London Borough of Hounslow

Statement of Accounts for the year 2022/23

LONDON BOROUGH OF HOUNSLOW
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2023

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PART 1: NARRATIVE STATEMENT

This document presents the statutory financial statements for London Borough of Hounslow for the period 1 April 2022 to 31 March 2023 and gives a comprehensive summary of the overall financial position of the Council.

The narrative statement provides a summary of the Council operations, achievements, and financial performance and position for the year.

Hounslow – we're not only London in microcosm, we're also the world in one place. We are historic houses and hi-tech start-ups. We are magnificent green spaces and vibrant enterprise. We are international trade and local talent. We're a place of contrasts. Hogarth's House and Heathrow's hinterland. Brentford FC and Bedfont Lakes. Sky TV and Syon Park. A place where everyone can live well and thrive - a place that is bustling, vibrant, and busy – a place full of inspiration and opportunity.

Life in Hounslow

Hounslow stretches from Zone 2 to the Home Counties, we're home to **288,200 people** in **103,000 households.** The population of Hounslow has increased by **13.5%** since 2011.

We're becoming an older borough – Census 2021 showed that the average resident is now 36 years old.

In Hounslow, **almost half** of our residents were born outside of the UK. The borough is linguistically diverse, with people speaking a total of **188 languages**. The **top six** languages spoken by residents are English, Panjabi, Polish, Romanian, Urdu and Nepalese.

We're an ethnically diverse borough, the most common ethnic groups in Hounslow are white **(44%)**, followed by Asian ethnic groups **(37%)**.

Our schools support almost **46,000** pupils. All **schools** within our borough are rated as **Good or Outstanding** by Ofsted.

32% of residents have a level 1, 2 or 3 qualification and **42%** have level 4 qualifications or higher.

27,760 residents are employed in a **professional occupation**, the most common job type in Hounslow but lower than the England and Wales rate – we have a higher rate of people working in **unskilled jobs** than the country as a whole. In Hounslow, the percentage of residents in employment is **73.5%**.

33% of households do not have access to or own a car or van.

31% of adults in Hounslow are physically inactive and **61% of adults** are **overweight or obese**.

Healthy life expectancy stands at **60 for a man** and **62 for a woman** – both lower than London and England rates.

About the Council

Across our capital, general revenue, housing revenue, trading companies, and locally maintained schools' budgets, we spend over **£1 billion** each year.

We provide council housing to more than **13,000 tenants** and **4,100 adults** receive social care and support
We answer over **250,000** calls through our contact centre each year
Our social care teams help keep **1,900** children safe
We inspect hundreds of restaurants and takeaways every year, keeping customers safe and food standards high

Corporate Plan

Ambitious for Hounslow is the London Borough of Hounslow's key corporate strategy. It sets out the Council's vision for the borough and, taken together with our Delivery Plan and Financial Strategy, explains how we will deliver and fund that ambition.

The Corporate Plan describes the place we are proud to serve and the challenges the borough faces. It sets out the aspirations we have for Hounslow.

Based on our desire to see a borough that is greener, healthier, cleaner, thriving, safer, and more liveable, the Corporate Plan details what this would mean for the people and businesses of the borough. It explains what we'll be tracking to see if Hounslow is heading in the right direction and what we will do ourselves to deliver for the borough.

It describes the Council as an organisation – what we do, how we do it, the way in which we collaborate across the borough and the values that shape how we act. Throughout, the Corporate Plan describes an organisation that is committed to Hounslow and collaborating with others to help secure a borough that works for all.

One Hounslow Financial Strategy

The aim of the One Hounslow Finance Strategy (OHFS), our medium-term financial strategy, is to provide an overarching framework that goes beyond the current budget period pulling together all known factors affecting the financial health of the Council over the medium term in pursuit of our strategic objectives as set out in the Corporate Plan, whilst maintaining our strong financial standing. It places the goal of financial sustainability at the heart of financial planning, while also providing the frameworks for setting annual budgets, capital investment and the management of financial risks.

The OHFS was approved by the council's Cabinet in July 2022, and by Borough Council in September 2022. An update to the OHFS to reflect the rapidly changing financial environment of the council during the period of increasing inflation and interest rates during 2022/23 was approved by Cabinet in December 2022.

Delivery Plan

Based around three portfolios – People, Place, and Capital – the Delivery Plan provides robust governance, regularly monitors programmes, and ensures activity delivers anticipated benefits.

Alongside our Corporate Plan and our One Hounslow Financial Strategy, the Delivery Plan forms the third key organisational plank for the Council.

The Delivery Plan, approved by Cabinet and Council in September 2022, outlines the activities that the Council will undertake to achieve the goals of the Corporate Plan. Cabinet has approved strategic business cases for various initiatives, including the Youth Skills and Employment Guarantee, Transforming our Community Experience, Independent Living, Third Party Spend, and Community Hubs. Preparations for the launch of the Youth Guarantee in June 2023 are underway. The Council is also working on developing Phase 1 of the Youth Skills Guarantee, scheduled for launch in May 2023, followed by Phase 2 in September 2023.

Workforce

London Borough of Hounslow employs over 2000 staff, working across services and different locations in the borough.

Our One Hounslow approach is at the heart of our desire to be an outstanding Council serving an outstanding borough. One Hounslow is all about place. It sees us wrap services, activity, and resources around our residents. It sees us look beyond organisational boundaries, managerial functions, and administrative convenience.

The Council's Performance - Achievements 2022/23

The key achievements from the first year of delivery under the Corporate Plan, organised in line with the six Corporate Plan priorities:

A Greener Hounslow

- The London Borough of Hounslow has planted more than 8,500 trees and is committed to planting an additional 20,000 trees.
- Allotments across the brough have reached 100% capacity.
- During the financial year, the Dr Bike initiative successfully repaired 605 bikes. London Borough of Hounslow continues to promote physical activity and enhance the air quality by encouraging cycling.
- To grow the number of green jobs. Hounslow has received £200k from the Mayor of London Skills bootcamp pot to deliver upskilling of residents into the green economy.
- Hounslow has secured grant funding from Social Housing Decarbonisation Fund; this will be match-funded by the council, and we aim to retrofit 348 homes on social housing with solid wall and insulation.

A Healthier Hounslow

- 14,000 local people exercise in our gyms every month.
- The Alcohol-Free Team was the first borough passed partnership to come into effect.
- We are dedicated to creating a holistic environment around schools, several have been improved and we have submitted a grant application for funding to improve two additional schools.
- Percentage of adults reviewed with improved or consistent wellbeing outcomes has remained above 80% across all four quarters.

A Cleaner Hounslow

- The food waste recycling service to 24,000 flats across the borough was surpassed resulting in a higher number of flats participating.
- 103,000 homes in the Borough have their recycling taken away each week.
- The council are committed to keeping London Borough of Hounslow clean and litter free. We will work toward reducing rates of fly tipping by 25%.

A Thriving Hounslow

- London Borough of Hounslow provided support to several businesses through the Innovative and Grow enterprise programme, assisting them in successfully accessing grants.
- Hounslow scored first out of its statistical neighbours for take up of places by disadvantaged 2-year-olds in the Autumn 2022 term.

A Safer Hounslow

- London Borough of Hounslow achieved success by launching the Violence and Girls plan which received white ribbon accreditation.
- Safer Communities Operational Team was implemented to bring organisations together and working alongside communities in their local neighbourhoods, to help keep younger residents safe.
- Percentage of adult safeguarding referrals where risks were identified that ended with risks having been removed or reduced have been consistently over 85%.

A Liveable Hounslow

- London Borough of Hounslow has pledged to construct 1,000 council homes in 2023.
- In 2022, 71% of pupils achieved a grade 5 or above in English and Maths. This above the national average and above the average for schools in the London Borough of Hounslow. Students also make excellent progress in Years 12 and 13.
- Hounslow Council shortlisted for a Living Wage Champion Award. Work Hounslow, the Skills and Employment Team for the Council, have been shortlisted for the Living Wage Champion Awards 2023 in the Public Sector Champion Category
- Grove Road Primary School, in partnership with Dragons' Den secured a victory in the local Social Enterprise School competition for their innovative idea of healthy food stall.

Financial Performance

General Fund

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

Table 1: General Fund Outturn Summary

`	Revised Budget (£m)	Actual Outturn (£m)	Outturn Variance (£m)	of which: Inflationary Pressures (£m)	of which: Other Activity (£m)
Assistant Chief Executive	9.6	8.3	(1.3)	0.0	(1.3)
Chief Executive's	0.6	0.6	0.0	0.0	0.0
Children & Adult Services	103.2	117.6	14.4	3.7	10.7
Commissioning	14.6	14.6	0.0	0.0	0.0
Environment, Culture & Customer Services	48.0	52.2	4.2	3.0	1.2
Finance & Resources	19.9	19.3	(0.6)	0.1	(0.7)
Housing, Planning & Economic Regeneration	7.8	8.5	0.7	0.0	0.7
Sub-total Directorate Budgets	**203.7**	**221.1**	**17.4**	**6.8**	**10.6**
Corporate Budgets	(14.5)	(29.0)	(14.5)	(0.5)	(14.0)
Funding	(189.2)	(189.2)	0.0	0.0	0.0
General Fund Total	**0.0**	**2.9**	**2.9**	**6.3**	**(3.4)**

Table 1 outlines the Council's general fund revenue outturn for 2022/23, against its approved budget. The General Fund revenue outturn position shows an overspend of £2.9m, which is further analysed between inflationary pressures which were a significant feature of council's operating environment in 2022/23, and variances relating to other activities.

The principal reasons for the outturn overspend of £2.9m, were a continuation of the resurgence of demand-led pressures on children's social care as compared to the assumptions made in setting the corporate contingencies for the 2022/23 budget, a surge in demand pressures on adult social care, and inflationary pressures across several services, especially where reliant on energy costs and lower wage staffing, such as street lighting, adult social care and waste collection. In addition, the local government pay award for 2022/23 was significantly above the budgeted provision. Budgets were re-set for 2023/24 taking into account updated demand and inflationary pressures, so that the factors included in the outturn overspend should not recur for 2023/24.

In March 2023 the council reached agreement with the Department for Education under the Safety Valve programmme, to reduce the cumulative deficit on the Dedicated Schools Grant (DSG) over a fixed period, through savings and reforms of the council's high needs education system, in return for additional DSG grant. The addition grant of £10.7m significantly reduced the DSG deficit as at 31 March 2023, meaning that budgeted contingencies of £6.0m for risk management around the DSG deficit were not required, and this is also reflected in the outturn for the corporate budgets.

Capital
The capital programme budget for 2022/23-2025/26 was £755.7m, of which £231.4m was programmed for 2022/23. Actual capital expenditure for the year was £174.5m, giving a net in-year variance of £56.9m against the 2022/23 budget. The largest area of capital expenditure was on the housing new build programme, which continues to deliver new homes for social rent in the borough.

Table 2: Capital Programme Outturn Summary

	2022/23 In-Year Budget			2022/23 – 2025/26 Programme Budget		
Fund	**Budget £m**	**Outturn £m**	**Variance £m**	**Budget £m**	**Forecast Outturn £m**	**Variance £m**
General Fund	67.9	29.1	(38.8)	105.3	105.4	0.1
HRA	163.5	145.4	(18.1)	650.4	650.4	0.0
Total	**231.4**	**174.5**	**(56.9)**	**755.7**	**755.8**	**0.1**

Arrangements for the management of capital projects have been revised during 2022/23 to align them with the One Hounslow approach to project and programme management, the same approach as is used to manager major programmes in the council's Delivery Plan. The governance of the capital programme was refreshed during 2022/23 through the internal Capital Strategy Board and Delivery Plan Portfolio Boards, as set out in the Capital Strategy approved by the council's Cabinet in February 2023. The HRA Business Plan was also updated tot ake into account the impact of rising inflation and interest rates on borrowing, and was approved by the council's Cabinet in January 2023.

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

The Council's housing stock is managed in house. It received income of £92.0m from rents, service charges, leasehold and other income, and incurred expenditure of £88.1m on repairs and maintenance, general management services, special services and other items of spend. This left a £3.9m surplus which has been added to HRA balances in line with the financing strategy set out in the HRA Business Plan approved by Cabinet in January 2023. HRA borrowing to finance capital programme expenditure increased by £71.0m during the year.

The Statement of Accounts provides further detail on the HRA account for 2022/23.

Collection Fund
The collection fund shows the transactions of the council as a billing authority in relation to Council Tax and National Non-Domestic Rates (NNDR). It illustrates the way in which both have been distributed to precepting authorities and the comprehensive income and expenditure statement.

Income raised from Council Tax is the single largest source of general funding for the Council's revenue budget. In 2022/23 the Council collected £160.7 million in Council Tax, of which £35.8m was collected on behalf of the GLA. The Council Tax for a Band D property (including the GLA precept) was £1,774.18 in 2022/23.

NNDR, also known as business rates, is a national tax on business premises, collected locally by local authorities. In 2022/23 Hounslow budgeted for business rates income of £30.0m. The Government continued to fund additional discounts for retail, leisure, hospitality premises. However, in contrast to most recent years the Collection Fund ended the year in surplus, as action by the Valuation Office Agency is close down appeals againt rateable values in advance of the new valuation list going live in April 2023 meant that the council could release previously held provisions for appeals.

The Statement of Accounts provides further detail on the Collection Fund account for 2022/23.

Lampton Group

Lampton 360 Ltd was the first trading company established by the London Borough of Hounslow in 2012 with the group now comprising of six further entities Lampton Recycle 360 Ltd, Lampton Greenspace 360 Ltd, Coalo Ltd, Lampton Leisure Limited, Lampton Investment 360 Ltd, and Lampton Development 360 LLP.

- Lampton Recycle 360 delivers a cost-effective and efficient, high-quality recycling and waste collection services for its customers.
- Lampton GreenSpace 360 provides LB Hounslow with a cost-effective and efficient parks and open space maintenance service.
- Lampton Leisure Limited was set up in October 2020 to operate the borough's leisure centres.
- Coalo Ltd – provides facilities management services to the Council's housing estates, schools and corporate buildings.
- Lampton Investment 360 Ltd is a residential investment vehicle focused on acquiring residential property and letting primarily to nominees from the Council.
- Lampton Development 360 LLP was established with the aim of re-developing LB Hounslow land through residential and mixed use projects from a 'pipeline' of sites released by the Council,

The Lampton Group Business Plan for 2023/24 was approved by the council's Cabinet in March 2023. The business plan included an expectation that all of the companies within the group will at least break even during 2023/24, with the exception of Lampton Leisure Ltd, whose operations have been adversely affected by the legacy impacts of COVID-19 restrictions and the significant increases in energy costs during 2022/23. The Council has committed to £9.0m of support to the continued operations of Lampton Leisure Ltd, approved by Cabinet in June 2023. The Statement of Accounts provides further detail on the subsidiaries within the Group accounts for 2022/23.

Pension Fund

In 2022/23, total direct contributions to the Fund were £47.2m of which employees contributed £10.8m and employers £36.4m. Over 75% of these amounts are in respect of employees of the London Borough of Hounslow.

As at March 2023, the value of the Pension Fund is £1,212.8m. This Fund position reflects the results of the triennial actuarial valuation as at 31 March 2022.

The Statement of Accounts provides further detail on the Pension Fund accounts for 2022/23.

Accounting Statements and notes to the accounts

The pages that follow are the Authority's accounts for 2022/23 and comprise:

- **Expenditure Funding Analysis –** This compares how the expenditure is allocated for decision making purposes between the Council's directorates with the position based on International Financial Reporting Standards (IFRS), showing the impact on the Council's general fund and Housing Revenue Account balances.
- **Comprehensive Income and Expenditure (CI&E) Statement** – This reports the cost of performing the Authority's functions on the basis of IFRS and shows how that cost is financed from charges made by the Authority, Council Tax and Central Government. The transactions required under statute and the use of the Authority's own reserves are shown separately in the Movement in Reserves Statement and accompanying notes.
- **Movement in Reserves Statement** – This records the increases and decreases in the Authority's reserves during the course of the year, including surpluses or deficits of expenditure and income and transfers between reserves.
- **Balance Sheet** – This statement records the Authority's year-end financial position at 31 March. It shows the assets owned, and amounts owed in the long term, as well as the net current assets and liabilities, and the reserves at the Authority's disposal. It excludes trust funds held on behalf of individuals and organisations and the Pension Fund.
- **The Cash Flow Statement** – This summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.
- **Statement of Accounting Policies** – This explains the basis of the figures in the accounts.
- **Housing Revenue Account** – This records the Authority's statutory obligation to account separately for the costs of its landlord role. It shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates - and how these are met by rents and other income.
- **Collection Fund** – This shows the transactions of the Authority as a billing authority in relation to non-domestic rates and Council tax and illustrates the way in which they have been distributed to precepting authorities and the comprehensive income and expenditure statement. The Council's share of the Collection Fund is consolidated with other accounts of the Authority.
- **The Group Accounts –** This provides a group comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement for the Authority and it's subsidiaries. The notes to the accounts are only restated where they are materially different from the Authority's individual accounts.
- **Pension Fund Revenue Account and Net Assets Statement** – The Revenue Account shows the contributions to the fund during 2022/23 and the benefits paid from it. The Net Assets Statement sets out the financial position for the Fund as at 31 March. The Authority acting as trustee separately manages the fund and its accounts are separate from the Authority's accounts.
- **Statement of Responsibilities for the Statement of Accounts** – This sets out the responsibilities of the Council and the Chief Financial Officer in respect of the preparation of the accounts.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2021/22 Re-stated (Note 43)				2022/23			Notes
Expenditure	Income	Net		Expenditure	Income	Net	
£m	£m	£m		£m	£m	£m	
0.5	0.0	0.5	Chief Executive's Directorate	0.4	0.0	0.4	
126.0	(110.5)	15.5	Finance and Resources	120.3	(101.6)	18.7	
97.1	(49.8)	47.3	Environment, Culture and Customer Services	108.1	(53.7)	54.4	
384.2	(258.6)	125.6	Children's and Adults' Services	432.2	(302.0)	130.2	
26.8	(18.9)	7.9	Housing, Planning and Economic Regeneration	26.7	(16.0)	10.7	
11.7	(3.4)	8.3	Assistant Chief Executive's Directorate	14.3	(2.6)	11.7	
20.6	(6.6)	14.0	Commissioning	20.1	(2.2)	17.9	
81.9	(87.9)	(6.0)	Housing Revenue Account	73.8	(91.5)	(17.7)	
46.1	(17.9)	28.2	Corporate Items	13.0	(18.0)	(5.0)	
794.9	(553.6)	241.3	Cost Of Services	808.9	(587.6)	221.3	
6.2	(0.4)	5.8	Other Operating Expenditure	1.5	0.0	1.5	7
24.9	(5.7)	19.2	Financing and Investment Income and Expenditure	23.5	(14.1)	9.4	8
0.0	(282.0)	(282.0)	Taxation and Non-Specific Grant Income	0.0	(301.2)	(301.2)	9
826.0	(841.7)	(15.7)	(Surplus) or Deficit on Provision of Services	833.9	(902.9)	(69.0)	
		(346.2)	(Surplus) or deficit on revaluation of property, plant and equipment			(106.0)	23
		(109.5)	Remeasurement of the net defined benefit liability / asset			(500.0)	14
		(455.7)	Other Comprehensive Income and Expenditure			(606.0)	
		(471.4)	**Total Comprehensive Income and Expenditure**			**(675.0)**	

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

MOVEMENT IN RESERVES STATEMENT

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

	2022/23									
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 Apr 2022	(13.2)	(217.5)	(3.1)	(14.4)	(51.5)	(4.5)	(12.7)	(316.9)	(1,655.0)	(1,971.9)
Surplus or deficit on provision of services (accounting basis)	(11.7)		(57.3)					(69.0)		(69.0)
Other Comprehensive Expenditure and Income								0.0	(606.0)	(606.0)
Total Comprehensive Expenditure and Income	(11.7)	0.0	(57.3)	0.0	0.0	0.0	0.0	(69.0)	(606.0)	(675.0)
Adjustments between accounting basis & funding basis under regulations	27.1		56.4		(6.7)	3.7	(8.9)	71.6	(71.6)	0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	15.4	0.0	(0.9)	0.0	(6.7)	3.7	(8.9)	2.6	(677.6)	(675.0)
Transfers to / from Earmarked Reserves	(15.4)	15.4	(3.0)	3.0				0.0		0.0
Increase / Decrease in Year	0.0	15.4	(3.9)	3.0	(6.7)	3.7	(8.9)	2.6	(677.6)	(675.0)
Other items								0.0		0.0
Balance as at 31 Mar 2023	(13.2)	(202.1)	(7.0)	(11.4)	(58.2)	(0.8)	(21.6)	(314.3)	(2,332.6)	(2,646.9)

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
2021/22 Re-stated (Note 43)										
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Balance as at 1 Apr 2021	(23.0)	(215.0)	(18.4)	(14.3)	(48.7)	(0.5)	(6.1)	(326.0)	(1,174.5)	(1,500.5)
Surplus or deficit on provision of services (accounting basis)	10.9		(26.6)					(15.7)		(15.7)
Other Comprehensive Expenditure and Income								0.0	(455.7)	(455.7)
Total Comprehensive Expenditure and Income	10.9	0.0	(26.6)	0.0	0.0	0.0	0.0	(15.7)	(455.7)	(471.4)
Adjustments between accounting basis & funding basis under regulations	(3.6)		41.8		(2.8)	(4.0)	(6.6)	24.8	(24.8)	0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	7.3	0.0	15.2	0.0	(2.8)	(4.0)	(6.6)	9.1	(480.5)	(471.4)
Transfers to / from Earmarked Reserves	2.5	(2.5)	0.1	(0.1)				0.0		0.0
Increase / Decrease in Year	9.8	(2.5)	15.3	(0.1)	(2.8)	(4.0)	(6.6)	9.1	(480.5)	(471.4)
Other items								0.0		0.0
Balance as at 31 Mar 2022	(13.2)	(217.5)	(3.1)	(14.4)	(51.5)	(4.5)	(12.7)	(316.9)	(1,655.0)	(1,971.9)

BALANCE SHEET

Restated (Note 43) 31 Mar 2022 £m		31 Mar 2023 £m	Notes
2,702.9	Property, Plant & Equipment	2,929.7	25
75.9	Investment Property	77.2	26
2.9	Intangible Assets	4.0	
19.2	Heritage Assets	21.6	27
123.2	Long Term Debtors	198.6	28
2,924.1	Long Term Assets	3,231.1	
30.2	Short Term Investments	67.4	37
0.1	Inventories	0.1	
69.7	Short Term Debtors	80.1	31
11.5	Cash and Cash Equivalents	22.4	32
111.5	Current Assets	170.0	
(26.0)	Bank overdrafts	0.0	
(27.5)	Short Term Borrowing	(6.5)	
(157.0)	Short Term Creditors	(162.9)	33
(7.7)	Short Term Provisions	(5.8)	34
(218.2)	Current Liabilities	(175.2)	
(1.6)	Long Term Provisions	(0.3)	34
(157.1)	Long Term Borrowing	(388.6)	37
(637.6)	Other Long Term Liabilities	(144.0)	35
(49.2)	Capital Grants Receipts in Advance	(46.1)	18
(845.5)	Long Term Liabilities	(579.0)	
1,971.9	**Net Assets**	**2,646.9**	
(316.9)	Usable reserves	(314.3)	21
(1,655.0)	Unusable Reserves	(2,332.6)	23
(1,971.9)	**Total Reserves**	**(2,646.9)**	

CASH FLOW STATEMENT

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

2021/22 Re-stated (Note 43) £m		2022/23 £m
15.7	Net surplus or (deficit) on the provision of services	69.0
30.8	Adjust net surplus or deficit on the provision of services for non-cash movements	(59.0)
(83.5)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(102.2)
(37.0)	Net cash flows from Operating Activities	(92.2)
(176.8)	Purchase of property, plant and equipment, investment property and intangible assets	(171.1)
20.4	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	16.8
(109.0)	Purchase of long- and short-term investments	(218.0)
149.5	Cash receipts of long and short term investments	178.0
63.1	Other receipts relating to investing activities	85.4
(52.8)	Investing Activities	(108.9)
0.0	Cash receipts of short term and long term borrowing	230.4
39.9	Net inflow reflcting timing differences in Council Tax and business rates due to/from precepting authorities and central Government	32.2
11.9	Net receipts for COVID-19 and other grants where the Authority has acted as agent	0.3
(3.6)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(3.6)
(7.4)	Repayments of short term and long term borrowing	(21.3)
40.8	Financing Activities	238.0
(49.0)	**Net increase or decrease in cash and cash equivalents**	**36.9**
34.5	Cash and cash equivalents at the beginning of the reporting period	(14.5)
(14.5)	**Cash and cash equivalents at the end of the reporting period**	**22.4**

NOTES TO THE ACCOUNTS

EXPLAINING HOW THE STATEMENT OF ACCOUNTS HAS BEEN PREPARED

Note 1 Accounting Policies

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (CIPFA Code) supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts have also been prepared to comply with the Update to the Code and Specifications for Future Codes for Infrastructure Assets published in November 2022, which provides a temporary relief not to report gross cost and accumulated depreciation for infrastructure assets for accounting periods commencing 1 April 2021.

