target*	4.5%pa	4.2%pa
Orphan body funding target	2.5%pa	1.6%pa
Rate of inflationary pay increases	3.5%pa	3.6%pa
Rate of increase to pension accounts	2.0%pa	2.1%pa
Rate of increases in pensions in payment	2.0%pa	2.1%pa

\* 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
g) Current pensioners aged 65 at the valuation date	22.3	24.2
Future pensioners aged 45 at the valuation date	22.9	24.9

valuation results summarised in paragraphs a and b 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, although we comment on changes in market conditions to 31 March 2020 in paragraph j below.

- 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

## Pension Fund

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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. Since the date the valuation report was signed, there have been a number of developments in respect of the Local Government Pension Scheme (LGPS):

- i) There are a number of uncertainties regarding the Scheme benefits and hence liabilities:
- **Increases to 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. However, the Government is still exploring various options, including conversion of GMPs to Scheme benefits, in order to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case.

The results of the 2019 valuation do not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMPs for members reaching State Pension Age after 5 April 2021 nor for conversion of GMPs to Scheme benefits. 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 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 is expected in the summer of 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 LGPS changes have been agreed depending upon the precise nature of the new final salary underpin, the members in scope, and how this affects the cost management process.
- j) Since the valuation date, Fund asset returns have fallen short of the assumed return of 4.20% over the year to 31 March 2020, on its own leading to a reduction in the funding level. The Actuary, in conjunction with the Administering Authority, will monitor the position on a regular basis and the Administering Authority will take action if it believes necessary.
- k) 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

## Pension Fund

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.

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

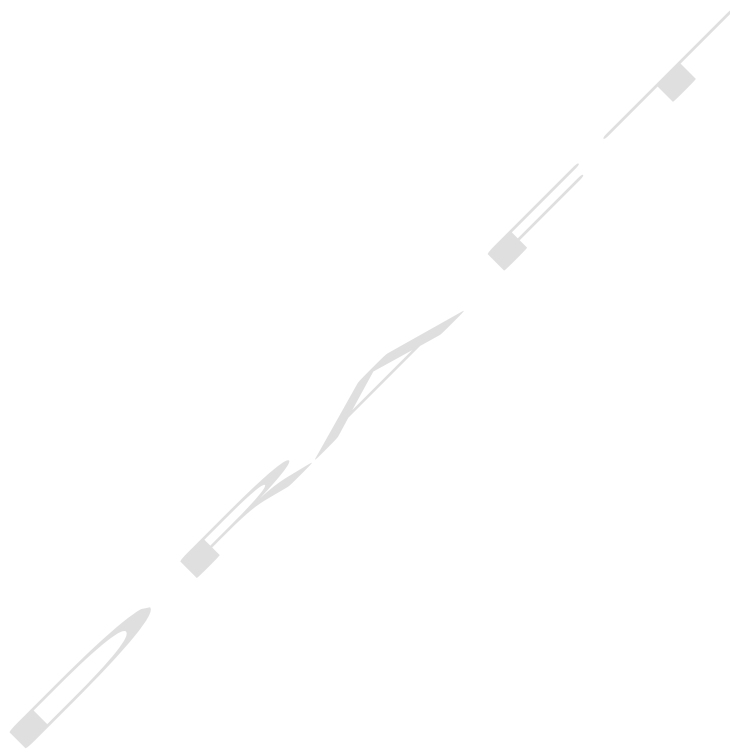
<https://new.enfield.gov.uk/pensions/wp-content/uploads/2017/10/London-Borough-of-Enfield-Pension-Fund-Actuarial-valuation-as-at-31-March-2019-.pdf>

### NOTE 20: CURRENT ASSETS

31 March 2019		31 March 2020
£000s		£000s
	<b>Debtors</b>	
168	Contributions due - employees	208
495	Contributions due - employers	636
72	Sundry debtors	-
53	Prepayments	-
<b>788</b>		<b>844</b>
	<b>Cash balances</b>	
13	Current account	53
<b>801</b>		<b>897</b>

### NOTE 20A: LONG TERM DEBTORS

31 March 2019		31 March 2020
£000s		£000s
	<b>Debtors</b>	
14	Pensioner Tax liability	53
<b>14</b>		<b>53</b>



## Pension Fund

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### NOTE 21: CURRENT LIABILITIES

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31 March 2019	31 March 2020
£000s	£000s
(19) Sundry creditors	(460)
(613) Benefits payable	(567)
<b>(632)</b>	<b>(1,027)</b>

### NOTE 22: ADDITIONAL VOLUNTARY CONTRIBUTIONS

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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

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

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**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 £1.124m (2018/19: £935k) 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 £39.2m to the fund in (2018/19 £38.2m). At year end the London Borough of Enfield owed the Pension Fund £460k (£72k in 2018/19).

Scheduled and admitted bodies owed the Fund £854k (£664k in 2018/19) from employer & employee contributions. All payments were received by 19<sup>th</sup> April 2020.

**Governance**

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 2019/20 the figures below show the total remuneration and the change in value of post-employment benefits provided to these individuals over the accounting year.

<b>31 March 2019</b>		<b>31 March 2020</b>	
<b>£000s</b>		<b>£000s</b>	
197	Short-term benefits	237	
62	Post-employment benefits	72	
<b>259</b>		<b>309</b>	

**NOTE 25: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS**

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The total outstanding capital commitments (investments) at 31 March 2020 are £70m (31 March 2019 were £100.6m).

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.