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

More details about the individual accounting policies used by the Authority are set out from page 83.

Note 2 Accounting Standards Issued, Not Adopted

The Code of Practice requires that the Authority discloses information relating to the impact of accounting standards issued, but not yet adopted. The only accounting standard considered to be relevant to the Authority is IFRS 16, which for local authority accounting has been deferred until 1 April 2024.

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (with exceptions allowed for low-value and short-term leases). Currently expenditure on operating leases is included within Other Service Expenses. Under IFRS 16 lease costs will be treated as a combination of depreciation on the right of use asset and interest expense on the lease liability. Implementation of IFRS 16 for local authority accounting has been deferred until 1 April 2024 The London Borough of Hounslow has a number of arrangements currently treated as operating leases which will be within the scope of IFRS 16. The impact of these on the financial statements has not been quantified for inclusion in these statements.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 2023/24:

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors will be amended to define accounting estimates as ‘monetary amounts in financial statements that are subject to measurement uncertaint’. This change is not anticipated to significantly impact on the amounts held in the council’s financial statements;
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 will be amended to give more guidance on the disclosure of accounting policies in the financial statements. This change is not antipicated to significantly impact on the amounts held in the council’s financial statements;
- IAS 12 Income Taxes will be amended in relation to deferred tax but no relevant transactions that give rise to both assets and liabilities in the group accounts have been identified – the total amount of deferred tax included in the subsidiary entities financial statements is £0.5m, so the impact is unlikely to be material;

- IFRS 3 Business Combinations will be amended in terms of references to the conceptual framework. As no acquisitions have happened or are planned in the relevant time period, and the council has reccognised neither contingent assets nor contingent liabilities, this has no impact on the council's financial statements.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out from page 80 the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

- In management's judgement, the Council has interests in the following entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code and have therefore been consolidated within the Council's group accounts:
  - Coalo Ltd (previously called Lampton Facilities Management 360 Ltd)
  - Lampton 360 Ltd and Subsidiaries.

- In management's judgement a school should be included in the Council's non current assets if it owns or has some responsibility for, control over or benefit from the service potential of the premises. As a result assets relating to academies, voluntary aided, voluntary controlled or free schools are not controlled by the Council.
- The Authority has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the Authority is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Authority it is deemed to be a Property, Plant and Equipment asset. If there were no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used.
- Lenders Option / Borrowers Option loans (LOBOs) are judged to be treated as non-current liabilities as although interest rates are higher than in recent history it is increasingly unlikely that the lenders option would be taken up especially as interest rates are now on the downward trajectory.

Furthermore, the London Borough of Hounslow is a local authority and therefore the financial statements have been prepared on the going concern basis in accordance with paragraoh 2.1.2.9 of the Code.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are set out in the following table:

Item	Uncertainties	Effect if actual results differ from assumptions
Investment Properties and Property Plant and Equipment	A process of revaluation is undertaken as set out in the accounting policies. Revaluations of council dwellings, other land and buildings and investment properties are provided by professional valuers. However, the revaluation process cannot take account of detailed up to date information for every building revalued, given the large size, and diverse nature and age, of the building stock, and the relatively small level of resources which can be allocated for this function. Often assumptions are made, and industry index values are applied, to arrive at an appropriate estimate of the asset's value. Some of these judgements can be subjective.	The Authority's balance sheet includes a significant value of property, investment property, plant and equipment, as detailed in Note 25 Property Plant and Equipment and Note 26 Investment Property. Small variations in assumptions made can have a significant impact on the assigned value. Movements in valuation, however, do not affect Council tax levels, but are reflected in changes to the Capital Adjustment Account or Revaluation Reserve, as appropriate.
Property, Plant and Equipment	The useful economic lives of assets are re-assessed whenever the assets are revalued. This is then used to calculate the annual depreciation charge. It is very difficult to assess accurately the life of many buildings, and assumptions will often be made in setting a useful economic life.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. Similarly, if the life of assets is increased by a revaluation, depreciation will reduce but the carrying amount of the asset will increase. Although depreciation itself does not affect Council tax levels (as it is a notional charge), there is a capital cost to the Council if a building has to be replaced early, or a capital saving if a building lasts longer than expected. Depreciation of the relevant assts is detailed in Note 25 Property Plant and Equipment.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied (see Note 14).	The actuarial loss or gain provided by the actuary's calculation can be significant. This charge to the Comprehensive Income & Expenditure Statement is notional as it is not charged to the general fund, and does not affect Council tax levels. If the future investment returns are different from the actuarial assumptions, it will not affect the Council tax. However, if the pension fund assets and liabilities vary significantly from those forecast by the actuary, it could mean that either higher or lower pension contributions would be payable by the Authority in the future.

ABOUT THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Note 5 Expenditure and Funding Analysis

The Expenditure and Funding Analysis note to the accounts is set out below. This note illustrates how the funding available to the Council for the year 2022/23 and 2021/22 has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under general accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022/23	**As reported to management**	**Adjustments to arrive at net charge to General Fund and HRA**	**Net expenditure chargeable to the General Fund and HRA**	**Adjustments between Funding and Accounting basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
	£m	**£m**	**£m**	**£m**	**£m**
Chief Executive's Directorate	0.6	(0.2)	0.4	0.0	0.4
Finance and Resources	19.3	(1.5)	17.8	0.9	18.7
Environment, Culture and Customer Services	52.2	(8.8)	43.4	11.0	54.4
Children's and Adults' Services	117.6	5.1	122.7	7.5	130.2
Housing, Planning and Economic Regeneration	8.5	2.2	10.7	0.0	10.7
Assistant Chief Executive's Directorate	8.3	3.4	11.7	0.0	11.7
Commissioning	14.6	3.3	17.9	0.0	17.9
Housing Revenue Account	0.0	38.7	38.7	(56.4)	(17.7)
Corporate Items	(221.1)	244.6	23.5	(28.5)	(5.0)
Net cost of Services	**0.0**	**286.8**	**286.8**	**(65.5)**	**221.3**
Other income and expenditure	0.0	(272.3)	(272.3)	(18.0)	(290.3)
Surplus or Deficit	**0.0**	**14.5**	**14.5**	**(83.5)**	**(69.0)**
Opening combined General Fund and HRA balances			**(248.2)**		
Surplus or deficit on the General Fund and HRA balances for the year (accounting basis)			(69.0)		
Adjustments between Funding and Accounting basis			83.5		
Closing combined General Fund and HRA balances			**(233.7)**		

2021/22 Re-stated

	As reported to management	Adjustments to arrive at net charge to General Fund and HRA	Net expenditure chargeable to the General Fund and HRA	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£m	**£m**	**£m**	**£m**	**£m**
Chief Executive's Directorate	0.6	(0.1)	0.5	0.0	0.5
Finance and Resources	18.0	(4.0)	14.0	1.5	15.5
Environment, Culture and Customer Services	48.2	(10.9)	37.3	10.0	47.3
Children's and Adults' Services	106.2	6.6	112.8	12.8	125.6
Housing, Planning and Economic Regeneration	9.7	(1.9)	7.8	0.1	7.9
Assistant Chief Executive's Directorate	8.0	0.3	8.3	0.0	8.3
Commissioning	14.8	(0.2)	14.6	(0.6)	14.0
Housing Revenue Account	0.0	35.8	35.8	(41.8)	(6.0)
Corporate Items	(205.5)	249.3	43.8	(15.6)	28.2
Net cost of Services	**0.0**	**274.9**	**274.9**	**(33.6)**	**241.3**
Other income and expenditure	0.0	(252.4)	(252.4)	(4.6)	(257.0)
Surplus or Deficit	**0.0**	**22.5**	**22.5**	**(38.2)**	**(15.7)**
Opening combined General Fund and HRA balances			**(270.7)**		
Surplus or deficit on the General Fund and HRA balances for the year (accounting basis)			(15.7)		
Adjustments between Funding and Accounting basis			38.2		
Closing combined General Fund and HRA balances			**(248.2)**		

The adjustments between funding and accounting basis and other adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts may be further analysed as follows:

2022/23	**As reported to management**	**Transfers (to) / from Useable Reserves**	**Adjustments for Capital Purposes**	**Net Change for Pensions Adjustments**	**Other Statutory Differences**	**Total Statutory Adjustments**	**Other (Non-Statutory) Adjustments**	**Total Adjustments**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Chief Executive's Directorate	0.6	0.0	0.0	0.0	0.0	0.0	(0.2)	(0.2)
Finance and Resources	19.3	2.0	0.0	0.0	0.9	0.9	(3.5)	(2.6)
Environment, Culture and Customer Services	52.2	5.0	(3.6)	0.0	14.7	11.1	(13.8)	(2.7)
Children's and Adults' Services	117.6	5.1	0.0	0.0	7.5	7.5	0.0	7.5
Housing, Planning and Economic Regeneration	8.5	4.4	0.0	0.0	0.0	0.0	(2.2)	(2.2)
Assistant Chief Executive's Directorate	8.3	4.5	0.0	0.0	0.0	0.0	(1.1)	(1.1)
Commissioning	14.6	3.3	0.0	0.0	0.0	0.0	0.0	0.0
Housing Revenue Account	0.0	(0.9)	(78.7)	0.0	22.3	(56.4)	39.6	(16.8)
Corporate Items	(221.1)	(8.9)	(42.1)	10.2	3.3	(28.6)	253.5	224.9
Net cost of Services	**0.0**	**14.5**	**(124.4)**	**10.2**	**48.7**	**(65.5)**	**272.3**	**206.8**
Other income and expenditure	0.0	0.0	0.0	0.0	(18.0)	(18.0)	(272.3)	(290.3)
Surplus or Deficit	**0.0**	**14.5**	**(124.4)**	**10.2**	**30.7**	**(83.5)**	**0.0**	**(83.5)**

2021/22 Re-stated

	As reported to management	Transfers (to) / from Useable Reserves	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Statutory Differences	Total Statutory Adjustments	Other (Non-Statutory) Adjustments	Total Adjustments
	£m	£m	£m	£m	£m	£m	£m	£m
Chief Executive's Directorate	0.6	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.1)
Finance and Resources	18.0	1.1	0.0	0.0	1.5	1.5	(5.1)	(3.6)
Environment, Culture and Customer Services	48.2	2.1	(4.2)	0.0	14.2	10.0	(13.0)	(3.0)
Children's and Adults' Services	106.2	6.6	(0.4)	0.0	13.2	12.8	0.0	12.8
Housing, Planning and Economic Regeneration	9.7	0.1	0.0	0.0	0.1	0.1	(2.0)	(1.9)
Assistant Chief Executive's Directorate	8.0	1.2	0.0	0.0	0.0	0.0	(0.9)	(0.9)
Commissioning	14.8	(0.2)	(0.6)	0.0	0.0	(0.6)	0.0	(0.6)
Housing Revenue Account	0.0	15.3	(76.6)	0.0	34.8	(41.8)	20.5	(21.3)
Corporate Items	(205.5)	(3.7)	(56.0)	51.3	(10.9)	(15.6)	253.0	237.4
Net cost of Services	**0.0**	**22.5**	**(137.8)**	**51.3**	**52.9**	**(33.6)**	**252.4**	**218.8**
Other income and expenditure	0.0	0.0	0.0	0.0	(4.6)	(4.6)	(252.4)	(257.0)
Surplus or Deficit	**0.0**	**22.5**	**(137.8)**	**51.3**	**48.3**	**(38.2)**	**0.0**	**(38.2)**

Income received on a segmental basis is analysed below:

	Income from Services 2022/23 £m	Income from Services 2021/22 £m
Finance and Resources	(16.3)	(14.0)
Environment, Culture and Customer Services	(37.0)	(31.6)
Children's and Adults' Services	(23.0)	(11.3)
Housing, Planning and Economic Regeneration	(10.7)	(11.6)
Assistant Chief Executive's Directorate	(1.0)	(1.0)
Housing Revenue Account	(91.1)	(87.4)
Corporate Items	(0.4)	(1.4)
Total Service Income	**(179.5)**	**(158.3)**

Note 6 Expenditure and Income analysed by Nature

2021/22 Re-stated £m		2022/23 £m
(158.3)	Fees, charges and other service income	(179.5)
(6.2)	Interest and investment income	(14.1)
(165.6)	Income from local taxation	(169.4)
(511.6)	Government grants and contributions	(539.9)
304.6	Employee benefits expenses	286.9
447.6	Other service expenses	482.5
45.7	Depreciation, amortisation and impairment	44.3
22.3	Interest payments	18.7
10.8	Precepts and levies	10.6
2.1	Payments to Housing Capital Receipts Pool	0.0
(7.1)	Gain or loss on disposal of non-current assets	(9.1)
(15.7)	(Surplus) or deficit for year	(69.0)

Note 7 Other Operating Expenditure

2021/22 Re-stated £m		2022/23 £m
10.8	Levies	10.6
2.1	Payments to Government Housing Capital Receipts Pool	0.0
(7.1)	(Gains)/losses on the disposal of non-current assets	(9.1)
5.8	Total other operating expenditure	1.5

Note 8 Financing and Investment Income and Expenditure

2021/22 Re-stated £m		2022/23 £m
9.0	Interest payable and similar charges	16.3
13.3	Pensions interest cost and expected return on pension assets	2.4
(5.3)	Interest receivable and similar income	(14.1)
(0.9)	Changes in the fair value of investment properties	(1.1)
3.1	Other investment (income) / losses	5.9
19.2	Total of Financing and Investment Income and Expenditure	9.4

Note 9 Taxation and Non-Specific Grant Income

2021/22 Re-stated £m		2022/23 £m
(120.7)	Council tax income	(122.5)
(44.9)	Non domestic rates	(46.5)
(49.4)	Non-ring fenced government grants	(46.8)
(67.0)	Capital grants and contributions	(85.4)
(282.0)	Total of Taxation and Non-Specific Grant Income	(301.2)

ABOUT COUNCILLORS, EMPLOYEES AND RELATED PARTIES

Note 10 Members' Allowances

During 2022/23 £1.3m of allowances and £2k of expenses were paid to Councillors (£1.2m of allowances and less than £1k of expenses were paid during 2021/22)..

Note 11 Termination Benefits

The Authority terminated the contracts of a number of employees in 2022/23, incurring liabilities of £0.23m (£0.72m in 2021/22), and pension strain costs of £0.26m (£0.54m in 2021-22). The amounts quoted include all amounts related to the decision to terminate a contract. This will include redundancy, severance payments, payments in lieu of notice and payments in relation to untaken annual leave.

The following table sets out the position of each staff member that received an exit package in 2022-23 and amounts due in exit packages per band. Termination payments made or due to senior officers of the council during the year are included here, as well as being set out in the appropriate table of the officers' remuneration disclosures in Note 12.

2021/22				Exit package cost band			2022/23			
Voluntary redundancy	Compulsory Redundancy/ Termination	Total number of people	Total cost of packages £m	£		£	Voluntary redundancy	Compulsory Redundancy/ Termination	Total number of people	Total cost of packages £m
14	34	48	0.3	0	-	20,000	5	1	6	0.1
0	15	15	0.4	20,000	-	40,000	0	4	4	0.1
0	0	0	0.0	40,000	-	60,000	0	1	1	0.0
0	0	0	0.0	60,000	-	80,000	0	0	0	0
0	0	0	0.0	80,000	-	100,000	0	0	0	0
0	0	0	0.0	100,000	-	150,000	0	0	0	0
14	49	63	0.7		Total		5	6	11	0.2

Note 12 Officers' Remuneration

The remuneration paid to officers who were senior employees of the Authority during 2022/23 or 2021/22 is as set out in the following tables. The remuneration figures for the senior officers who left during the year reflect amounts paid or receivable for that year. For individuals whose role changed during the year, the amounts quoted represent the total remuneration for the financial year from all roles combined.

The other emoluments in the tables below relate to additional payments received by officers in relation to their workload during the pandemic. One senior officer (Executive Director of Housing, Planning and Economic Regeneration - Peter Matthew) left on 31 March 2023.

Information for 2022-23

Post holder information	Salary £	Election payments	Bonus £	Termination payments £	Other emoluments £	Total remuneration excluding pension contributions £	Employer's pension contributions £	Total remuneration including pension contributions £
Information for 2022/23								
Chief Executive - Niall Bolger	202,174	10,645	0	0	893	213,712	43,741	257,452
Assistant Chief Executive - Mandy Skinner	175,592	300	0	0	0	175,892	37,823	213,715
Executive Director Children's and Adults - Steven Forbes	175,592	405	0	0	0	175,997	37,823	213,820
Executive Director of Finance and Resouces (s151) - Clive Palfreyman	166,296	3,636	0	0	0	169,932	35,820	205,752
Executive Director of Environment, Culture & Customer Services - Victoria Lawson	150,667	405	0	0	857	151,929	32,638	184,567
Executive Director of Housing, Planning and Economic Regeneration- Peter Matthew - left 31 March 2023	184,193	300	0	0	0	184,493	0	184,493
Director of Commissioning	133,819		0	0	0	133,819	28,825	162,644

Information for 2021/22

Post holder information	Salary	Election payments	Bonus	Termination payments	Other emoluments	Total remuneration excluding pension contributions	Employer's pension contributions	Total remuneration including pension contributions
	£		£	£	£	£	£	£
Information for 2021/22								
Chief Executive - Niall Bolger	200,263	18,200	0	0	750	219,213	43,298	262,511
Assistant Chief Executive - Mandy Skinner	173,667		0	0	9,159	182,826	37,408	220,234
Executive Director Children's and Adults - Steven Forbes	173,667		0	0	9,159	182,826	37,408	220,234
Executive Director of Finance and Resouces (s151) - Clive Palfreyman	157,167	4,382	0	0	7,097	168,646	33,854	202,500
Executive Director of Environment, Culture & Customer Services	140,317	460	0	0	9,050	149,827	30,386	180,213
Executive Director of Housing, Planning and Economic Regeneration - Peter Matthew	164,371		0	0	9,159	173,530	0	173,530
Director of Commissioning	131,894		0	0	8,300	140,194	28,410	168,604

The number of the Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were as set out in the following table. The amounts shown include the value of all remuneration received or receivable, including any termination payments. It should be noted the totals used here include election pay/fees and one off additional payments. The senior officers set out in the previous table have been included where the total remuneration does not exceed £150,000.

2021/22	Remuneration band			2022/23
	£		£	
187	50,000	-	54,999	222
114	55,000	-	59,999	130
55	60,000	-	64,999	91
32	65,000	-	69,999	46
29	70,000	-	74,999	24
22	75,000	-	79,999	29
15	80,000	-	84,999	17
21	85,000	-	89,999	21
5	90,000	-	94,999	12
8	95,000	-	99,999	8
2	100,000	-	104,999	2
2	105,000	-	109,999	2
6	110,000	-	114,999	6
2	115,000	-	119,999	1
0	120,000	-	124,999	0
1	125,000	-	129,999	2
0	130,000	-	134,999	4
0	135,000	-	139,999	0
4	140,000	-	144,999	0
1	145,000	-	149,999	0

Note 13 Pension Schemes Accounted for as Defined Contribution Schemes

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

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

In 2022/23, the Authority paid £19.8m (£19.3m in 2021/22) to Teachers' Pensions in respect of teachers' retirement benefits. Employer's contribution rate for 2021/22 was 23.68% of pensionable pay. In 2022/23 the rate was also 23.68%. In addition, the Authority is responsible for all pension payments relating to added years it has awarded, together with the related increases. These amounted to £1.2m in 2022/23 (£1.3m in 2021/22).

Note 14 Defined Benefit Pension Scheme

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

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

Transactions relating to post-employment benefits.

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

2021/22				2022/23		
LBH Pension Fund	LPFA Pension Fund	Total		LBH Pension Fund	LPFA Pension Fund	Total
£m	£m	£m		£m	£m	£m
			Comprehensive Income and Expenditure Statement			
			Cost of services:			
62.6	0.0	62.6	Current service cost	35.0	0.0	35.0
1.0	0.0	1.0	Administration expenses	1.1	0.0	1.1
			Financing and investment income and expenditure:			
13.2	0.0	13.2	Net interest on the defined liability	2.4	0.0	2.4
76.8	0.0	76.8	Total post employment benefit charged to the surplus or deficit on the provision of services	38.5	0.0	38.5
			Other post employment benefit charged to the Comprehensive Income and Expenditure Statement			
109.2	0.3	109.5	Remeasurement of the net defined benefit liability / asset	499.6	0.4	500.0
186.0	0.3	186.3	Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	538.1	0.4	538.5
			Movement in Reserves Statement			
(76.8)	(0.0)	(76.8)	Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits	(38.5)	0.0	(38.5)
			Actual amount charged against the general fund balance in the year for pensions			
25.5	0.0	25.5	Employers' contributions payable to the scheme	28.3	0.0	28.3

Assets and liabilities in relation to post-employment benefits

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

2021/22				2022/23		
LBH Pension Fund £m	LPFA Pension Fund £m	Total £m		LBH Pension Fund £m	LPFA Pension Fund £m	Total £m
			Present value of liabilities			
1,593.3	3.1	1,596.4	Opening balance as at 1 April	1,603.9	2.8	1,606.7
57.5	0.0	57.5	Current service cost	33.6	0.0	33.6
32.5	0.1	32.6	Interest cost	43.1	0.1	43.2
(88.2)	(0.1)	(88.3)	Change in financial assumptions	(591.9)	(0.5)	(592.4)
(30.5)	0.0	(30.5)	Change in demographic assumptions	0.0	0.0	0.0
58.0	0.0	58.0	Experience loss/ (gain) on defined benefit obligation	24.6	0.2	24.8
10.8	0.0	10.8	Liabilities assumed/ (extinguished) on settlements	2.2	0.0	2.2
(37.6)	(0.3)	(37.9)	Estimated benefits paid net of transfers in	(43.3)	(0.3)	(43.6)
1.7	0.0	1.7	Past service costs including curtailments	0.6	0.0	0.6
7.6	0.0	7.6	Contributions by Scheme participants	8.3	0.0	8.3
(1.2)	0.0	(1.2)	Unfunded pension payments	(1.2)	0.0	(1.2)
1,603.9	2.8	1,606.7	Closing balance as at 31 March	1,079.9	2.3	1,082.2

			Fair value of scheme assets			
966.2	2.1	968.3	Opening balance as at 1 April	1,034.7	2.2	1,036.9
19.3	0.1	19.4	Interest on Assets	40.7	0.1	40.8
39.6	0.3	39.9	Return on assets less interest	(67.6)	0.0	(67.6)
8.9	0.0	8.9	Other actuarial gains	0.0	0.0	0.0
(1.0)	(0.0)	(1.0)	Administration expenses	(1.1)	0.0	(1.1)
25.5	0.0	25.5	Contributions by employer included unfunded	28.3	0.0	28.3
7.5	0.0	7.5	Contributions by scheme participants	8.3	0.0	8.3
(38.8)	(0.3)	(39.1)	Estimated benefits paid plus unfunded net of transfers in	(44.5)	(0.2)	(44.7)
7.5	0.0	7.5	Settlement prices received/ (paid)	1.3	0.0	1.3
1,034.7	2.2	1,036.9	Closing balance as at 31 March	1,000.1	2.1	1,002.2

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

Scheme history

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £1,082.2m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £80.0m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
LBH Pension Fund						
Present value of liabilities	(1,276.1)	(1,290.2)	(1,265.8)	(1,593.3)	(1,603.9)	(1,079.9)
Fair value of assets in the scheme	787.0	839.6	789.2	966.2	1,034.7	1,000.1
Surplus / (deficit) in the scheme	(489.1)	(450.6)	(476.6)	(627.1)	(569.2)	(79.8)
LPFA Pension Fund						
Present value of liabilities	(4.2)	(3.9)	(3.3)	(3.1)	(2.8)	(2.3)
Fair value of assets in the scheme	2.9	2.8	2.2	2.1	2.2	2.1
Surplus / (deficit) in the scheme	(1.3)	(1.1)	(1.1)	(1.0)	(0.6)	(0.2)

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and London Pension Fund Authority Scheme liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. The latest full valuation of the LBH Pension Fund was undertaken as at 31 March 2022.

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

2021/22 LBH Pension Fund	2021/22 LPFA Pension Fund		2022/23 LBH Pension Fund	2022/23 LPFA Pension Fund
		Longevity at 65 for pensioners retiring now		
21.0	21.9	Men	21.1	21.2
23.5	24.5	Women	23.5	24.6
		Longevity at 65 for future pensioners retiring in 20 years		
22.3	23.2	Men	22.3	22.5
24.9	26.0	Women	25.0	26.0
3.55%	4.20%	Rate of inflation – RPI	3.30%	3.50%
3.25%	3.55%	Rate of inflation - CPI	2.90%	2.80%
4.25%	4.55%	Rate of salary increases	3.90%	3.80%
3.25%	3.55%	Rate of pension increases	2.90%	2.80%
2.60%	2.60%	Discount rate	4.80%	4.80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	LBH Pension Fund			LPFA Pension Fund		
	£m	£m	£m	£m	£m	£m
Adjustment to discount rate	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,063.34	1,079.88	1,096.84	2.24	2.25	2.26
Projected service cost	22.03	22.82	23.64			
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,080.76	1,079.88	1,079.01	2.25	2.25	2.25
Projected service cost	22.84	22.82	22.81			
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,096.26	1,079.88	1,063.90	2.27	2.25	2.24
Projected service cost	23.65	22.82	22.02			
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present value of total obligation	1,124.20	1,079.88	1,037.47	2.47	2.25	2.05
Projected service cost	23.69	22.82	21.97			

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

2021/22			2022/23	
LBH Pension Fund	LPFA Pension Fund		LBH Pension Fund	LPFA Pension Fund
%	%		%	%
64	57	Equities	64	58
5	n/a	Gilts	5	n/a
10	n/a	Other Bonds	11	n/a
n/a	10	Infrastructure	1	13
n/a	n/a	Commodities	n/a	n/a
5	9	Property	4	10
1	2	Cash	4	0
15	22	Target return portfolio	11	19
n/a	n/a	Cash flow matching	n/a	n/a
100	100	Total	100	100

Note 15 Related parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's power to bargain freely with the Authority. All councillors and officers on the Corporate Leadership Team are required to make at least annual declarations regarding related party transactions.

Central Government

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

Members

Members of the council have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2022/23 and 2021/22 are shown in Note 10.

Officers

The Executive Director, Environment, Culture and Customer Services sits on the Executive Board for London Funders, is also Chief Technical Officer at West London Waste Authority (remunerated), Chair of West London Environment Directors Network (part of London Councils),and is also a director of Gunnersbury CIC.

Voluntary Organisations and Charities

Grants paid to voluntary organisations amounted to £2.3m in 2022/23 (£2.0m in 2021/22). Commissioned services are subject to the council's procurement procedures and the payments made as part of individual contracts for specific services.

- Chiswick House and Gardens Trust received grants of £546k in 2022/23 (£423k in 2021/22). London Borough of Hounslow received £180 of licensing income from them in 2022/23 (£180 in 2021/22). Councillor Amy Croft and Councillor John Todd are the trustees of the Chiswick House and Gardens Trust.
- Hounslow Art Trust Ltd received grants of £229k in 2022/23 (£139k in 2021-22), and other payments of £74k in 2022/23. Councillor Rhys Williams is a Trustee. The authority received £823 of licensing income from them in 2021-22 (£365 in 2021-22).
- Hounslow Community Foodbox received grants of £36k in 2022/23 (£20k in 2021-22). Councillor Corinna Smart is chair of Hounslow Community Foodbox, and Councillor Guy Lambert is vice chair.

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

Other Public Bodies

- The Council is an administering authority for the Pension Fund of the London Borough of Hounslow. The Authority charged £801k in 2022/23 for administrative services provided to the Pension Fund (£750k in 2021/22). As at 31 March 2023 the Authority owed £2.9m to the Pension Fund (at 31 March 2022 the Authority owed £3.2m to the Pension Fund).
- London Councils received payments of £217k in 2022/23 (£216k in 2021/22), and the authority received no income in 2022/23 (£70k in 2021/22).
  Councillor Shantanu Rajawat is a member of The Leader's Committee and Greater London Employment Forum at London Councils,
  Councillor Katherine Dunne is a member of the Transport and Environment Committee. Councillor Shiraj Grewal is a member of the Grants Committee at London Councils.
  The Executive Director, Environment, Culture and Customer Services is the Chair of West London Environment Directors Network (Part of London Councils).

- The Authority is one of the six London boroughs which fund the net cost of the West London Waste Authority (WLWA), which is responsible for waste disposal. The WLWA is governed by six councillors, one from each borough. Councillor Guy Lambert has been the Authority's representative on the WLWA since 2018. The Authority made payments of £10.26m in 2022-23 (£10.4m in 2021/22). The Authority also received income of £1.6m from WLWA during 2022-23 (£25k in 2021-22.
  The Executive Director, Environment, Culture and Customer Services is the chief technical officer of the West London Waste Authority (a remunerated position).

Entities Controlled or Significantly Influenced by the Authority

The Council also owns Lampton 360 and has joint ownership of Lampton Development 360 LLP. Lampton 360 is the holding company of Coalo, Recycle 360, Investment 360, Greenspace360, and Lampton Leisure Ltd. The consolidated accounts have been incorporated into the financial results of these entities. Coalo has been incorporated into Lampton 360 group as of 1st April 2021.
The London Borough of Hounslow is the sole shareholder in Lampton 360 Limited. The Directors, who hold the posts during the year include:

- Gillian Bishop (appointed 21 May 2020)
- Martin Cresswell (appointed 1 October 2021)
- Robert Clifford (appointed 1 April 2021)
- Anthony Middleton (appointed on 2 December 2016)
- Craig Cooper (appointed on 3 October 2022, resigned on 16 April 2023)
- Michael England (appointed on 25 November 2019, resigned on 2 October 2022)

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

- Bedfont Lakes Trust. In 2022/23 The Council provides grounds maintenance and upkeep to the trust for a fee via the Council's subsidiary Greenspace 360.
  The fee for 2022/23 was £200k (2021/22 £185k). In addition, the Council has received an administration fee of £6.5k (2021/22 £6.5k).
  Councillor Javed Akhunzada , Councillor Vickram Singh Grewal and Councillor Adriana Gheorghe are trustees for Bedfont Lakes Trust.

- Gunnersbury Estate (2026) Community Interest Company. Contributions of £562k were made to the running of the CIC in 2022-23, (£418k in 2021-22).
  London Borough of Hounslow received £12.4k in licensing income from Gunnersbury CIC in 2022-23 (£12.4k in 2021-22).
  The Executive Director of Environment, Culture and Customer Services is a director of Gunnersbury CIC.

Note 16 Pooled Budgets

The Council has entered into a Pooled Budget arrangement with North-West London Integrated Care Board (NWL ICB). It is the statutory NHS organisation responsible for developing a plan for meeting the health needs of the population, managing the NHS budget and arranging for the provision of health services in NW London. Hounslow Clinical Commissioning Group (CCG) ceased to exist from 30 June 2022 and the NHS North West London Integrated Care Board (NHS NW London ICB) was effective from 1 July 2022, representing the eight boroughs of North West London, including Hounslow. As part of the Pooled Budget agreement, this meant a more standardised approach to the Better Care Fund across the eight boroughs within the NHS NW London ICB.

The Better Care Fund (BCF) provides a mechanism for joint health, housing and social care planning and commissioning. It brings together ring-fenced budgets from ICB allocations, and funding paid directly to local government, including the Disabled Facilities Grant (DFG) and the improved Better Care Fund (iBCF). Funding contributions from the Council and ICB for the Joint Commissioning Team and Safeguarding Boards have also been included in the Pooled Funding arrangement. For 2022-23, the Department of Health and Social Care (DHSC) has also included additional Adult Social Care Discharge Funding into the Pooled budget agreement. This funding is to help systems best enable the discharge of patients from hospital to the most appropriate location for their ongoing care, with emphasis on discharge support. Joint arrangements of this type are permitted under section 75 of the National Health Service Act 2006.

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

The continuation of the national conditions and requirements of the BCF from 2021-22 to 2022-23 allows health and care partners to build on their plans to embed joint working and integration. This includes how to work collaboratively to bring together funding streams to maximise the impact on outcomes for communities and sustaining vital community provision. The four national metrics for the fund set by the government in the Policy Framework are:

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

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

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

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

The following table summarises the income and expenditure for the 2021/22 and 2022/23 financial years.

2021/22 £m	Better care fund	2022/23 £m
(10.4)	Authority funding from Minimum CCG / ICB contribution	(10.8)
(9.0)	Partner funding from Minimum CCG / ICB contribution	(9.6)
(7.9)	Authority funding from Improved Better Care Fund (iBCF)	(8.2)
(3.0)	Authority funding from Disabled Facilities Grant (DFG)	(3.0)
(0.9)	Authority Contribution for Joint Commissioning Team	(0.9)
(0.7)	Partner Contribution for Joint Commissioning Team	(0.7)
(0.1)	Partner Contribution for Safeguarding	(0.1)
0.0	Adult Social Care Discharge Funding	(1.9)
(31.9)	**Total pooled funding**	**(35.2)**
22.3	Authority expenditure	23.8
9.6	Partner expenditure	11.8
31.9	**Expenditure**	**35.6**
0.0	**Net (surplus) / deficit on the pooled budget**	**0.4**
0.0	Authority share of the net (surplus) / deficit	0.05

Note 17 External Audit Costs

The Authority's external auditors for 2022/23 are Forvis Mazars LLP. The Authority has incurred the following expenditure for services provided by the external auditors for the relevant year:

- £113k in relation to the audit of the Statement of Accounts for 2022/23 (£113k for 2021/22);
- £25k in relation to certification of grant claims and returns for 2022/23 (£25k for 2021/22);
- £0k in relation to non-audit services provided in 2022/23 (£0 for 2021/22).

ABOUT THE AUTHORITY'S GRANT INCOME

Note 18 Grant Income

In 2022/23 the Authority credited grants, contributions and donations to the comprehensive income and expenditure account as follows:

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

2021/22 Re-stated £m		2022/23 £m
(9.7)	Revenue support grant	(10.0)
(3.8)	New homes bonus	(2.0)
(2.5)	Other revenue grants and contributions	(4.4)
(12.7)	S31 business rates retention Grant	(13.3)
0.0	Services grant	(3.4)
(6.9)	Social care grant	(9.5)
(13.8)	Covid 19 grants	0.0
0.0	Homes for Ukraine grants	(4.2)
(3.9)	s106 developer contribuitions towards capital expenditure	(5.2)
(3.9)	Community Infrastructure Levy	(12.4)
(59.2)	Other capital grants	(67.8)
(116.4)	Total grants and contributions	(132.2)

Grant income credited to net cost of services

2021/22 Re-stated £m		2022/23 £m
(186.4)	Dedicated schools grant (DSG)	(206.9)
(6.7)	Pupil premium grant	(7.1)
(82.4)	Housing benefit subsidy	(78.1)
0.0	Council tax rebate grant	(1.3)
(13.2)	Private finance initiative (PFI) grant	(13.2)
(16.3)	Public health grant	(16.8)
(10.4)	Better care fund	(10.8)
(7.9)	Improved Better Care Fund	(8.2)
(3.8)	UASC grant	(7.0)
(9.3)	Other Dept for Education Grants	(14.2)
(26.2)	Other COVID 19 specific grants	(0.2)
(15.2)	Other Government grants	(20.8)
(3.5)	Contributions to jointly funded placements	(5.7)
(1.2)	Free nursing care	(1.6)
(14.6)	Other grants and contributions	(16.0)
(397.1)	**Total grants and contributions**	**(407.9)**

Where the Council is acting as a distribution point of grant money and has no control over how much or to whom the grant is allocated the Council is acting as an agent rather than as a principal and the grant income and associated distributions are not reported in the financial statements. For 2022/23 this amounted to £11.3m.(2021/22 £11.9m).

The authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

31 March 2022 £m		31 March 2023 £m
	Grants Receipts in Advance (Capital Grants)	
(27.8)	Section 106 Contributions	(27.2)
(4.2)	Section 38 and 278 Contributions	(4.8)
(2.3)	Greater London Authority housing capital grant	(7.1)
(14.9)	Other grants and contributions	(7.0)
(49.2)	**Total Long Term Grants Receipts in Advance**	**(46.1)**
	Grants Receipts in Advance (Revenue Grants)	
(2.2)	Adult and Community Learning from the Education and Skills Funding Agency	(1.7)
(0.7)	Dedicated Schools Grant	(1.6)
(5.5)	Other grants and contributions	(0.9)
(8.4)	**Total Short Term Grants Receipts in Advance**	**(4.2)**

Note 19 Dedicated Schools Grant

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

2021/22 Central expenditure	2021/22 ISB	2021/22 Total		2022/23 Central expenditure	2022/23 ISB	2022/23 Total
£m	£m	£m		£m	£m	£m
	0	293.9	Final DSG for 2022-23			308.4
	0	(106.6)	Academy and High Needs Recoupment 2022-23			(112.3)
	0	187.2	Total DSG after Recoup			196.1
	0	(12.6)	Plus: DSG brought forward from 2021/22			0.0
	0	0.0	Less: carry forward of DSG to 2023/24 agreed in advance			0.0
21.3	153.3	174.6	Agreed Initial budgeted distribution in 2022/23	44.3	151.9	196.1
0.0	(0.6)	(0.6)	In Year Adjustments	10.7	0.3	11.0
21.3	152.7	174.0	Final budget distribution for 2022/23	55.0	152.1	207.1
(39.6)	0.0	(39.6)	Less: actual central expenditure	49.1	0.0	49.1
0.0	(152.7)	(152.7)	Less: actual ISB deployed to schools	0.0	152.1	152.1
0.0	0.0	0.0	Plus: local authority contribution for 2022/23	1.4	0.0	1.4
(18.3)	0.0	(18.3)	In year carry forward to 2023/24	7.3	0.0	7.3
			Plus: Carry-forward to 2023/24 agreed in advance			0.0
			Carry-forward to 2023/24			7.3
(12.6)	0.0	(12.6)	DSG unusable reserve at the end of 2021/22			(18.3)
(5.7)	0.0	(5.7)	Addition to DSG unusable reserve at the end of 2022/23			0.0
(18.3)	0.0	(18.3)	Total of DSG unusable reserve at the end of 2022/23			(18.3)
(18.3)	0.0	(18.3)	Net DSG position at the end of 2022/23			(11.0)

The Government's intention is that DSG deficits should not be covered from general funds. The negative reserve is the cumulative DSG overspend as at the end of 2022/23 i.e. a cumulative deficit of £11.0m. The local authority must carry forward the whole of the overspend to future years. This deficit is to be recovered through future DSG funding and/or explicit recovery plans in agreement with the EFSA. The final allocation for the 2022 to 2023 early years block will be made in July 2023 using the January 2023 census figures and any adjustments will be treated as an 'in year adjustment' in the 2023 to 2024 accounts.

ABOUT THE MOVEMENT IN RESERVES STATEMENT

Note 20 Adjustments between Accounting Basis and Funding Basis under Regulations

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
			2022/23			
	£m	£m	£m	£m	£m	£m
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(10.2)	0.0	0.0	0.0	0.0	10.2
Financial Instruments (transferred to Financial Instruments Adjustments Account or Revaluation Reserve)	(3.0)	0.0	0.0	0.0	0.0	3.0
Council tax and NDR (transfers to or from the Collection Fund)	17.9	0.0	0.0	0.0	0.0	(17.9)
Holiday pay (transferred to the Accumulated Absences reserve)	3.2	0.0	0.0	0.0	0.0	(3.2)
Schools budget deficit transferred to Dedicated Schools Grant Adjustment account	0.0	0.0	0.0	0.0	0.0	0.0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(26.5)	(22.3)	0.0	0.0	0.0	48.8
Total Adjustments to Revenue Resources	(18.6)	(22.3)	0.0	0.0	0.0	40.9
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0.0	0.0	10.1	0.0	0.0	(10.1)
Use of the Major Repairs Reserve to finance new capital expenditure	0.0	0.0	0.0	18.3	0.0	(18.3)
Application of capital grants to finance capital expenditure	27.8	45.2	0.0	0.0	(8.9)	(64.1)
Cash payments in relation to deferred capital receipts	0.0	0.0	0.0	0.0	0.0	0.0
Total Adjustments to Capital Resources	27.8	45.2	10.1	18.3	(8.9)	(92.5)

	2022/23					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£m	£m	£m	£m	£m	£m
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0.9	15.9	(16.8)	0.0	0.0	0.0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0.0	0.0	0.0	0.0	0.0	0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	0.0	0.0	0.0	0.0	0.0	0.0
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve	0.0	14.6	0.0	(14.6)	0.0	0.0
Borrowing or liabilities met from the Housing Revenue Account	0.0	0.0	0.0	0.0	0.0	0.0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.0	0.0	0.0	0.0	0.0	0.0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	11.0	0.0	0.0	0.0	0.0	(11.0)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6.0	3.0	0.0	0.0	0.0	(9.0)
Total Adjustments between Revenue and Capital Resources	17.9	33.5	(16.8)	(14.6)	0.0	(20.0)
Total Adjustments to Revenue Resources	(18.6)	(22.3)	0.0	0.0	0.0	40.9
Total Adjustments between Revenue and Capital Resources	17.9	33.5	(16.8)	(14.6)	0.0	(20.0)
Total Adjustments to Capital Resources	27.8	45.2	10.1	18.3	(8.9)	(92.5)
Total Adjustments	27.1	56.4	(6.7)	3.7	(8.9)	(71.6)

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
			2021/22			
	£m	£m	£m	£m	£m	£m
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension cost (transferred to (or from) the Pensions Reserve)	(51.3)	0.0	0.0	0.0	0.0	51.3
Financial Instruments (transferred to Financial Instruments Adjustments Account or Revaluation Reserve)	(1.3)	0.0	0.0	0.0	0.0	1.3
Council tax and NDR (transfers to or from the Collection Fund)	23.9	0.0	0.0	0.0	0.0	(23.9)
Holiday pay (transferred to the Accumulated Absences reserve)	(2.5)	0.0	0.0	0.0	0.0	2.5
Schools budget deficit transferred to Dedicated Schools Grant Adjustment account	(5.7)	0.0	0.0	0.0	0.0	5.7
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(27.9)	(34.8)	0.0	0.0	0.0	62.7
Total Adjustments to Revenue Resources	(64.8)	(34.8)	0.0	0.0	0.0	99.6
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0.0	0.0	15.5	0.0	0.0	(15.5)
Use of the Major Repairs Reserve to finance new capital expenditure	0.0	0.0	0.0	10.6	0.0	(10.6)
Application of capital grants to finance capital expenditure	36.4	26.7	0.0	0.0	(6.6)	(56.5)
Cash payments in relation to deferred capital receipts	0.0	0.0	0.0	0.0	0.0	0.0
Total Adjustments to Capital Resources	36.4	26.7	15.5	10.6	(6.6)	(82.6)

	2021/22					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£m	£m	£m	£m	£m	£m
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5.9	14.5	(20.4)	0.0	0.0	0.0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0.0	0.0	0.0	0.0	0.0	0.0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2.0)	(0.1)	2.1	0.0	0.0	0.0
Posting of Housing Revenue Account resource from revenue to the Major Repairs Reserve	0.0	14.6	0.0	(14.6)	0.0	0.0
Borrowing or liabilities met from the Housing Revenue Account	0.0	0.0	0.0	0.0	0.0	0.0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.0	0.0	0.0	0.0	0.0	0.0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	12.6	0.0	0.0	0.0	0.0	(12.6)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	8.3	20.9	0.0	0.0	0.0	(29.2)
Total Adjustments between Revenue and Capital Resources	24.8	49.9	(18.3)	(14.6)	0.0	(41.8)
Total Adjustments to Revenue Resources	(64.8)	(34.8)	0.0	0.0	0.0	99.6
Total Adjustments between Revenue and Capital Resources	24.8	49.9	(18.3)	(14.6)	0.0	(41.8)
Total Adjustments to Capital Resources	36.4	26.7	15.5	10.6	(6.6)	(82.6)
Total Adjustments	(3.6)	41.8	(2.8)	(4.0)	(6.6)	(24.8)

Note 21 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, manage risks and smooth out fluctuations in resources, and the amounts drawn from earmarked reserves to meet General Fund expenditure. The main groups of General Fund earmarked reserves are:

- Strategic Investment Reserves - held and available to support delivery of the Corporate Plan priorities and projects and programmes within the council's Delivery Plan
- Risk Reserves - held to mitigate potential risks including volatility in business rates income, demand-led budget pressures and one-off risks such as future insurance losses
- Operational Reserves - held to meet future operational requirements such as renewal of corporate infrastructure e.g. ICT, vehicles and building management. This group of reserves also includes Community Infrastructure Levy receipts not yet allocated or spent, profiling of cash flows on the Highways PFI contract and unspent Government grants
- COVID-19 NNDR Discounts Reserve – held to meet the timing difference between the impact of COVID-19 discounts on business rates income transferred between the Collection Fund and General Fund and the associated compensation in the form of Government grant
- Ringfenced Reserves - held to separately contain amounts applicable to ringfenced funds, such as schools delegated balances and unspent Public Health grant, that can not be used for any other purposes
-

		Balance at 1 Apr 2021	2021/22 Transfers out	2021/22 Transfers in	Balance at 31 Mar 2022 Re-stated	2022/23 Transfers out	2022/23 Transfers in	Balance at 31 Mar 2023
		£m	£m	£m	£m	£m	£m	£m
	General Balances	(23.0)	10.0	(0.2)	(13.2)	0.0	0.0	(13.2)
Total General Balances		**(23.0)**	**10.0**	**(0.2)**	**(13.2)**	**0.0**	**0.0**	**(13.2)**
	Strategic Investment Reserves	(54.0)	9.2	(10.3)	(55.1)	26.1	(3.7)	(32.7)
	Risk Reserves	(52.9)	6.6	(8.8)	(55.1)	17.1	(19.8)	(57.8)
	Operational Reserves	(71.1)	10.4	(20.3)	(81.0)	23.5	(31.5)	(89.0)
	Covid-19 NNDR Discounts Reserve	(17.1)	17.1	(8.3)	(8.3)	8.3	0.0	0.0
	Ringfenced Reserves	(19.9)	3.7	(1.8)	(18.0)	7.5	(12.1)	(22.6)
Total General Fund Earmarked Reserves		**(215.0)**	**47.0**	**(49.5)**	**(217.5)**	**82.5**	**(67.1)**	**(202.1)**
HRA Earmarked reserves		**(14.3)**	**0.0**	**(0.1)**	**(14.4)**	**4.3**	**(1.3)**	**(11.4)**
Total Earmarked Reserves		**(229.3)**	**47.0**	**(49.6)**	**(231.9)**	**86.8**	**(68.4)**	**(213.5)**

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

Note 22 Usable Reserves

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

Note 23 Unusable Reserves

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

31 Mar 2022 £m		31 Mar 2023 £m
(967.9)	Revaluation reserve	(1,073.9)
(1,293.8)	Capital adjustment account	(1,357.4)
6.3	Financial instruments adjustment account and revaluation reserve	9.2
(2.7)	Deferred capital receipts reserve	(2.7)
569.8	Pensions reserve	80.0
5.7	Collection fund adjustment account	(12.2)
18.3	Dedicated Schools Grant adjustment account	18.3
9.3	Accumulated absences account	6.1
(1,655.0)	Total of unusable reserves as at 31 March	(2,332.6)

Revaluation Reserve

31 Mar 2022 £m	Revaluation reserve	31 Mar 2023 £m
(621.7)	Opening balance	(967.9)
(346.2)	Revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(106.0)
(346.2)	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(106.0)
0.0	Difference between fair value depreciation and historical cost depreciation	0.0
0.0	Accumulated gains on assets sold or scrapped	0.0
0.0	Amount written off to the Capital Adjustment Account	0.0
0.0	Other movements	0.0
0.0	Other movements to Other Comprehensive Income and Expenditure	0.0
(967.9)	Total as at 31 March	(1,073.9)

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

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

31 Mar 2022 £m	Capital adjustment account	31 Mar 2023 £m
(1,232.2)	Opening balance	(1,293.8)
38.2	Charges for depreciation and impairment of non-current assets	38.7
8.9	Revaluation losses on non-current assets	0.0
3.2	Revenue expenditure funded from capital under statute	3.6
13.2	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7.7
63.5	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	50.0
(15.5)	Use of Capital Receipts Reserve to finance new capital expenditure	(10.1)
(10.6)	Use of Major Repairs Reserve to finance new capital expenditure	(18.3)
(56.5)	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(64.1)
(12.6)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(11.0)
(29.0)	Capital expenditure charged against the General Fund and HRA balances	(9.0)
(124.2)	Capital financing applied in-year	(112.5)
(0.9)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1.1)
(1,293.8)	Total as at 31 March	(1,357.4)

Financial Instruments Adjustment Account

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

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

A Financial Instruments Revaluation Reserve has been created to contain the gains made by the authority arising from increases in the value of its investments that are measured at fair value through profit and loss. The balance is reduced when investments with accumulated gains are revalued downwards, impaired or disposed of. These movements offset the movements debited or credited to the surplus on provision of services, in line with the statutory override of the provisions of IFRS 9.

31 Mar 2022			31 Mar 2023	
Financial Instruments Adjustment Account	Financial Instruments Revaluation Reserve	Financial instruments reserves	Financial Instruments Adjustment Account	Financial Instruments Revaluation Reserve
£m	£m		£m	£m
5.8	(0.8)	Opening balance	5.7	0.5
0.0	0.0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0.3	0.0
(0.1)	0.0	Premiums incurred in previous years charged to the General Fund in accordance with statutory requirements	(0.2)	0.0
0.0	1.4	Revaluation of investments	0.0	2.9
5.7	0.6	Total	5.8	3.4

Pension Reserve

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

31 Mar 2022	Pension reserve	31 Mar 2023
£m		£m
628.0	Opening balance	569.8
(109.5)	Remeasurements of the net defined benefit (liability)/asset	(500.0)
76.8	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	38.5
(25.5)	Employer's pensions contributions and direct payments to pensioners payable in the year	(28.3)
569.8	Total as at 31 March	80.0

Deferred Capital Receipts Reserve

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

31 Mar 2022	Deferred Capital receipts	31 Mar 2023
£m		£m
(2.7)	Opening balance	(2.7)
0.0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.0
0.0	Transfer to the Capital Receipts Reserve upon receipt of cash	0.0
(2.7)	Total as at 31 March	(2.7)

Collection Fund Adjustment Account

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

31 Mar 2022 £m	Collection fund adjustment account	31 Mar 2023 £m
29.6	Opening balance	5.7
(23.9)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(17.9)
5.7	Total as at 31 March	(12.2)

Dedicated Schools Grant Adjustment Account

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

31 Mar 2022 £m	Dedicated Schools Grant adjustment account	31 Mar 2023 £m
12.6	Opening balance	18.3
5.7	Deficit on 2021/22 Dedicated Schools Grant budget	0.0
0.0	Deficit on 2022/23 Dedicated Schools Grant budget	0.0
18.3	Total as at 31 March	18.3

Accumulated Absences Account

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

31 Mar 2022 £m	Accumulated absences account	31 Mar 2023 £m
6.8	Opening balance	9.3
0.0	Settlement or cancellation of accrual made at the end of preceding year	0.0
2.5	Amounts accrued at the end of the current year	(3.2)
9.3	Total as at 31 March	6.1

ABOUT THE AUTHORITY'S NON-CURRENT ASSETS

Note 24 Leases

Authority as lessee:

Finance leases

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

Authority as lessor:

Operating Leases

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

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

The future minimum lease payments receivable under non-cancellable leases in future years are as follows (based on current rents at 31 March 2023 and do not include any assumptions for future rent changes):

31 Mar 22		31 Mar 23
£m		£m
6.6	Not later than one year	7.0
23.2	Later than one year and not later than five years	24.3
41.1	Later than five years	36.0
70.9		67.3

The Council's most significant operating lease relates to the Southall Lane Waste Depot, which has been leased to Lampton Recycle 360Ltd, a subsidiary of the Authority. The future minimum lease payments in respect of this lease total £19m over the period to 24 April 2043. Lampton Greenspace 360 Ltd, another subsidiary of the Authority, has leased a unit at the Western International Market with minimum lease repayments of £3.4m over the same period.

Note 25 Property, Plant and Equipment

Movements to 31 March 2023	Council dwellings	Other land and buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Property, Plant and Equipment (Excluding Infrastructure Assets)
	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation							
At 1 Apr 2022	1,088.7	1,282.6	50.3	16.0	3.4	110.1	**2,551.1**
Additions	22.0	8.7	2.6	4.1	0.0	124.0	**161.4**
Accumulated Depreciation / Impairment	(13.8)	(9.3)	0.0	0.0	0.0	0.0	**(23.1)**
Revaluation increases/(decreases) recognised in Revaluation Reserve	55.5	50.5	0.0	0.0	0.0	0.0	**106.0**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Derecognition – disposals	(7.7)	0.0	0.0	0.0	0.0	0.0	**(7.7)**
Assets reclassified (to)/from Investment Properties	0.0	(0.3)	0.0	0.0	0.0	0.0	**(0.3)**
Reclassifications	57.5	0.7	0.0	(0.7)	0.0	(57.5)	**0.0**
At 31 Mar 2023	1,202.2	1,332.9	52.9	19.4	3.4	176.6	**2,787.4**
Accumulated Depreciation and Impairment							
At 1 Apr 2022	(13.8)	(14.3)	(27.0)	(0.1)	0.0	0.0	**(55.2)**
Depreciation charge	(14.1)	(10.4)	(3.5)	0.0	0.0	0.0	**(28.0)**
Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Accumulated Depreciation / Impairment	13.8	9.1	0.0	0.0	0.0	0.0	**22.9**
Impairment Losses/(Reversals) recognised in the Surplus / Deficit on the Provision of Services	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Derecognition – disposals	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
At 31 Mar 2023	(14.1)	(15.6)	(30.5)	(0.1)	0.0	0.0	**(60.3)**
Net Book Value at 31 Mar 2023	**1,188.1**	**1,317.3**	**22.4**	**19.3**	**3.4**	**176.6**	**2,727.1**
Net Book Value at 31 Mar 2022	**1,074.9**	**1,268.3**	**23.3**	**15.9**	**3.4**	**110.1**	**2,495.9**

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Movement to 31 March 2023	Property, Plant and Equipment (excluding Infrastructure Assets) £m	Infrastructure Assets £m	Total Property, Plant and Equipment £m
Net Book Value at 1 April 2022	2,495.9	207.0	**2,702.9**
Additions	161.4	6.2	**167.6**
Accumulated Depreciation / Impairment	(23.1)	0.0	**(23.1)**
Revaluation increases/(decreases) recognised in Revaluation Reserve	106.0	0.0	**106.0**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0.0	0.0	**0.0**
Derecognition - disposals	(7.7)	0.0	**(7.7)**
Assets reclassified (to)/from Investment Properties	(0.3)	0.0	**(0.3)**
Depreciation charge	(28.0)	(10.6)	**(38.6)**
Accumulated Depreciation / Impairment	22.9	0.0	**22.9**
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0.0	0.0	**0.0**
Derecognition- disposals	0.0	0.0	**0.0**
Net Book Value at 31 Mar 2023	2,727.1	202.6	**2,929.7**

Movements to 31 March 2022	Council dwellings	Other land and buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Property, Plant and Equipment (Excluding Infrastructure Assets)
	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation							
At 1 Apr 2021	1,021.5	953.8	48.5	11.2	4.0	48.3	**2,087.3**
Additions	50.0	20.7	3.5	4.8	0.0	84.3	**163.3**
Accumulated Depreciation / Impairment	(12.9)	(9.2)	0.0	0.0	0.0	0.0	**(22.1)**
Revaluation increases/(decreases) recognised in Revaluation Reserve	24.1	322.6	0.0	0.0	(0.6)	0.0	**346.1**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8.9)	0.0	0.0	0.0	0.0	0.0	**(8.9)**
Derecognition - disposals	(7.6)	(5.3)	(1.7)	0.0	0.0	0.0	**(14.6)**
Assets reclassified (to)/from Investment Properties	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Other movements in cost or valuation	22.5	0.0	0.0	0.0	0.0	(22.5)	**0.0**
At 31 Mar 2022	1,088.7	1,282.6	50.3	16.0	3.4	110.1	**2,551.1**
Accumulated Depreciation and Impairment							
At 1 Apr 2021	(12.9)	(13.4)	(25.1)	(0.1)	0.0	0.0	**(51.5)**
Depreciation charge	(13.8)	(10.2)	(2.9)	0.0	0.0	0.0	**(26.9)**
Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Accumulated Depreciation / Impairment	12.9	9.2	0.0	0.0	0.0	0.0	**22.1**
Impairment Losses/(Reversals) recognised in the Surplus / Deficit on the Provision of Services	0.0	0.0	(0.3)	0.0	0.0	0.0	**(0.3)**
Derecognition – disposals	0.0	0.1	1.3	0.0	0.0	0.0	**1.4**
At 31 Mar 2022	(13.8)	(14.3)	(27.0)	(0.1)	0.0	0.0	**(55.2)**
Net Book Value at 31 Mar 2022	**1,074.9**	**1,268.3**	**23.3**	**15.9**	**3.4**	**110.1**	**2,495.9**
Net Book Value at 31 Mar 2021	**1,008.6**	**940.4**	**23.4**	**11.1**	**4.0**	**48.3**	**2,035.8**

Movements to 31 March 2022	Property, Plant and Equipment (excluding Infrastructure Assets) £m	Infrastructure Assets £m	Total Property, Plant and Equipment £m
Net Book Value at 1 April 2021	2,035.8	209.6	**2,245.4**
Additions	163.3	8.3	**171.6**
Accumulated Depreciation / Impairment	(22.1)	0.0	**(22.1)**
Revaluation increases/(decreases) recognised in Revaluation Reserve	346.1	0.0	**346.1**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8.9)	0.0	**(8.9)**
Derecognition - disposals	(14.6)	0.0	**(14.6)**
Depreciation charge	(26.9)	(10.9)	**(37.8)**
Accumulated Depreciation / Impairment	22.1	0.0	**22.1**
Impairment Losses/(Reversals) recognised in the Surplus / Deficit on the Provision of Services	(0.3)	0.0	**(0.3)**
Derecognition - disposals	1.4	0.0	**1.4**
Net Book Value at 31 Mar 2022	2,495.9	207.0	**2,702.9**

Property, Plant and Equipment Revaluations

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£m	£m	£m	£m	£m
Carried at historical cost		0.6	52.9	0	53.5
Valued at current value as at:					
31 March 2023	1,202.2	380.6		1.4	1,584.2
31 March 2022		428.9		1.3	430.2
31 March 2021		358.0		0.7	358.7
31 March 2020		162.6		0.0	162.6
31 March 2019		2.2		0.0	2.2
Total cost or valuation	1,202.2	1,332.9	52.9	3.4	2,591.4

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset.

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

De-recogntion of Infrastructure Assets

The authority has determined that in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Capital Commitments

Capital commitments as at 31 March 2023 totaled £52.4m, of this £50.1m relates to Housing, £2.3m to other non-schools projects. Commitments as at 31 March 2022 totaled £95.2m (£86.6m relates to Housing, £8.3m to other non-schools projects).

Note 26 Investment Properties

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

2021/22 £m		2022/23 £m
75.0	Balance at start of year	75.9
0.0	Additions: subsequent expenditure	0.0
0.9	Net gains / (losses) from fair value adjustments	1.0
0.0	Transfer from / (to) Land and Buildings	0.3
75.9		77.2

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. Rental income from investment properties for 2022/23 was £3.4m (2021/22 £3.4m). Investment properties are revalued according to market conditions at year end by professional external valuers.

Note 27 Heritage Assets

The following table summarises the Heritage asset movements for 2022/23.

2021/22 £m		2022/23 £m
15.6	Balance at start of year	19.2
3.6	Additions: subsequent expenditure	2.4
0.0	Reclassified from Land and Buildings	0.0
19.2	Total expenditure	21.6

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

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

Other items:

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

The additions reflect where Boston Manor House (where the council is the sole trustee) has been restored with National Lottery Heritage Fund grant, and is managed and maintained in accordance with the plan agreed under the grant conditions. Chiswick House Grounds in leased to Chiswick House and Gardens Trust, and Gunnersbury Museum is leased to Gunnersbury CIC. All our heritage assets are open to the public during their opening hours which are advertised on their websites and publicity, with the exception of where buildings may be closed for long term maintenance and/or due to health and safety concerns.

Note 28 Long Term Debtors

2021/22 £m		2022/23 £m
115.9	Receivables from subsidiaries	195.6
7.3	Other	3.0
123.2		198.6

Receivables from subsidiaries are represented by loan agreements made with Lampton Investment 360 Ltd (£194.4m as at 31 March 2023; £114.6m as at 31 March 2022) for the acquisition of housing properties to be let at below market rent with the objective of increasing the supply of affordable housing in the borough, and with Lampton Development 360 LLP (£1.5m as at 31 March 2023; nil as at 31 March 2022) to enable the development of surplus sites released by the council for housing development. The balance as at 31 March 2022 included a £1.3m loan to Lampton 360 Ltd, which was redeemed during the 2022/23 financial year.

Note 29 Capital Expenditure and Capital Financing

2021/22 £m		2022/23 £m
471.7	**Opening Capital Financing Requirement**	**584.7**
	Capital investment:	
171.6	Property, plant and equipment	167.6
0.0	Investment properties	0.0
3.6	Heritage assets	2.4
1.6	Intangible assets	1.1
3.2	Revenue Expenditure Funded from Capital Under Statute	3.6
57.6	Loans to Subsidiary Companies for Capital purposes	79.3
237.6	Total capital spending	254.0
	Sources of finance:	
(15.7)	Capital receipts	(10.1)
(56.5)	Government grants and other contributions	(64.1)
(10.6)	Major repairs reserve	(18.3)
	Sums set aside from revenue:	
(29.2)	Direct revenue contributions	(9.0)
(12.6)	Minimum revenue provision	(11.0)
(124.6)	Total sources of finance	(112.5)
584.7	**Closing Capital Financing Requirement**	**726.2**
	Explanation of movements in year	
116.5	Increase / (decrease) in need to borrow (unsupported by government financial assistance)	145.1
(3.5)	Other movements	(3.6)
113.0	**Increase / (decrease) in capital financing requirement**	**141.5**

Note 30 Service Concession Arrangements

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

The Authority makes an agreed payment which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2023 (excluding any estimation of availability/performance deductions) are as follows:

	Payment for Services	Interest	Reimbursement of Capital Expenditure	Total
	£m	£m	£m	£m
Payable in 2022/23	18.2	1.8	3.6	23.6
Payable within 1 year	18.9	1.7	3.7	24.3
Payable within 2 to 5 years	81.4	5.9	15.7	103.0
Payable within 6 to 10 years	114.3	4.8	22.2	141.3
Payable within 11 to 15 years	124.7	1.6	24.2	150.5
Payable within 16 to 20 years	0.0	0.0	0.0	0.0
Total	357.5	15.8	69.4	442.7

At the outset of the arrangement, the contractor agreed to invest £100m of capital expenditure into the council's highways network. The depreciated value of this investment is £79.3m as at 31 March 2023 (£81.9m as at 31 March 2022), and is included in the net book value of infrastructure assets in Note 25. This was a movement during 2022/23 of £2.6m due to depreciation (the movement in 2021/22 was also £2.6m). There are no further assets held under the contract that will revert to the council at the termination of the arrangement.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to the contractor for capital expenditure is as follows:

2021-22		2022-23
£m		£m
(72.8)	Balance outstanding at start of year	(69.4)
3.4	Payments during the year	3.6
(69.4)	Balance outstanding at year-end	(65.8)

ABOUT THE AUTHORITY'S CURRENT ASSETS

Note 31 Short Term Debtors

2021/22 £m		2022/23 £m
19.6	Council tax - LBH share of arrears	20.4
13.6	Housing benefit debtors	12.4
3.8	Housing general fund - Private Sector Leases	4.9
4.5	Housing general fund - Leaseholder Charges	5.2
6.7	Housing Revenue account - rent outstanding	8.7
5.8	Payments in advance	11.6
42.6	Sundry debtors	44.9
0.0	Short term loans – Lampton 360 & Lampton Leisure	6.2
2.0	NNDR - GLA share of prepayments, arrears & deficit (creditor 22-23)	0.0
2.0	NNDR – government share of PIA, arrears & deficit (creditor 22-23)	0.0
0.0	NNDR - (Crossrail) GLA share of arrears	0.8
5.1	NNDR - LBH share of arrears	5.3
6.1	VAT	5.8
111.8		126.2
(42.1)	Impairment Allowances	(46.1)
69.7		80.1

Impairment Allowances

2021/22 £m		2022/23 £m
(11.0)	Housing benefit	(10.1)
(3.2)	Housing General Fund	(3.8)
(5.1)	Housing Revenue Account	(6.3)
(2.6)	Business rates - LBH share	(3.1)
(8.7)	Sundry debt	(10.3)
(11.5)	Council Tax - LBH share	(12.5)
(42.1)		(46.1)

Debtors for Local Taxation

The past due but not impaired amount for local taxation (Council Tax and Non-Domestic Rates (NNDR)) can be analysed by age as follows:

	Council Tax 31 March 2023 (£m)	NNDR 31 March 2023 (£m)	Total 31 March 2023 (£m)	Council Tax 31 March 2022 (£m)	NNDR 31 March 2022 (£m)	Total 31 March 2022 (£m)
Less than one year	4.8	1.7	6.5	5.2	2.1	7.3
Between one and two years	1.9	0.5	2.4	1.8	0.4	2.2
More than two years	1.2	0.0	1.2	1.1	0.0	1.1
Total	**7.9**	**2.2**	**10.1**	**8.1**	**2.5**	**10.6**

Note 32 Cash and Cash Equivalents

The balance of cash and cash equivalents comprises the following elements:

31 March 2022 £m		31 March 2023 £m
0.1	Cash held by the authority	0.1
9.0	Bank current accounts	20.2
2.4	Cash held in client accounts	2.1
11.5	Cash and Cash Equivalents	22.4
(26.0)	Bank current accounts	0.0
(26.0)	Bank Overdraft	0.0

Note 33 Short Term Creditors

2021-22 £m		2022-23 £m
(6.3)	Business rates LBH share of prepayments	(6.3)
(4.3)	Council Tax LBH share of prepayments	(5.8)
(0.6)	Council Tax - amount owed to GLA (net of arrears)	(1.5)
(1.1)	Business rates - amounts owed to government for transitional relief	(2.0)
0.0	NNDR - government PIA, arrears & deficit (debtor 21-22)	(13.2)
0.0	NNDR - amounts owed to GLA (debtor 21-22)	(14.8)
(3.6)	Hounslow Private Finance Initiative	(3.7)
(13.3)	Housing Revenue Account capital creditors	(13.8)
(20.7)	Receipts in advance	(25.9)
(98.7)	Sundry Creditors	(62.8)
0.0	Lampton Leisure Ltd services	(9.0)
(8.4)	Grants repayable	(4.2)
(157.0)		(162.9)

Note 34 Provisions

The Authority is required under IFRS to split its provisions between short term and long term on the balance sheet. The table below shows the overall provisions for the Council. The short-term provisions are those estimated to be payable within one year of the balance sheet date and total £5.8m at 31 March 2023 (£9.3m at 31 March 2022). The long-term provisions are those estimated to be payable in more than one year from the balance sheet date and total £0.3m at 31 March 2023 (nil at 31 March 2022). The most significant areas for which provisions have been set aside are for NNDR appeals (£2.8m as at 31 March 2023, £6.0m as at 31 March 2022) and insurance provision (£3.3m as at 31 March 2023, £3.3m as at 31 March 2022). The insurance provision is there to cover the potential cost of claims made against the Council. The level of the insurance provision and reserve is set using the best available information at the time. The provision for business rates appeals has been estimated by analysing historic trends in appeals and information about outstanding appeals.

2021/22 £m		2022/23 £m
(14.8)	Opening balance	(9.3)
(4.8)	Increase in provision during year	(2.8)
10.3	Provisions no longer required written back to CIES during year	6.0
(9.3)	Balance outstanding at year-end	(6.1)

Note 35 Long Term Liabilities

2021/22 £m		2022/23 £m
(569.8)	Net Pension Liability	(80.0)
(65.8)	Long Term PFI Liability	(62.1)
(2.0)	Other Long Term Liabilities	(1.9)
(637.6)		(144.0)

Note 36 Contingent Liabilities

At 31 March 2023 there were a number of legal claims outstanding against the Council, none of which are material. These claims are disputed and are still the subject of negotiation, and/or legal action, with the parties concerned.

ABOUT THE AUTHORITY'S FINANCIAL INSTRUMENTS

Note 37 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset and liability between two parties. Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. This note discloses the Council's financial instruments.

Financial instruments are disclosed based on considerations around the business model for holding the instruments, and contractual cashflow characteristics.

Categories of Financial Instruments:

The value of debtors and creditors reported in the table below are solely those amounts meeting the definition of a financial instrument.

The balances of debtors and creditors reported in the balance sheet and Notes 28, 31, and 33 also include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

31-Mar-22		Financial Assets	31-Mar-23	
Long Term	Short Term		Long Term	Short Term
£m	£m		£m	£m
		Fair Value Through Profit and Loss:		
0.0	30.2	Investments	0.0	67.4
		Financial Assets Held at Amortised Cost:		
123.2	37.4	Debtors	198.6	53.2
0.0	11.5	Cash and Cash Equivalents	0.0	22.4
123.2	**79.1**	**Total:**	**198.6**	**143.0**

31-Mar-22		Financial Liabilities	31-Mar-23	
Long Term	Short Term		Long Term	Short Term
£m	£m		£m	£m
		Financial Liabilities at Amortised Cost:		
(157.4)	(27.4)	Borrowing	(388.6)	(6.4)
(67.7)	(3.6)	PFI and finance lease liabilities	(64.1)	(3.7)
0.0	(25.9)	Overdraft	0.0	0.0
(225.1)	**(56.9)**	**Sub-Total:**	**(452.7)**	**(10.1)**
0.0	(127.7)	Creditors	0.0	(98.4)
(225.1)	**(184.6)**	**Total:**	**(452.7)**	**(108.5)**

Financial and Non-Financial Instruments Split

Debtors and Creditors carried in the Balance Sheet include transactions which, by their nature, are not financial instruments due to their non-contractual status, including taxation debtors such as Council Tax and Non-Domestic Rates. Those balances are as follows:

Debtors	Long Term Debtors		Short Term Debtors		Total	
	31-Mar-22 £m	31-Mar-23 £m	31-Mar-22 £m	31-Mar-23 £m	31-Mar-22 £m	31-Mar-23 £m
Financial instruments	123.2	198.6	37.4	53.2	160.7	251.8
Non-financial instruments	0.0	0.0	32.2	26.8	32.2	26.8
Total Debtors	**123.2**	**198.6**	**69.7**	**80.1**	**192.9**	**278.7**

Creditors	Long Term Creditors		Short Term Creditors		Total	
	31-Mar-22 £m	31-Mar-23 £m	31-Mar-22 £m	31-Mar-23 £m	31-Mar-22 £m	31-Mar-23 £m
Financial instruments	0.0	0.0	(127.7)	(98.4)	(127.7)	(98.4)
Non-financial instruments	0.0	0.0	(29.3)	(64.5)	(29.3)	(64.5)
Total Creditors	**0.0**	**0.0**	**(157.0)**	**(162.9)**	**(157.0)**	**(162.9)**

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

	31-Mar-22 £m	31-Mar-23 £m
Interest Revenue:		
Financial Assets Measured at Amortised Cost	2.6	5.8
Financial Assets at Fair Value through Profit and Loss	1.0	1.9
Total Income:	**3.6**	**7.7**
Interest Expense:		
PWLB Interest	(5.2)	(7.7)
Other Borrowing Interest	(2.0)	(2.0)
Total Interest Expense:	**(7.2)**	**(9.7)**
Expected Credit Loss:		
Lampton Group	(0.1)	(0.4)
Impairment of Debtors	(1.9)	(1.7)
Total Expected Credit Loss:	**(2.0)**	**(2.1)**
Fair Value through Profit and Loss – Investment Loss:		
Fidelity	(1.0)	(2.4)
Legal and General	(0.4)	(0.4)
Total Investment Loss:	**(1.4)**	**(2.8)**
Total Expense:	**(10.6)**	**(14.6)**
Net Gain/(Loss) for Year:	**(7.0)**	**(6.9)**

Financial Liabilities

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

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

- Borrowing:
  - Long-term loans from the Public Works Loan Board (PWLB), commercial lenders or external pension funds.
  - Short-term loans from other local authorities, commercial lenders or external pension funds, plus accrued interest on these loans.
- Private Finance Initiative (PFIs) and finance leases.

The fair values of the liabilities held can be estimated by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Borrowing rates from the PWLB have been applied to PWLB loans and disclosed at the New Loan/Certainty Discount Rate, which is the rate that would be offered by the PWLB to undertake new borrowing at the Balance Sheet date.
- For non-PWLB loans, fair value has also been estimated using the PWLB New Loan/Certainty Discount Rate. In the absence of any tangible market evidence, rates are based on discussions with possible market participants for new lending. The lenders are targeting lower than PWLB rates to encourage public sector bodies to consider alternatives to the PWLB and, based on discussions with those potential lenders, the differing structures and rates being offered would suggest an immaterial difference between those spot rates and the PWLB New Loan/Certainty Rates.
- Where an instrument has a maturity of less than 12 months the fair value is taken to be the carrying amount.

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

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

The fair values for financial liabilities have been assessed by reference to Level 2 inputs above. The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

31-Mar-22 Carrying Amount £m	31-Mar-22 Fair Value £m	Financial Liabilities	31-Mar-23 Carrying Amount £m	31-Mar-23 Fair Value £m
		Financial Liabilities at Amortised Cost:		
		Borrowing:		
(129.7)	(139.3)	PWLB Loans	(347.9)	(287.3)
(47.1)	(71.4)	Market and LOBO Loans	(47.1)	(45.1)
(8.0)	(8.0)	Temporary Loans	0.0	0.0
(71.3)	(71.3)	PFI and finance lease liabilities	(67.7)	(67.7)
(25.9)	(25.9)	Overdraft	0.0	0.0
(282.0)	**(315.9)**	**Sub-Total**	**(462.7)**	**(400.1)**
(127.7)	(127.7)	Creditors	(98.4)	(98.4)
(409.7)	**(443.6)**	**Total**	**(561.1)**	**(498.5)**

The fair value of financial liabilities held at amortised cost is less than their Balance Sheet carrying amount because the Council's portfolio of loans includes several loans where the interest rate payable is lower than the current rates available for similar loans as at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following classifications:

- Cash and cash equivalents, including current account deposits with National Westminster Bank, current investments.
- Loans made to community organisations and other bodies for service purposes (including soft loans).

Allowances for impairments on loans made for service purposes are made on the expected loss model in the following note – nature and extent of risks arising from financial instruments.

Financial assets classed as fair value through profit and loss are carried in the balance sheet at fair value. The fair values of these assets have been assessed by reference to Level 1 inputs above. The financial assets disclosed in the Balance Sheet are analysed across the following categories:

31-Mar-22 Carrying Amount £m	31-Mar-22 Fair Value £m	Financial Assets	31-Mar-23 Carrying Amount £m	31-Mar-23 Fair Value £m
		Fair Value Through Profit and Loss:		
30.2	30.2	Investments	67.4	67.4
		Financial Assets Held at Amortised Cost:		
160.7	160.7	Debtors	251.8	251.8
11.5	11.5	Cash and Cash Equivalents	22.4	22.4
202.4	**202.4**	**Total:**	**341.6**	**341.6**

Note 38 Nature and Extent of Risks Arising from Financial Instruments

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy (TMS). The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, re-financing risk and the investment of surplus cash.

The Council's activities expose it to a variety of financial risks which are detailed below.

Key Risks

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

Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.

Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments.

Re-financing Risk – the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms.

Market Risk (interest rate and price risks) – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Credit Risk

Credit Risk Arising from Investments

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit ratings from the three major credit ratings agencies (Fitch, Moody's, or Standard & Poor's). The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each rating category, this is done based on minimum credit criteria/colour band. The Annual Investment Strategy is contained within the Council's approved TMS.

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration.

After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security. This is set out in the specified and non-specified investment sections of the Annual Investment Strategy in the TMS; and
- It has sufficient liquidity in its investments. For this purpose, the TMS will set out procedures for determining the maximum periods for which funds may prudently be committed.

Credit rating information is supplied by Link Asset Services, the Council's treasury advisors. Any counterparty failing to meet the criteria would be omitted from the Council's counterparty list for potential investment. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. Information is provided from the Council's advisors on a weekly basis along with specific updates for any ratings watches or outlooks.

The Council considers the following relevant matters when proposing counterparties:

- The financial position and jurisdiction of the institution.
- The market pricing of credit default swaps for the institution.
- Any implicit or explicit Government support for the institution.

Credit Risk Arising from Customers

Trade receivables arise from the provision of goods and services and the carrying out of the council's functions. The Council does not generally allow credit for customers and credit quality of the Council's debtors is reflected in the level of the impairment allowance shown in note 31.

In the normal course of carrying out its operations, the Council is exposed to the potential risk of default from individuals, firms, and organisations that it deals with. Credit is assessed prior to being granted in commercial transactions, for example commercial rents. Any debts arising are actively managed and outstanding debt is pursued and in appropriate cases further credit is suspended. A charge may be placed on property for debt, but the bulk of the Council's exposure is unsecured and subject to credit risk which is notably concentrated within the Council's geographical boundary.

Receivables are written off to the Surplus or Deficit on the Provision of Services when they are deemed irrecoverable.

Credit Risk Arising from Loans to Subsidiaries

The Council manages credit risk relating to its subsidiaries through a robust governance framework, regular financial assessments, and strategic risk mitigation measures. Regular evaluations are conducted of each subsidiary's creditworthiness, financial health, and business plans, to help reduce exposure and safeguard against potential defaults. Early warning systems, regular reporting, and audits are used to monitor financial performance, allowing for timely interventions if credit risk increases.

To further mitigate risk, the Council maintain contingency plans for various adverse scenarios and limit the level of financial support provided to subsidiaries. Transparent communication with stakeholders and periodic reviews of risk management policies ensure that the approach remains aligned with the evolving risk profile of the subsidiaries and the broader objectives of the Council. These strategies collectively minimise the potential financial impact on the Council arising from credit exposures to its subsidiaries.

Amounts Arising from Expected Credit Losses (ECL)

As required by the Code of Practice, the Council is required to calculate an Expected Credit Loss (ECL) for its financial assets, which reflects the expectation that future cash flows might not take place because the borrower could default on their obligations.

The Council's investment assets are held with highly rated counterparties with very low historical rates of default or are made up of loans to subsidiaries. Using the Stage 1, 12-month ECL model as per IFRS9, at 31 March 2023 the Council's investment assets (inc. loans to subsidiaries) were valued at £298.6m and had a total calculated ECL of £0.126m; the Council has deemed this immaterial for adjusting the carrying values of those assets and it is also below the trivial adjustment threshold.

Additionally, over the reporting period, the Council's impairment allowances for financial instruments has risen by £1.696m from £6.856m in 2021/22 to £8.552m in 2022/23. This amount is shown in the Income, Expense, Gain and Losses table in Note 37.

Liquidity risk

The Council has a comprehensive cashflow management system, as required by the CIPFA Treasury Management Code of Practice, which seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has immediate access to liquid investments as well as ready access to borrowings from the Public Works Loan Board and can access alternative borrowing from other local authorities, external pension funds, and financial institutions as agreed in the TMS. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing maturing during specified periods, and a maturity analysis of financial liabilities within those periods is as follows:

2021/22						2022/23				
PWLB	**LOBO**	**Market Loan**	**PFI and Finance Leases**	**Total**	**Maturity Period**	**PWLB**	**LOBO**	**Market Loan**	**PFI and Finance Leases**	**Total**
£m	**£m**	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**	**£m**
13.3	0.0	0.0	3.6	**16.9**	Under 12 months	4.2	0.0	0.0	3.7	**7.9**
4.2	0.0	0.0	3.7	**7.9**	12 months and within 24 months	13.5	0.0	0.0	3.8	**17.3**
41.8	0.0	0.0	11.6	**53.4**	24 months and within 5 years	29.0	0.0	0.0	11.9	**40.9**
1.0	0.0	0.0	21.6	**22.6**	5 years and within 10 years	0.3	0.0	0.0	22.2	**22.6**
18.4	0.0	0.0	28.9	**47.3**	10 years and within 20 years	18.4	0.0	0.0	24.2	**42.6**
25.0	0.0	0.0	0.0	**25.0**	20 years and within 30 years	25.0	0.0	0.0	0.0	**25.0**
25.0	0.0	0.0	0.0	**25.0**	30 years and within 40 years	69.2	0.0	0.0	0.0	**69.2**
0.0	39.5	7.5	0.0	**47.0**	40 years and within 50 years	186.2	39.5	7.5	0.0	**233.2**
128.7	**39.5**	**7.5**	**69.4**	**245.1**	**Total**	**345.8**	**39.5**	**7.5**	**65.8**	**458.6**

Short-term temporary borrowing of £8m in 2021/22 has been excluded from the table above as it was received in March 2022 and matured in April 2022. The LOBO maturity profile assumes that the lender will not exercise their option until maturity. As of 31 March 2023, LOBO loans with nominal value £39.5m have fixed interest rates ranging from 3.52% to 4.49%. Of the total amount of LOBO loans, £5m has a break clause every two years, and £34.5m has a break clause every five years. In the current interest rate environment, it is considered unlikely that the lenders will exercise their option to request early repayment of these LOBOs.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cashflow procedures above are considered sufficient to manage the refinancing risk, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments over one year in duration are the key parameters used to address this risk. Borough Council approved the Annual TMS which includes the annual investment strategy and treasury indicators which aim to address the refinancing and maturity risks and the treasury team address the operational risks within the parameters set.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments and these impact the Council according to how variable and fixed interest rates move across differing financial instrument periods. The Council has a number of strategies for managing interest rate risk. The Annual TMS includes expected interest rate movements.

Additionally, a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure, and this is monitored regularly. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowing would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

31 March 2022 £m		31 March 2023 £m
0.5	Increase in interest payable on variable rate borrowings	0.5
(0.7)	Increase in interest receivable on variable rate investments	(0.5)
(0.2)	**Impact on Surplus or Deficit on the Provision of Services**	**(0.0)**
0.4	Share of overall impact credited to the HRA	0.3
0.0	Decrease in fair value of fixed rate investment assets	0.0
0.2	**Impact on Other Comprehensive Income and Expenditure**	**0.3**

The impact of a 1% fall in interest is estimated to be less than the figures above (with the movements in reverse).

The fair value of fixed rate borrowing if interest rates had been 1% higher (no impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure) would be £283.4m for 2022-23 (£49m less than the £332.4m stated in note 37) as a result of £217.1m net PWLB loans raised in 2022-23 (£230.4m raised, and £13.1m repaid), and £180.6m for 2021-22 (£38.1m less than the £218.7m stated in note 37).

Price Risk

The Council holds some financial instruments of which the capital value may fluctuate because of market conditions. However, these instruments are all purchased on a hold to maturity basis unless there is a business case such as consistent loss of capital value over a prolonged period of time to support disinvestment. Therefore, any temporary fluctuations in the market value of such products would have no impact on the Council's finances.

ABOUT THE CASH FLOW STATEMENT

Note 39 Cash Flow from Operating Activities

2021/22 £m		2022/23 £m
9.0	Interest Paid	16.3
(5.3)	Interest Received	(14.1)
3.7	Total	2.2

Note 40 Reconciliation of Liabilities Arising from Financing Activities

	1 April 2022 £m	Financing Cash Flows £m	Non-cash Changes £m	31 March 2023 £m
Long Term borrowings	(157.1)	(230.4)	(1.1)	(388.6)
Short Term borrowings	(27.5)	21.3	(0.3)	(6.5)
On balance sheet PFI liabilities	(69.4)	3.6	0.0	(65.8)
Total Liabilities from Financing Activities	(254.0)	(205.5)	(1.4)	(460.9)

	1 April 2021 £m	Financing Cash Flows £m	Non-cash Changes £m	31 March 2022 £m
Long Term borrowings	(160.4)	0.0	3.3	(157.1)
Short Term borrowings	(31.7)	7.2	(3.0)	(27.5)
On balance sheet PFI liabilities	(72.8)	3.4	0.0	(69.4)
Total Liabilities from Financing Activities	(264.9)	10.6	0.3	(254.0)

OTHER DISCLOSURES

Note 41 Trust Funds

The council acts as trustee for various funds including bequests and legacies, appointeeship, deputyship and individual trusts. Some of these are not recognised on the council's own balance sheet.

	Balance as 31 March 2023	Balance as 31 March 2022
Funds	**£m**	**£m**
Regulated by the Office of the Public Guardian (OPG)- Deputyship	3.1	3.2
Regulated by the Department of Work and Pensions (DWP)- Appointeeship	4.5	3.8
Total	**7.6**	**7.0**

Note 42 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Acting Chief Financial Officer on 1 August 2023. Events taking place after this date are not reflected in the financial statements or notes.

Note 43 Restated 2021/22 Accounts

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

1. Community Infrastructure Levy income had been credited in the Comprehensive Income and Expenditure Statement within Net Cost of Services, corrected to Taxation and Non-Specific Grant Income.
2. Treatment of internal trading accounts in the Comprehensive Income and Expenditure Statement within 'Financing and Investment Income and Expendiure' amended to show this income and expenditure in the relevant directorate within Net Coost of Services.
3. Depreciation of non-current assets amended to show this charge wihtin the relevant directorate in the Comprehensive Income and Expenditure Statement, and all other items not charged to service directorates and previous included in 'Overheads allocation and accounting adjustments' reclassified to 'Corporate items'.
4. Internal recharges shown within expenditure and income in the Comprehensive Income and Expenditure Statement instead of being netted down as required.
5. The movement in amounts due to and from the Greater London Authority and central Government in respect of Council Tax and NNDR had not been separately identified in the Cash Flow Statement as 'Net inflow reflecting timing differences in Council Tax and business rates due to/from precepting authorities and central Government'.
6. Additions to heritage assets and intangible assets has not been included in 'Purchase of property, plant and equipment, investment property and intangible assets' in Cash Flow Statement.
7. Within the Cash Flow Statement the 'Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities' incorrecty included only the gain on disposal of non-current assets instead of the entire proceeds from the sale of property, plant and equipment, investment property and intangible assets.
8. The net change in long- and short-term investments had been shown within Investing Activities in the Cash Flow Statement, this has been corrected to show the gross outflow and inflow as required by the Code.
9. Re-statement of opening balances of 'Property, Plant and Equipment' in the Balance Sheet as at 1 April 2021, reflecting the removal of duplication of assets in previous valuations of fixed assets.

The comparatives for 2021/22 have been adjusted to correct these errors. The impact of these changes on the main statements has been as follows:

Effect on Comprehensive Income and Expenditure Statement 2021/22

	As stated in 2021/22 Accounts	CIL Correction	Trading Accounts Correction	Depreciation And Other Adjustments	Netting of Internal Recahrges	Restated Position
	£m	£m	£m	£m	£m	£m
Chief Executive's Directorate	0.6				(0.1)	0.5
Finance and Resources	19.2		(0.2)	1.5	(5.0)	15.5
Environment, Culture and Ciustomer Services	38.3		(2.8)	14.2	(2.4)	47.3
Children's and Adults' Services	115.0		3.1	7.5		125.6
Housing, Planning and Economic Regeneration	9.6		0.2	0.1	(2.0)	7.9
Assistant Chief Executive's Directorate	9.3				(1.0)	8.3
Corporate Items	(30.3)	3.9		44.1	10.5	28.2
Overheads allocation and accounting aadjustments	67.4			(67.4)		0.0
Other Operating Expenditure	5.9		(0.1)			5.8
Financing and Investment Income and Expenditure	19.4		(0.2)			19.2
Taxation and Non-Specific Grant Income	(278.1)	(3.9)				(282.0)

Effect on Cash Flow Statement 2021/22

	As stated in 2021/22 Accounts	Council Tax and Business Rates Correction	Heritage and Intangible Assets Correction	Disposal of Non-current Assets Correction	Long- and Short-term Investments Correction	Restated Position
	£m	£m	£m	£m	£m	£m
Adjust net surplus or deficit on the provision of services for non-cash movements	50.8	(39.9)	5.2	13.3	1.4	30.8
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(70.2)			(13.3)		(83.5)
Purchase of property, plant and equipment, investment property and intangible assets	(171.6)		(5.2)			(176.8)
Purchase of long- and short-term investments	n/a				(109.0)	(109.0)
Cash receipts of long- and short-term investments	41.9				107.6	149.5
Net inflow reflecting timing differences in Council Tax and business rates due to/from precepting authorities and central Government	n/a	39.9				39.9

Effect on Balance Sheet 2021/22	As stated in 2021/22 Accounts	Duplicated Assets Correction	Restated Position
	£m	£m	£m
Property, Plant and Equipment	2,826.4	(123.5)	2,702.9
Unusable Reserves	(1,778.5)	123.5	(1,655.0)

Effect on Movement in Reserves Statement 2021/22	As stated in 2021/22 Accounts	Duplicated Assets Correction	Restated Position
	£m	£m	£m
Unusable Reserves – Balance as at 1 April 2021	(1,298.0)	123.5	(1,174.5)
Unusable Reserves – Balance as at 31 March 2022	(1,778.5)	123.5	(1,655.0)

ACCOUNTING POLICIES

1. Introduction

The Authority is required to produce an annual Statement of Accounts by the Accounts and Audit Regulations 2015, preparation of which is primarily governed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (CIPFA Code), supported by International Financial Reporting Standards (IFRS).The Council has where appropriate provided only information which is material and either aids the reader of the accounts or can be provided on a value for money basis, as permitted by the CIPFA code**.**

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

<u>Revenue Recognition</u>

2. Accruals of expenditure and income

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

- Revenue from the sale of goods and services is recognised in accordance with the terms and conditions of the contract.
- Revenue from contracts with service recipients is recognised when the Council has satisfied a performance obligation by transferring promised goods or services to a recipient.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument.
- Where the Authority is acting as an agent for another party (e.g., in the collection of NNDR and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Authority for the agency services rendered or the Authority incurs expenses directly on its own behalf in rendering the services.
- Accruals are recognised where the value exceeds £5,000 for Revenue and £10,000 for Capital unless material to grant funding streams or to individual budgets.

3. VAT

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

4. Overheads and Support Services

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

5. Government Grants and other contributions

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

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

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

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

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

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

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

6. Council Acting as Agent - Business Rates Supplement - Crossrail

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

7. Highways Private Finance Initiative (PFI) Contract

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

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

The Council receives a PFI related grant from the Department for Levelling Up, Housing and Communities. This grant is recognised as revenue income in the Net Cost of Services.

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

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

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

9. Exceptional Items

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

Assets and Valuation

10. Fair Value Measurement

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

a) in the principal market for the asset or liability, or

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability

The following assets are held at Fair Value:

- Investment Properties are valued by our Valuers Wilks Head & Eve. They are valued using inputs on Level 2 of the Fair Value hierarchy. The observable inputs include estimated rental value, capitalisation rate and assumed void periods. In addition, current market conditions, recent sales prices and other relevant information for similar assets in the locality are observable inputs used.
- Financial Instruments held at fair value through profit and loss are valued at year end on the basis of Level 1 inputs on the Fair Value Hierarchy, being quoted prices in active markets.

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

Recognition

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

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

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

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

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

- infrastructure, community assets – depreciated historical cost
- assets under construction – historical cost

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Valuations are on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institute of Chartered Surveyors (RICS). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

The balance is reduced when assets with accumulated gains are:

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

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

<u>Impairment</u>

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

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

<u>Disposals</u>

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

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

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

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

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

Componentisation

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

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

12. Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network. The Update to the Code and Specifications for Future Codes for Infrastructure Assets published in November 2022, provides a temporary relief not to report gross cost and accumulated depreciation for infrastructure assets for accounting periods commencing 1 April 2021.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Impairment

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

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the council's highways maintenance PFI contractor as follows:

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

- Street furniture – 25 years

Derecognition

Derecognition other than by way of disposal is a relevant matter for infrastructure assets, and the council determines in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

13. Investment Properties

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

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

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

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

14. Heritage Assets

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

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

15. Intangible Assets

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

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

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

16. Inventories

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

17. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that are not legally leases but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

(i) The Authority as Lessee

Finance Leases

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

All finance leases for which the underlying asset value is over £100,000 and which is estimated to have a life of more than 7 years will be shown as an asset on the Balance Sheet. Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

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

The Authority as Lessor

Finance Leases

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance. It is a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Financial Instruments

18. Cash and Cash Equivalents

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

19. Other Financial Instruments

Assets

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

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

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

Liabilities

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

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

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

Interest rate risk

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

Expected Credit Loss

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

Adjustments Impacting on Usable Reserves

20. Reserves

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

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

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

Adjustments Impacting on Unusable Reserves

21. Charges to Revenue for Non-Current Assets

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

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

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

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

22. Employee Benefits

(i) Benefits Payable during Employment

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

(ii) Termination Benefits

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

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

(iii) Post-Employment Benefits

The Local Government Pension Scheme

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

- The liabilities of the London Borough of Hounslow (LBH) pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method. Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds. The discount rate adopted by the Actuary is based on a weighted average of “spot yield” on AA related corporate bonds.
- The assets at the LBH pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price

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

Teachers’ pensions scheme

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

(iv) Discretionary Benefits

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

23. Dedicated Schools Grant (DSG) Deficit

Where the council has a deficit on its schools budget, i.e. where expenditure in relation to functions normally funded from the ringfenced Dedicated Schools Grant (DSG) exceed the available grant due, the Government has made regulations requiring the deficit to be carried forward to be funded from future DSG income. To ensure that the deficit does not fall as a net charge to the General Fund, the council will not charge to a revenue account an amount in respect of that deficit, other than by agreement with the Department for Eduucation.

The deficit will be charged to a dedicated account established solely for the purpose of recognising deficits in respect of the schools budget: This accounts is an unusable reserve, 'Dedicated Schools Grant Adjustment Account'.

Changes to Estimates or Accounting Policies and Uncertainty

24. Provisions

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g., from an insurance claim), this is only recognised as income if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

25. Contingent Assets and Liabilities

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

26. Events after the Balance Sheet date

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

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

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

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

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

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

Group Accounts

28. Group Accounts.

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

- Lampton 360 Ltd - which itself has a number of subsidiaries including Coalo Ltd.
- Bedfont Lakes Trust

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

Bedfont Lakes Trust have not been incorporated into the group accounts on the grounds that they are not material.

There are no minority interests in these organisations or acquisitions.

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

PART 3: OTHER FINANCIAL STATEMENTS

Housing Revenue Account

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

Collection Fund

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2021/22 £m		2022/23 £m	Note
	Expenditure		
18.8	Repairs and maintenance	19.6	
39.6	Supervision and management	35.2	
0.6	Rents, Rates, Taxes and Other Charges	4.0	
23.4	Depreciation and revaluation losses in relation to Non Current Assets	14.6	
(0.8)	Movement in the expected credit loss allowance	0.0	
81.6	Total Expenditure	73.4	
	Income		
(69.5)	Dwelling rents	(72.6)	1
(2.1)	Non-dwelling rents	(1.9)	
(16.7)	Charges for services and facilities	(17.4)	
(88.4)	Total Income	(92.0)	
(6.8)	**Net (income)/expenditure for HRA Services**	**(18.6)**	
0.8	HRA share of Corporate and Democratic Core	0.9	
(6.0)	**Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(17.7)**	
	HRA Share of Other operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement		
(3.3)	Gain on disposal of non-current assets	(8.2)	
8.9	Interest payable and similar charges	12.4	
(0.4)	Interest receivable and similar income	(0.3)	
0.7	Other investment (income) / losses	1.7	
0.1	Payments to Government Housing Receipts pool	0.0	
(26.7)	Capital grants and Contributions	(45.2)	
(26.6)	**(Surplus)/deficit for the year on provision of HRA Services**	**(57.3)**	

MOVEMENT ON THE HRA STATEMENT

2021/22 £m		2022/23 £m
(18.4)	**Balance at start of year**	**(3.1)**
(26.6)	Surplus or (deficit) on HRA Income and Expenditure Statement	(57.3)
41.8	Adjustments between accounting basis & funding basis under regulations	56.4
15.2	Net Increase / Decrease before Transfers to Reserves	(0.9)
0.1	Transfers to / from Reserves	(3.0)
15.3	Increase / (Decrease) in Year	(3.9)
(3.1)	**Balance at end of year**	**(7.0)**

NOTE 1 - RENT OF DWELLINGS

This is the total rent income collectable for the year after allowance is made for empty properties. During the year 2022/23 4.27% (4.74% in 2021/22) of lettable properties were vacant.

NOTE 2 - HOUSING STOCK

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

2021/22 Number		2022/23 Number
3,824	Houses/Bungalows	3,829
9,176	Flats/Maisonettes	9,293
13,000	Stock as at 31 March	13,122

The change in stock can be summarised as follows:

2021/22 Number		2022/23 Number
12,929	Stock at 1 April	13,000
(79)	Less: Sales	(83)
(17)	Less: Demolitions, Conversions etc.	(1)
167	Add: New Build Completed and Purchases	206
13,000	Stock as at 31 March	13,122

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

2021/22		2022/23
£m		£m
	Operational Assets	
1,088.3	Dwellings	1,202.2
23.7	Other land and buildings	23.4
4.7	Plant, vehicle and equipment	4.6
4.1	Infrastructure	0.0
	Non-operational Assets	
110.1	Assets under construction	173.8
1,230.9	Total	1,404.0

The net book value of dwellings is based on their existing use as social housing. As such, the valuations are lower than those reflecting vacant possession on the open market. The valuation of dwellings on a vacant possession basis as at 31 March 2023 was £4,809m (£4,336m as at 31 March 2022).

NOTE 3 - MAJOR REPAIRS RESERVE

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

2021/22		2022/23
£m		£m
(0.5)	**Balance as at 1 April**	**(4.5)**
(14.6)	Amount transferred in	(14.6)
	Amount in respect of capital expenditure:	
10.6	Housing	18.3
(4.5)	**Balance as at 31 March**	**(0.8)**

Note 4 - Capital expenditure and financing

Capital expenditure

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

2021/22						2022/23				
Houses	Other Property	Plant, Vehicles & Equipment	Surplus Assets	Total		Houses	Other Property	Plant, Vehicles & Equipment	Surplus Assets	Total
£m	£m	£m	£m	£m		£m	£m	£m	£m	£m
65.8	0.0	0.0	0.0	65.8	Borrowing	71.0				71.0
11.6	0.0	0.0	0.0	11.6	Capital receipts	7.2				7.2
19.9	0.0	0.0	0.0	19.9	Revenue contributions & leaseholder reserve	2.7		0.3		3.0
10.6	0.0	0.0	0.0	10.6	Major Repairs Reserve	18.3				18.3
2.7	0.0	0.0	0.0	2.7	Section 106	4.6				4.6
24.0	0.0	0.0	0.0	24.0	Grants/other contributions	41.3				41.3
134.6	0.0	0.0	0.0	134.6	Expenditure in Year	145.1	0.0	0.3	0.0	145.4

Capital receipts

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

2021/22		2022/23
£m		£m
(17.3)	Sale of Houses and flats	(16.7)
0.0	Land Sales	0.0
0.0	Other receipts	0.0
(17.3)	Total	(16.7)

NOTE 5 - DEPRECIATION

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

2021/22		2022/23
£m		£m
13.8	Houses	14.1
0.2	Other land and buildings	0.3
0.3	Infrastructure assets	0.0
0.2	Vehicles, plant and equipment	0.4
14.5	Expenditure in Year	14.8

The HRA Income and Expenditure Statement includes the effect of an upwards revaluation in the Authority's dwellings stock. Council dwellings are valued at market value and then an adjustment factor to reflect the lower value of social housing is applied. The Department for Levelling Up, Housing and Communities set the adjustment factor and review it every five years. The adjustment factor to be applied in London is 25% for 2022/23 (25% for 2021/22).

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

NOTE 6 - RENT ARREARS

The gross rent arrears at 31 March 2023 was £8.4m (£5.9m at 31 March 2022). An expected credit loss allowance in respect of current and former tenant arrears has been made in the accounts for potentially uncollectable rent arrears. This provision amounted to £6.2m at 31 March 2023 (£5.0m at 31 March 2022).

NOTE 7 - DISTRICT HEATING

Special Services includes the costs of providing District Heating, which in 2022/23 was £4.1m (2021/22 £2.5m). District Heating is self-financing and in 2022/23 was funded from customer receipts of £2.7m (2021/22 £2.7m), drawings of £1.3m were made in 2022/23 from the District Heating reserve (2021/22 a contribution of £0.1m was made).

NOTE 8 - MAJOR WORKS RESERVE

The Major Works Reserve has been set up to account for contributions received from leaseholders to fund major works to their homes, but which have not yet been applied to fund the capital programme. In 202/23, adjustments to the reserve for the difference between estimated cost and actual cost of works increased the reserve by a total of £1.0m and £2.9m was utilised for capital works.

The balance within this reserve at 31 March 2023 was £8.0m which will be used to fund the capital programme in future years.

COLLECTION FUND

Income and Expenditure for the Year Ended 31 March 2023

2021/22 Council Tax £m	2021/22 NNDR £m	2021/22 BRS £m	2021/22 Total £m		2022/23 Council Tax £m	2022/23 NNDR £m	2022/23 BRS £m	2022/23 Total £m
				Amounts required by statute to be credited to the Collection Fund:				
(150.1)	(162.1)	(5.2)	(317.4)	Income receivable from Council Tax or ratepayers	(160.7)	(170.6)	(5.4)	(336.7)
	(68.7)	(0.7)	(69.4)	Receipt from LBH/GLA/CLG for previous year's estimated collection fund deficit		(50.2)		(50.2)
(150.1)	(230.8)	(5.9)	(386.8)	Total Income	(160.7)	(220.8)	(5.4)	(386.9)
				Amounts required by statute to be debited to the Collection Fund:				
115.1	55.6		170.7	Precepts and demands from LBH	119.6	51.6		171.2
31.3	68.5	5.2	105.0	Precepts and demands from GLA	34.3	63.6	5.9	103.8
	61.1		61.1	Precepts and demands from Central Government		56.7		56.7
(3.6)	1.5	(0.2)	(2.3)	Provision for uncollectable amounts	3.1	1.9	0.3	5.3
	(14.2)		(14.2)	Provision for appeals		(10.6)		(10.6)
	0.8		0.8	Payment of transitional relief		2.0		2.0
	0.4		0.4	Costs of collection (NDR and Crossrail BRS)		0.4		0.4
0.0			0.0	Payment to LBH/GLA for previous year's estimated Collection Fund surplus	1.9		0.2	2.1
142.8	173.8	5.0	321.5	Total Expenditure	158.9	165.6	6.4	330.9
(7.3)	(57.1)	(0.9)	(65.3)	Movement on fund balance (Increase)/Decrease	(1.8)	(55.2)	1.0	(56.0)
(0.2)	95.9	0.7	96.4	Fund Balance brought forward	(7.5)	38.8	(0.2)	31.1
(7.5)	**38.8**	**(0.2)**	**31.1**	**Fund Balance carried forward**	**(9.3)**	**(16.4)**	**0.8**	**(24.9)**

NOTE 1 - MOVEMENT IN COLLECTION FUND

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

	Council Tax			NNDR			
	LBH	GLA	Total	LBH	GLA	CLG	Total
	£m	£m	£m	£m		£m	£m
Fund Balance brought forward at 1 April 2021	0.2	0.0	0.2	(29.8)	(34.9)	(31.2)	(95.9)
Movement on fund balance Increase/(Decrease) during 2021/22	5.7	1.6	7.3	18.2	20.5	18.4	57.1
Fund Balance as at 31 March 2022	5.9	1.6	7.5	(11.6)	(14.4)	(12.8)	(38.8)
Movement on fund balance Increase/(Decrease) during 2022/23	1.4	0.4	1.8	16.6	20.4	18.2	55.2
Fund Balance as at 31 March 2023	7.3	2.0	9.3	4.9	6.1	5.4	16.4

NOTE 2 - COUNCIL TAX

The Council Tax Base set for 2022/23 was 86,769.4 Band D equivalent properties, as approved by Cabinet in January 2022. The number of properties and tax set for each property band is shown below. The collection rate for 2022/23 was 98%, unchanged from 2021/22.

2021/22				2022/23		
No of Properties	Band D Equivalents	Tax Set £ p		No of Properties	Band D Equivalents	Tax Set £ p
2,372	1,042	1,134.82	Band A	2,398	1,078	1,182.79
9,053	4,340	1,323.96	Band B	9,092	4,432	1,379.92
27,649	18,291	1,513.09	Band C	28,161	18,653	1,577.05
38,578	31,622	1,702.23	Band D	38,892	31,825	1,774.18
15,447	16,377	2,080.50	Band E	15,500	16,428	2,168.44
5,960	7,742	2,458.78	Band F	6,001	7,793	2,562.71
4,010	6,293	2,837.05	Band G	4,004	6,286	2,956.97
976	1,894	3,404.46	Band H	980	1,904	3,548.36
	87,600		Relevant Amount		88,400	
	85,848		Adjusted for Collection Rate 98.00%		86,632	
	138	1,702.23	Defence Property		138	1,774.18
104,045	85,986		Total	105,028	86,769	

Actual collectable income from Council Tax was:

2021/22				2022/23		
LBH	GLA	Total		LBH	GLA	Total
£m	£m	£m		£m	£m	£m
(118.0)	(32.1)	(150.1)	Billed to Tax Payers	(124.9)	(35.8)	(160.7)
0.0	0.0	0.0	Council Tax Discounts Paid by General Fund	0.0	0.0	0.0
(118.0)	**(32.1)**	**(150.1)**	**Total Income**	**(124.9)**	**(35.8)**	**(160.7)**

The cumulative arrears of Council Tax including costs at 31 March 2022 were £28.5m and £1.6m was written off during the year.

NOTE 3 - NON-DOMESTIC RATES (NDR)

Non-domestic rates are organised on a national basis. The Government specifies the rate 51.2p in 2022/23 (51.2p in 2021/22) and, subject to the effects of transitional arrangements, reliefs and exemptions, local businesses pay rates calculated by multiplying their rateable value by that amount. The total rateable value applicable to Hounslow as at 31 March 2023 was £439.5m (£444.0m as at 31 March 2022). The Authority is responsible for collecting rates due from the ratepayers in its area.

Hounslow did not take part in any business rates retention pool in 2022/23. The shares of business rates retained were London Borough of Hounslow (LBH) 30% (30% in 2021/22), Greater London Authority (GLA) 37% (37% in 2021/22) and central Government 33% (33% in 2021/22).

PART 4: GROUP ACCOUNTS

The Authority has to prepare group accounts where it has interests in subsidiaries, associates and/or jointly controlled entities. It has reviewed the relationships it has with its partner organisations and determined that it has one 100% owned subsidiary, Lampton 360, that needs to be consolidated into the following group accounts (Coalo Ltd has been incorporated into Lampton 360 since March 2021). Lampton 360 has 100% owned subsidiaries that have also been consolidated into the accounts. The entities involved are:

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

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

There are no significant restrictions on the subsidiaries regarding the transfer of funds to the Authority in the form of cash dividends or to repay loans or advances. The subsidiary entities have reporting periods for accounting purposes that run from 1 April to 31 March, identical to the London Borough of Hounslow's reporting period.

Group Financial Statements

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

The following Statements have been prepared, on the going concern basis:

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

Where 2021/22 comparative statements have been re-stated, this is for the same reasons as disclosed for the authority's own accounts, as set out in Note 43 to the financial statements on page 80. There are no further re-statements required as a result of the consolidation of group accounts.

Accounting Policies

There are no material differences between the accounting policies that have been adopted by the subsidiaries and those adopted by the London Borough of Hounslow, as set out from page 83. Where there are differences the impact of applying a consistent policy would not lead to a material change in the group accounts.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2021/22 Re-stated				2022/23		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£m	£m	£m		£m	£m	£m
0.5	0.0	0.5	Chief Executive's Directorate	0.4	0.0	0.4
126.0	(110.0)	16.0	Finance and Resources	120.3	(100.8)	19.5
77.7	(45.4)	32.3	Environment, Culture and Customer Services	81.5	(53.7)	27.8
384.2	(258.6)	125.6	Children's and Adults' Services	432.1	(302.0)	130.1
26.8	(18.9)	7.9	Housing, Planning and Economic Regeneration	26.4	(15.3)	11.1
11.7	(3.4)	8.3	Assistant Chief Executive's Directorate	14.3	(2.6)	11.7
20.6	(6.6)	14.0	Commissioning	20.1	(2.2)	17.9
48.6	(87.9)	(39.3)	Housing Revenue Account	45.1	(91.5)	(46.4)
46.1	(17.9)	28.2	Corporate Items	13.0	(18.0)	(5.0)
72.8	(12.8)	60.0	Group subsidiaries	93.9	(28.3)	65.7
815.0	(561.5)	253.5	Cost Of Services	847.2	(614.4)	232.9
6.2	(0.4)	5.8	Other Operating Expenditure	1.5	0.0	1.5
24.9	(2.6)	22.3	Financing and Investment Income and Expenditure	23.5	(11.3)	12.2
0.0	(282.0)	(282.0)	Taxation and Non-Specific Grant Income	0.0	(301.2)	(301.2)
846.1	(846.5)	(0.4)	Surplus or Deficit on Provision of Services	872.2	(926.8)	(54.6)
		(346.2)	Surplus or deficit on revaluation of Property, Plant and Equipment			(106.0)
		(109.5)	Remeasurement of the net defined benefit liability / asset			(500.0)
		(455.7)	**Other Comprehensive Income and Expenditure**			(606.0)
		(456.1)	**Total Comprehensive Income and Expenditure**			**(660.6)**

GROUP MOVEMENT IN RESERVES STATEMENT

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

2022/23

Group	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Reserves	Authority's share of subsidiaries & associates	Total Group Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2022	(13.2)	(217.5)	(3.1)	(14.4)	(51.5)	(4.5)	(12.7)	(316.9)	(1,655.0)	(1,971.9)	20.1	(1,951.8)
Surplus / deficit on provision of services (accounting basis)	2.7		(57.3)					(54.6)		(54.6)		(54.6)
Other Comprehensive Expenditure and Income								0.0	(606.0)	(606.0)		(606.0)
Total Comprehensive Expenditure and Income	2.7	0.0	(57.3)	0.0	0.0	0.0	0.0	(54.6)	(606.0)	(660.6)	0.0	(660.6)
Adjustments between Group accounts and authority accounts	(14.4)							(14.4)		(14.4)	14.4	0.0
Net Increase / Decrease before Transfers	(11.7)	0.0	(57.3)	0.0	0.0	0.0	0.0	(69.0)	(606.0)	(675.0)	14.4	(660.6)
Adjustments between accounting basis & funding basis under regulations	27.1	0.0	56.4	0.0	(6.7)	3.7	(8.9)	71.6	(71.6)	0.0		0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	15.4	0.0	(0.9)	0.0	(6.7)	3.7	(8.9)	2.6	(677.6)	(675.0)	14.4	(660.6)
Transfers to / from Earmarked Reserves	(15.4)	15.4	(3.0)	3.0	0.0	0.0	0.0	0.0		0.0		0.0
Increase / Decrease in Year	0.0	15.4	(3.9)	3.0	(6.7)	3.7	(8.9)	2.6	(677.6)	(675.0)	14.4	(660.6)
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance at 31 March 2023	(13.2)	(202.1)	(7.0)	(11.4)	(58.2)	(0.8)	(21.6)	(314.3)	(2,332.6)	(2,646.9)	34.5	(2,612.4)

2021-22 Re-stated

Group	General Fund Balance £m	Earmarked General Fund Reserves £m	Housing Revenue Account £m	Earmarked HRA Reserves £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied Account £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m	Authority's share of subsidiaries & associates £m	Total Group Reserves £m
Balance at 1 April 2021	(23.0)	(215.0)	(18.4)	(14.3)	(48.7)	(0.5)	(6.1)	(326.0)	(1,174.5)	(1,500.5)	3.3	(1,497.2)
Surplus / deficit on provision of services (accounting basis)	26.2		(26.6)					(0.4)		(0.4)		(0.4)
Other Comprehensive Expenditure and Income								0.0	(455.7)	(455.7)		(455.7)
Total Comprehensive Expenditure and Income	26.2	0.0	(26.6)	0.0	0.0	0.0	0.0	(0.4)	(455.7)	(456.1)	0.0	(456.1)
Adjustments between Group accounts and authority accounts	(15.3)							(15.3)		(15.3)	15.3	0.0
Net Increase / Decrease before Transfers	10.9	0.0	(26.6)	0.0	0.0	0.0	0.0	(15.7)	(455.7)	(471.4)	15.3	(456.1)
Adjustments between accounting basis & funding basis under regulations	(3.6)		41.8	0.0	(2.8)	(4.0)	(6.6)	24.8	(24.8)	0.0		0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	7.3	0.0	15.2	0.0	(2.8)	(4.0)	(6.6)	9.1	(480.5)	(471.4)	15.3	(456.1)
Transfers to / from Earmarked Reserves	2.5	(2.5)	0.1	(0.1)	0.0	0.0	0.0	0.0		0.0		0.0
Increase / Decrease in Year	9.8	(2.5)	15.3	(0.1)	(2.8)	(4.0)	(6.6)	9.1	(480.5)	(471.4)	15.3	(456.1)
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	1.5	1.5
Balance at 31 March 2022	(13.2)	(217.5)	(3.1)	(14.4)	(51.5)	(4.5)	(12.7)	(316.9)	(1,655.0)	(1,971.9)	20.1	(1,951.8)

GROUP BALANCE SHEET

31 Mar 2022 Re-stated £m		31 Mar 2023 £m
2,804.9	Property, Plant & Equipment	3,085.7
76.4	Investment Property	77.2
2.9	Intangible Assets	4.0
19.2	Heritage Assets	21.6
8.6	Long Term Debtors	2.8
2,912.0	Long Term Assets	3,191.3
30.2	Short Term Investments	67.4
0.1	Inventories	5.0
60.9	Short Term Debtors	93.8
15.6	Cash and Cash Equivalents	26.6
106.9	Current Assets	192.8
(26.0)	Bank overdrafts	0.0
(27.5)	Short Term Borrowing	(12.6)
(160.2)	Short Term Creditors	(173.7)
(7.7)	Short Term Provisions	(5.8)
(221.4)	Current Liabilities	(192.1)
(1.6)	Long Term Provisions	(0.3)
(157.1)	Long Term Borrowing	(388.6)
(637.6)	Other Long Term Liabilities	(144.5)
(49.2)	Capital Grants Receipts in advance	(46.1)
(845.5)	Long Term Liabilities	(579.5)
1,951.9	Net Assets	2,612.4
(316.9)	Usable reserves	(314.3)
(1,655.0)	Unusable Reserves	(2,332.6)
20.0	Reserves (group entities)	34.5
(1,951.9)	Total Reserves	(2,612.4)

GROUP CASH FLOW

2021-22 Re-stated £m		2022-23 £m
0.4	Net surplus or (deficit) on the provision of services	54.6
30.9	Adjust net surplus or deficit on the provision of services for noncash movements	26.9
(70.2)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(102.2)
(38.9)	Net cash flows from Operating Activities	(20.7)
(176.8)	Purchase of property, plant and equipment, investment property and intangible assets	(242.5)
20.4	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	16.8
(109.0)	Purchase of long- and short-term investments	(218.0)
149.5	Cash receipts of long and short term investments	178.0
63.1	Other receipts relating to investing activities	85.4
(52.8)	Investing Activities	(180.3)
0.0	Cash receipts of short term and long term borrowing	230.4
39.9	Net inflow reflecting timing differences in Council Tax and business rates due to/from precepting authorities and central Government	32.2
11.9	Net receipts for COVID-19 and other grants where the Authority has acted as agent	0.3
(3.6)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(3.6)
(7.4)	Repayments of short term and long term borrowing	(21.3)
40.8	Financing Activities	238.0
(50.9)	**Net increase or decrease in cash and cash equivalents**	**37.0**
40.5	Cash and cash equivalents at the beginning of the reporting period	(10.4)
(10.4)	**Cash and cash equivalents at the end of the reporting period**	**26.6**

NOTES TO THE GROUP ACCOUNTS

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

1. Leases

Authority as lessor:

Operating Leases

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

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

The future minimum lease payments receivable to the Group under non-cancellable leases in future years are as follows (based on current rents at 31 March 2023 and do not include any assumptions for future rent changes):

2021/22 £m		2022/23 £m
5.5	Not later than 1 year	5.9
18.5	Later than one year but not five years	19.9
23.1	Later than five years	19.2
47.1	Total	44.9

2. Plant Property and Equipment

Plant Property and Equipment the group accounts show a net book value as at 31 March 2023 of £3,085.7m which is £156.0m higher than the Authority net book value. This arises as a result of land and buildings and plant owned by the subsidiaries.

Movements to 31 March 2023	Council dwellings	Other land and buildings	Vehicles, plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 Apr 2022	1,088.7	1,384.6	50.8	16.0	3.4	110.1	**2,653.6**
Additions	22.0	79.8	2.9	4.1	0.0	124.0	**232.8**
Accumulated Depreciation / Impairment	(13.8)	(9.3)	0.0	0.0	0.0	0.0	**(23.1)**
Revaluation increases/(decreases) recognised in Revaluation Reserve	55.5	50.5	0.0	0.0	0.0	0.0	**106.0**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0.0	(17.8)	0.0	0.0	0.0	0.0	**(17.8)**
Derecognition - disposals	(7.7)	0.0	0.0	0.0	0.0	0.0	**(7.7)**
Assets reclassified (to)/from Investment Properties	0.0	(0.3)	0.0	0.0	0.0	0.0	**(0.3)**
Other movements in cost or valuation	57.5	0.7	0.0	(0.7)	0.0	(57.5)	**0.0**
At 31 Mar 2023	1,202.2	1,488.2	53.7	19.4	3.4	176.6	**2,943.5**
Accumulated Depreciation and Impairment							
At 1 Apr 2022	(13.8)	(14.3)	(27.0)	(0.1)	0.0	0.0	**(55.2)**
Depreciation charge	(14.1)	(10.4)	(3.6)	0.0	0.0	0.0	**(28.1)**
Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Accumulated Depreciation / Impairment	13.8	9.1	0.0	0.0	0.0	0.0	**22.9**
Depreciation written out to Surplus/Deficit on Provision of Services	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Derecognition - disposals	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
At 31 Mar 2022	(14.1)	(15.6)	(30.6)	(0.1)	0.0.	0.0	**(60.4)**
Net Book Value at 31 Mar 2023	**1,188.1**	**1,472.6**	**23.1**	**19.3**	**3.4**	**176.6**	**2,883.1**
Net Book Value at 31 Mar 2022	**1,074.9**	**1,370.3**	**23.8**	**15.9**	**3.4**	**110.1**	**2,598.4**

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

	PPE Excl. Infrastructure assets	Infrastructure Assets	Total Property, Plant and Equipment
	£m	£m	£m
Net Book Value at 1 Apr 2022	**2,598.4**	**207.0**	**2,805.4**
Additions	232.8	6.2	**239.0**
Accumulated Depreciation / Impairment	(23.1)	0.0	**(23.1)**
Revaluation increases/(decreases) recognised in Revaluation Reserve	106.0	0.0	**106.0**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(17.8)	0.0	**(17.8)**
Derecognition - disposals	(7.7)	0.0	**(7.7)**
Assets reclassified (to)/from Investment Properties	(0.3)	0.0	**(0.3)**
Depreciation charge	(28.1)	(10.6)	**(38.7)**
Accumulated Depreciation / Impairment	22.9	0.0	**22.9**
Depreciation written out to Surplus/Deficit on Provision of Services	0.0	0.0	**0.0**
Derecognition - disposals	0.0	0.0	**0.0**
Derecognition - to assets held for sale	0.0	0.0	**0.0**
Net Book Value at 31 Mar 2023	**2,883.1**	**202.6**	**3,085.7**

Movements to 31 March 2022	Council dwellings	Other land and buildings	Vehicles, plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 Apr 2021	1,021.5	1,011.8	48.9	11.2	4.0	48.3	**2,145.7**
Additions	50.0	64.7	3.6	4.8	0.0	84.3	**207.4**
Donations	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Accumulated Depreciation / Impairment	(12.9)	(9.2)	0.0	0.0	0.0	0.0	**(22.1)**
Revaluation increases/(decreases) recognised in Revaluation Reserve	24.1	322.6	0.0	0.0	(0.6)	0.0	**346.1**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8.9)	0.0	0.0	0.0	0.0	0.0	**(8.9)**
Derecognition - disposals	(7.6)	(5.3)	(1.7)	0.0	0.0	0.0	**(14.6)**
Assets reclassified (to)/from Held for Sale	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Assets reclassified (to)/from Investment Properties	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Other movements in cost or valuation	22.5	0.0	0.0	0.0	0.0	(22.5)	**0.0**
At 31 Mar 2022	**1,088.7**	**1,384.6**	**50.8**	**16.0**	**3.4**	**110.1**	**2,653.6**
Accumulated Depreciation and Impairment							
At 1 Apr 2021	(12.9)	(13.4)	(25.1)	(0.1)	0.0	0.0	**(51.5)**
Depreciation charge	(13.8)	(10.2)	(2.9)	0.0	0.0	0.0	**(26.9)**
Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Accumulated Depreciation / Impairment	12.9	9.2	0.0	0.0	0.0	0.0	**22.1**
Depreciation written out to Surplus/Deficit on Provision of Services	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0.0	0.0	(0.3)	0.0	0.0	0.0	**(0.3)**
Derecognition - disposals	0.0	0.1	1.3	0.0	0.0	0.0	**1.4**
At 31 Mar 2022	**(13.8)**	**(14.3)**	**(27.0)**	**(0.1)**	**(0.0)**	**0.0**	**(55.2)**
Net Book Value at 31 Mar 2022	**1,074.9**	**1,370.3**	**23.8**	**15.9**	**3.4**	**110.1**	**2,598.4**
Net Book Value at 31 Mar 2021	**1,008.6**	**998.4**	**23.8**	**11.1**	**4.0**	**48.3**	**2,094.2**

Movements to 31 March 2022	Property, Plant and Equipment (excluding Infrastructure Assets)	Infrastructure Assets	Total Property, Plant and Equipment
	£m	£m	£m
Net Book Value at 01 Apr 2021	**2,094.2**	**209.6**	**2,303.8**
Additions	207.4	8.3	**215.7**
Donations	0.0	0.0	**0.0**
Accumulated Depreciation / Impairment	(22.1)	0.0	**(22.1)**
Revaluation increases/(decreases) recognised in Revaluation Reserve	346.1	0.0	**346.1**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8.9)	0.0	**(8.9)**
Derecognition - disposals	(14.6)	0.0	**(14.6)**
Assets reclassified (to)/from Investment Properties	0.0	0.0	**0.0**
Reclassifications	0	0.0	**0.0**
Depreciation charge	(26.9)	(10.9)	**(37.8)**
Depreciation written out to the Revaluation Reserve	0.0	0.0	**0.0**
Accumulated Depreciation / Impairment	22.1	0.0	**22.1**
Depreciation written out to Surplus/Deficit on Provision of Services	0.0	0.0	**0.0**
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(0.3)	0.0	**(0.3)**
Derecognition - disposals	1.4	0.0	**1.4**
Net Book Value at 31 Mar 2022	**2,598.4**	**207.0**	**2,805.4**

PART 5: PENSION FUND ACCOUNTS

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

Responsibility for the overall direction of the Fund's investment policy rests with the Authority's Pension Fund Panel and these accounts were noted at the Panel's meeting in June 2023. The accounts summarise the transactions and net assets of the scheme.

In implementing the Fund's investment policy, the Authority has appointed the following external investment managers; Aberdeen Standard Investments, BlackRock Investment Management Ltd, CBRE Global Investments Ltd, CCLA Investment Management Ltd, Columbia Threadneedle Investments Ltd and Fidelity International Ltd.

Additionally, the Authority has placed assets under management with the London Collective Investment Vehicle (LCIV), the organisation set up to run pooled LGPS investments in London. The Fund holds investments in the LCIV Global Equity Focus Fund (underlying manager is Longview Partners), the LCIV Sustainable Equity Fund (underlying manager is RBC Investor & Treasury Services Ltd) and the LCIV Renewable Infrastructure Fund (underlying managers are Blackrock, Foresight Group, Macquarie Asset Management, Quinbrook Infrastructure Partners and Stonepeak Partners LP).

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2023

2021/22 £m		2022/23 £m	Notes
	Dealings with members, employers and others directly involved in the Fund		
	Contributions		
33.2	From employers	36.4	6
10.0	From employees	10.8	6
6.0	Individual transfers in from other pension funds	5.0	
49.2		**52.2**	
	Benefits		
(37.2)	Pensions	(38.8)	7
(9.4)	Commutation, lump sum retirement and death benefits	(10.5)	7
	Payments to and on account of leavers		
(3.9)	Individual transfers out to other pension funds	(6.3)	
(0.1)	Refunds to members leaving service	(0.3)	
(50.6)		**(55.9)**	
(1.4)	**Net withdrawals from dealings with members**	**(3.7)**	
(6.6)	Management expenses	(6.0)	8
(8.0)	**Net withdrawals including fund management expenses**	**(9.7)**	
	Returns on investments		
25.5	Investment income	28.4	9
25.5		**28.4**	
47.0	**Profit and loss on disposal of investments and change in the market value of investments**	**(57.2)**	14
72.5	**Net returns on investments**	**(28.8)**	
64.5	**Net increase/(decrease) in the net assets available for benefits during the year**	**(38.5)**	
1,186.8	Opening net assets of the Fund	1,251.3	
1,251.3	Closing net assets of the Fund	**1,212.8**	

NET ASSETS STATEMENT AS AT 31 MARCH 2023

31 March 2022 £m		31 March 2023 £m	Notes
	Investment assets		
392.8	Equities	380.3	11
838.1	Pooled investment vehicles	782.2	12
0.8	Private equity	0.7	13
0.2	Long term investment	0.2	
4.5	Cash (money market fund)	8.0	
	Other investment balances:		
3.2	Investment income due	3.4	
0.4	Amounts receivable for sale of investments	-	14
3.4	Cash deposits	28.6	
1,243.4		**1,203.4**	
	Investment liabilities		
(3.0)	Amounts payable for purchase of investments	(0.1)	14
1,240.4	**Net value of investments assets**	**1,203.3**	
0.1	Long term debtors	0.2	19
12.8	Current assets	10.9	20
(2.0)	Current liabilities	(1.6)	21
1,251.3	**Net assets of the Fund available to fund benefits at the period end**	**1,212.8**	

NOTES TO THE FUND ACCOUNTS 2022//23

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

a) General

The Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Hounslow. The Fund is a contributory defined benefit scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the London Borough of Hounslow and the admitted and scheduled bodies in the Fund. The Fund is overseen by the Pension Fund Panel which also has responsibility for deciding on the most appropriate investment policy for the Fund. For more detail, reference should be made to the latest version of the London Borough of Hounslow Pension Fund Annual Report (which is due for publication by 1 December in each year) and the underlying statutory powers underpinning the scheme, namely, the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended), the LGPS (Management and Investment of Funds) Regulations 2016 (as amended) and the LGPS (Amendment) Regulations 2018.

b) Membership

Although Scheme employers are required to auto enrol employees into the LGPS, membership of the LGPS is voluntary and employees are free to choose whether to remain in the scheme or to “opt out” and make their own personal arrangements outside the scheme. There are 69 employers within the Fund. Organisations participating in the Fund include:

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

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

The following table summarises the membership of the Fund as at 31 March 2023:

31 March 2022 No.		31 March 2023 No.
66	Number of employers	69
	Number of employees in scheme	
4,688	Council	4,797
2,092	Other employers	2,200
6,780	**Total**	**6,997**
	Pensioners	
6,421	Council	6,718
1,459	Other employers	1,538
7,880	**Total**	**8,256**
	Deferred pensioners	
6,221	Council	6,049
1,523	Other employers	1,564
7,744	**Total**	**7,613**
22,404	**Total number of members in scheme**	**22,866**

c) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, benefits payable in respect of service are now based on career average revalued earnings and the number of years of eligible service. Pensions are increased annually in line with the Consumer Price Index.

d) Funding

Benefits are funded by contributions from employees, the Council, the admitted and scheduled bodies and the Fund's investment income. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employee contributions are matched by employer contributions which are set based on triennial actuarial funding valuations. Employer contributions paid in 2022/23 were based on the triennial actuarial valuation carried out as at 31 March 2019.

e) Investment Principles

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

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

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarise the Fund's transactions for the financial year 2022/23 and its position as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on a going concern basis and an accruals basis apart from individual transfer values which have been accounted for on a cash basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension fund benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Authority has opted to disclose this information in Note 18.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contribution Income

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

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

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

b) Transfers to and from other schemes

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

c) Investment Income

Interest income is recognised in the fund account as it accrues using the effective interest rate of the financial instrument as at the date of acquisition or origination.

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

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

Changes in the net market value of investments are recognised as income or loss and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense Items

d) Benefits Payable

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

e) Taxation

The Fund is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. This is as a result of being a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses.

f) Management Expenses

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

Administrative Expenses

All administrative expenses are accounted for on an accruals basis.

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 directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment Management Expenses

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

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

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

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

Net Assets Statement

g) Financial Assets

Financial assets are included in the net assets statement either on a fair value or amortised cost basis as at the reporting date. 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 IFRS 13 (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). Quoted securities and pooled investment vehicles have been valued at the bid price and fixed interest securities are recorded at net market value based on their current yields at the balance sheet date. Quoted securities are valued by the Fund's custodian and pooled investment vehicles at the published bid prices or those quoted by their managers. Investments in private equity funds are valued based on the Fund's share of the net assets in the private equity fund using the latest financial statements published by the respective fund managers in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2018). All other assets are valued at amortised cost.

h) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. Spot market exchange rates at the end of the financial year are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and Cash Equivalents

Cash comprises cash in hand and deposits with financial institutions which are repayable on demand without penalty and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

j) Financial Liabilities

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

k) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the Fund's actuary in accordance with the requirements of IAS 19 (post-retirement benefits) 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 18).

l) Additional Voluntary Contributions

The London Borough of Hounslow provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Standard Life as its AVC provider. AVCs are paid across 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 Liabilities and Contractual Commitments

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.

A contractual commitment arises where an event has taken place prior to the year end giving rise to a possible asset whose existence will only be confirmed or otherwise by future events.

Contractual Commitments and Contingent liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes (Note 24).

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

It has not been necessary to make any critical judgements in applying the accounting policies in 2022/23.

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

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

Items for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pooled property, infrastructure and private equity funds	The assets held by the Pension Fund include properties and assets managed by Fund Managers on a pooled basis. As the assets are unquoted, values are estimated by Fund Manager using comparable market data, indices and data from third parties, as well as projected revenue streams associated with the assets. The property funds, infrastructure and private equity funds do not have published prices, are not regularly traded and have many unobservable inputs feeding into their valuations and so will be treated as level 3.	The potential impact of this uncertainty cannot be measure accurately. For example, total property funds, infrastructure and private equity funds held by the Pension Fund are valued at £70.1m

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 18 below. These estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

NOTE 6 – CONTRIBUTIONS

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

By type of employer

2021/22 £m		2022/23 £m
31.1	Administering Authority	35.5
8.4	Scheduled Bodies	8.1
3.7	Admitted Bodies	3.6
43.2	**Total**	**47.2**

By category

2021/22 £m		2022/23 £m
10.0	Employee Normal Contributions	10.8
	Employer Contributions:	
28.4	Normal	30.8
4.4	Deficit funding	4.8
0.4	Augmentation	0.8
43.2	**Total**	**47.2**

NOTE 7 – BENEFITS PAID OR PAYABLE

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

By type of employer

2021/22 £m		2022/23 £m
42.3	Administering Authority	44.5
2.7	Scheduled Bodies	2.5
1.6	Admitted Bodies	2.3
46.6	**Total**	**49.3**

By category

2021/22 £m		2022/23 £m
37.2	Pensions	38.8
8.3	Commutation of pensions and lump sum retirement benefits	9.3
1.1	Lump sum death benefits	1.2
46.6	**Total**	**49.3**

NOTE 8 – MANAGEMENT EXPENSES

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

2021/22 £m		2022/23 £m
1.1	Administration	1.3
0.1	Oversight and governance	0.1
5.4	Investment management	4.6
6.6	**Total**	**6.0**

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

Included in the oversight and governance costs above are external audit fees for the Fund of £16k (£16k for 2021/22).

NOTE 8a – INVESTMENT MANAGEMENT EXPENSES

2021/22 £'000		2022/23 £'000
3,441	Management fees	3,883
961	Performance fees	-
956	Transaction costs	705
54	Custody fees	60
5,412	**Total**	**4,648**

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment financial asset or liability. An incremental cost is one that would not have been incurred if the Fund had not acquired or disposed of the financial instrument. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, anti-dilution levies, levies by regulatory agencies and securities exchanges and transfer taxes and duties.

NOTE 9 – INVESTMENT INCOME

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

2021/22 £m		2022/23 £m
11.1	Dividends from equities	10.7
14.4	Pooled investments – unit trusts and other managed funds	17.6
-	Interest on cash deposits	0.1
25.5		**28.4**

NOTE 10 – INVESTMENT MANAGEMENT ARRANGEMENTS

As at 31 March 2023, the investment portfolio was managed by:

- Aberdeen Standard Investments
- BlackRock Investment Ltd
- CBRE Global Investors Ltd
- CCLA Investment Management Ltd
- Columbia Threadneedle Investments Ltd
- Fidelity International Ltd
- London LGPS CIV Limited

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

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

The market value and proportion of investments managed by each fund manager as at 31 March 2023 was as follows:

31 March 2022 Market Value		Fund Manager	Mandate	31 March 2023 Market Value	
£m	%			£m	%
		Managed by LCIV regional asset pool:			
123.9	10.0	Longview	Global Equities	131.0	10.9
105.2	8.5	RBC	Sustainable Equities	97.1	8.1
-	-	Various	Renewable Infrastructure	17.7	1.5
229.1	18.5			245.8	20.5
		Managed outside LCIV regional asset pool:			
546.5	44.1	BlackRock	Global Balanced	516.8	43.0
256.4	20.7	Aberdeen	Global Balanced	234.9	19.4
145.3	11.7	Fidelity	Income Fund	126.6	10.5
38.5	3.1	Threadneedle	Property	33.3	2.8
21.4	1.7	CBRE	Property	17.8	1.5
0.5	0.0	LAMIT	Property	0.4	0.0
0.8	0.1	Various	Private Equity	0.7	0.1
-	-	Internal	Cash deposits*	26.8	2.2
1.9	0.1	Internal	Other	0.2	0.0
1,011.3	81.5			957.5	79.5
1,240.4	**100.0**			**1,203.3**	**100.0**

*In March 2022, the Fund made a commitment of £40m to the LCIV Renewable Infrastructure Fund. To finance the commitment, diversified growth fund investments with Aberdeen and Blackrock were realised in 2022/23 and the proceeds placed on deposit. As at 31 March 2023, capital call payments amounting to £26.4m of the commitment remained outstanding.

The following investments represent more than 5% of the net assets of the Fund.

31 March 2022 Market Value		Asset Name	31 March 2023 Market Value	
£m	%		£m	%
149.8	12.0	Blackrock ACS World ex UK Equity Tracker	137.4	11.3
123.9	9.9	LCIV -Longview Partners Global Equity Fund	131.0	10.8
145.3	11.6	Fidelity Multi Asset Income Fund	126.6	10.4
105.2	8.4	LCIV - RBC Sustainable Equity Fund	97.1	8.0
75.6	6.0	Blackrock All Stocks Corporate Bond Fund	82.5	6.8
599.8	**47.9**		**574.6**	**47.3**

NOTE 11 – EQUITIES

31 March 2022 £m		31 March 2023 £m
392.8	**UK & Overseas Investments (listed)**	380.3
392.8		**380.3**

The top 10 equity holdings of the London Borough of Hounslow Pension Fund as at 31 March 2023 were:

	Bid value	% of Total Fund	% of Equities
	£m	%	%
Astra Zeneca Plc	35.2	2.9	9.3
Relx Plc	31.1	2.6	8.2
Compass Group Plc	22.7	1.9	6.0
Next Plc	19.2	1.6	5.0
Rio Tinto Ltd	16.7	1.4	4.4
London Stock Exchange Group Plc	16.5	1.4	4.3
Shell Plc	14.9	1.2	3.9
Reckitt Benckiser Group	14.7	1.2	3.9
3i Group Plc	14.5	1.2	3.8
Standard Chartered Plc	13.6	1.1	3.6
	199.1	**16.4**	**52.4**

NOTE 12 – POOLED INVESTMENTS

31 March 2022 £m		31 March 2023 £m
	Pooled Investments	
409.7	Equities	386.6
181.6	Bonds	199.8
60.4	Property	51.5
41.1	Diversified Growth Fund	-
-	Infrastructure fund	17.7
145.3	Other	126.6
838.1		**782.2**

NOTE 13 – PRIVATE EQUITY

31 March 2022 £m		31 March 2023 £m
0.8	Private equity (unlisted)	0.7
0.8		**0.7**

Private equity holdings of the Fund as at 31 March 2023 were:

	Valuation £m	% of Total Fund %	% of Private Equity %
Schroder Private Equity Fund of Funds IV	0.4	0.0	54.5
Schroder Private Equity Fund of Funds III	0.2	0.0	23.5
Environmental Technologies Fund	0.1	0.0	10.1
Schroder Private Equity Fund of Funds II	0.0	0.0	7.2
Schroder Private Equity Fund of Funds	0.0	0.0	4.2
The Chandos Fund (YFM)	0.0	0.0	0.5
	0.7	**0.1**	**100.0**

All private equity holdings are held within the UK.

NOTE 14 – RECONCILIATION OF MOVEMENT IN INVESTMENTS

Market value as at 31 March 2022		Purchases during the year	Sales during the year	Change in Market value during the year	Market value as at 31 March 2023
£m		£m	£m	£m	£m
392.8	Equities	51.3	(77.6)	13.8	380.3
777.7	Pooled investment vehicles	122.9	(107.7)	(62.2)	730.7
60.4	Pooled property investments	-	-	(8.9)	51.5
0.8	Private equity	-	(0.2)	0.1	0.7
0.2	Long term investment	-	-	-	0.2
4.5	Cash funds	24.7	(21.2)	-	8.0
1,236.4		**198.9**	**(206.7)**	**(57.2)**	**1,171.4**

	Other investment balances:				
3.4	Cash deposits				28.6
0.4	Amounts receivable for sales of investments				-
3.2	Investment income due				3.4
(3.0)	Amounts payable for purchases				(0.1)
1,240.4	**Net investment assets**			**(57.2)**	**1,203.3**

Market value as at 31 March 2021		Purchases during the year	Sales during the year	Change in Market value during the year	Market value as at 31 March 2022
£m		**£m**	**£m**	**£m**	**£m**
378.5	Equities	94.7	(85.8)	5.4	392.8
741.3	Pooled investment vehicles	88.7	(82.2)	29.9	777.7
49.1	Pooled property investments	-	-	11.3	60.4
1.4	Private equity	-	(1.0)	0.4	0.8
0.2	Long term investment	-	-	-	0.2
7.1	Cash funds	28.2	(30.8)	-	4.5
1,177.6		**211.6**	**(199.8)**	**47.0**	**1,236.4**

	Other investment balances:				
2.5	Cash deposits				3.4
4.1	Amounts receivable for sales of investments				0.4
2.8	Investment income due				3.2
(8.2)	Amounts payable for purchases				(3.0)
1,178.8	**Net investment assets**			**47.0**	**1,240.4**

NOTE 15a – CLASSIFICATION OF FINANCIAL INSTRUMENTS

The table below shows the classification of the Fund's financial instruments.

31 March 2022 Fair value through profit and loss	31 March 2022 Assets at amortised cost	31 March 2022 Financial liabilities at amortised cost		31 March 2023 Fair value through profit and loss	31 March 2023 Assets at amortised cost	31 March 2023 Financial liabilities at amortised cost
£m	£m	£m		£m	£m	£m
			Financial assets			
392.8			Equities	380.3		
838.1			Pooled investments	782.2		
0.8			Private equity	0.7		
0.2			Long term investment	0.2		
	4.5		Cash (money market fund)		8.0	
	3.4		Short term deposits		28.6	
	3.2		Investment income due		3.4	
	0.4		Outstanding settlements		-	
	4.4		Debtors		4.2	
	8.5		Cash at bank		6.9	
1,231.9	**24.4**	**-**	**Total Financial assets**	**1,163.4**	**51.1**	**-**
			Financial liabilities			
		(3.0)	Outstanding settlements			(0.1)
		(2.0)	Creditors			(1.6)
-	**-**	**(5.0)**	**Total Financial liabilities**	**-**	**-**	**(1.7)**
1,231.9	**24.4**	**(5.0)**	**Net Assets**	**1,163.4**	**51.1**	**(1.7)**

NOTE 15b – NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

2021/22		2022/23
£m		£m
	Financial assets	
47.0	Fair value through profit and loss	(57.2)
-	Assets at amortised cost	-
47.0	**Total Financial assets**	**(57.2)**

NOTE 15c –VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

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

Level 2 – these are financial instruments where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are significantly based on observable market data. This includes NAV based pricing for units held in unquoted pooled funds.

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

The valuation basis for each category of investment is set out below:

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments - equities	Level 1	The published bid market price on the final day of the accounting period	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
Pooled investments – equities and bonds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published	NAV based pricing set on a forward pricing basis. Evaluated price feeds	Not required
Pooled investments – property	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price is published	NAV based pricing. Net assets are based on the fair value of underlying investment properties valued in accordance with Royal Institute of Chartered Surveyors valuation standards	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Pooled investments – infrastructure funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price is published	NAV based pricing set on a forward pricing basis	Estimated acquisition and disposal costs

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Private equity funds	Level 3	The Fund's ownership share in private equity funds is applied to the partnership net assets.	The fair value of the partnership net assets is calculated in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018	Valuations of underlying assets could be affected by changes to expected cashflows or by differences between audited and unaudited accounts

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

31 March 2022					31 March 2023			
Quoted Market price	Using observable inputs	With significant unobservable inputs	Total		Quoted Market price	Using observable inputs	With significant unobservable inputs	Total
Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
£m	£m	£m	£m		£m	£m	£m	£m
				Financial assets at fair value through profit and loss				
392.8	-	-	392.8	Equities	380.3	-	-	380.3
-	777.7	-	777.7	Pooled investment vehicles	-	713.0	17.7	730.7
-	-	60.4	60.4	Pooled property investments	-	-	51.5	51.5
-	-	0.8	0.8	Private equity	-	-	0.7	0.7
-	-	0.2	0.2	Long term investment	-	-	0.2	0.2
				Financial assets at amortised cost				
4.5	-	-	4.5	Cash funds	8.0	-	-	8.0
7.0	-	-	7.0	Other investment balances	32.0	-	-	32.0
404.3	**777.7**	**61.4**	**1,243.4**	**Total Financial assets**	**420.3**	**713.0**	**70.1**	**1,203.4**
				Financial liabilities at amortised cost				
(3.0)	-	-	(3.0)	Outstanding settlements	(0.1)	-	-	(0.1)
(3.0)	**-**	**-**	**(3.0)**	**Total Financial liabilities**	**(0.1)**	**-**	**-**	**(0.1)**
401.3	**777.7**	**61.4**	**1,240.4**	**Net investment assets**	**420.2**	**713.0**	**70.1**	**1,203.3**

NOTE 15d –RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Market value as at 31 March 2022		Purchases during the year	Sales during the year	Unrealised gains and (losses) during the year	Market value as at 31 March 2023
£m		£m	£m	£m	£m
60.4	Pooled property investments	-	-	(8.9)	51.5
-	Pooled infrastructure investments	13.6	-	4.1	17.7
0.8	Private equity	-	(0.2)	0.1	0.7
0.2	Long term investment	-	-	-	0.2
61.4		**13.6**	**(0.2)**	**(4.7)**	**70.1**

Market value as at 31 March 2021		Purchases during the year	Sales during the year	Unrealised gains and (losses) during the year	Market value as at 31 March 2022
£m		£m	£m	£m	£m
49.1	Pooled property investments	-	-	11.3	60.4
1.4	Private equity	-	(1.0)	0.4	0.8
0.2	Long term investment	-	-	-	0.2
50.7		**-**	**(1.0)**	**11.7**	**61.4**

NOTE 16 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e., promised benefits payable to members). The aim therefore, of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risks) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Fund risk management programme.

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

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and asset mix. Generally, excessive volatility in market risk is managed through diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. Regular monitoring of market conditions and benchmark analysis is undertaken by the Pension Fund Panel to mitigate market risk.

Price Risk

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

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

Following analysis of historical data and expected movement of return on investment during the financial year, the Fund, in consultation with the Fund's performance measurement provider, the PIRC Limited, has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period:

Asset type	Value as at 31 March 2023 £m	Percentage Change %	Value on increase £m	Value on decrease £m
UK equities	380.3	12.0	425.9	334.7
Overseas equities	386.6	12.0	433.0	340.2
Total bonds	199.8	10.4	220.6	179.0
Long term investment	0.2	0.0	0.2	0.2
Infrastructure	17.7	3.8	18.4	17.0
Income fund	126.6	8.0	136.7	116.5
Cash and other investment balances	39.9	0.7	40.2	39.6
Property units	51.5	7.2	55.2	47.8
Alternatives	0.7	6.4	0.7	0.7
Total Investment Assets	**1,203.3**	**10.1**	**1,324.8**	**1,081.8**

Asset type	Value as at 31 March 2022 £m	Percentage Change %	Value on increase £m	Value on decrease £m
UK equities	391.1	14.6	448.2	334.0
Overseas equities	411.4	14.6	471.5	351.3
Total bonds	181.6	7.5	195.2	168.0
Long term investment	0.2	0.0	0.2	0.2
Diversified growth	41.1	7.2	44.1	38.1
Income fund	145.3	7.2	155.8	134.8
Cash and other investment balances	8.5	1.3	8.6	8.4
Property units	60.4	4.3	63.0	57.8
Alternatives	0.8	6.3	0.9	0.7
Total Investment Assets	**1,240.4**	**11.4**	**1,387.5**	**1,093.3**

Interest Rate Risk

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

Long term average rates are expected to move less than 100 basis points (1%) from one year to the next. The total value of fixed interest securities and cash investments is £98.5m as at the end of 2022/23 (2021/22: £66.3m). Assuming that all other variables, in particular exchange rates, remain stable a 1% increase in valuation of these assets would increase the value by £0.9m (2021/22: £0.6m) and equally a 1% decrease would reduce the value by £0.9m (2021/22: £0.6m).

Currency Risk

Currency risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling (the functional currency). A strengthening/weakening of the pound sterling against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

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

Currency exposure - asset type	Value as at 31 March 2023 £m	Percentage Change %	Value on increase £m	Value on decrease £m
Overseas equities	386.6	7.2	414.4	358.8
Multi asset income	126.6	6.9	135.3	117.9
Alternatives	0.7	5.3	0.7	0.7
Total	**513.9**		**550.4**	**477.4**

Currency exposure - asset type	Value as at 31 March 2022 £m	Percentage Change %	Value on increase £m	Value on decrease £m
Overseas equities	411.4	6.4	437.7	385.1
Multi asset income	145.3	6.1	154.2	136.4
Alternatives	0.7	5.6	0.7	0.7
Total	**557.4**		**592.6**	**522.2**

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet it's financial obligations as they fall due. The Fund therefore takes steps to ensure it always has adequate cash resources to meet it's commitments. The purpose of the Fidelity multi asset income fund mandate is to ensure a monthly income into the current account. As at 31 March 2023, the Fund had £6.9m (2021/22: £8.5m) in it's on demand deposit account at NatWest Bank plc. The Fund also has access to an overdraft facility for short term cash needs.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those which will take longer to convert into cash. As at 31 March 2023 the value of the liquid assets represented 99.9% of the total fund value (99.9% of total fund value in 2021/22).

Credit Risk

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

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

The table below shows the credit rating of the Fund's money market and bank deposit holdings at 31 March 2023:

Fund/Account	Rating *	31 March 2022 £m	31 March 2023 £m
Money market funds			
BlackRock ICS Sterling Liquidity Fund	AAA	3.5	8.0
BlackRock ICS Sterling Liquidity Environmentally Aware Fund	AAA	1.0	-
Custody and deposit accounts			
Northern Trust Global Services (custody)	AA-	3.3	28.5
Standard Chartered Bank plc	A+	0.1	0.1
NatWest Bank plc	A+	8.5	6.9
Total		**16.4**	**43.5**

*Long term Fitch rating.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly or defaults on its obligations. The Pension Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties.

NOTE 17 – FUNDING ARRANGEMENTS

The LGPS Regulations require that a full actuarial valuation of the Fund is carried out every three years. The purpose of this is to establish that the London Borough of Hounslow Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The latest triennial valuation was carried out by Barnett Waddingham, the Fund's Actuary as at 31 March 2022 in accordance with the Funding Strategy statement of the Fund and Regulation 62 of the Local Government Pension Scheme (Administration) Regulations 2013. Any resulting changes to employer contribution rates will be effective from 1 April 2023. The actuarial valuation report is available at https://www.wypf.org.uk/publications/valuations/hounslow-pension-fund-valuation/ and the Funding Strategy Statement is available at https://www.wypf.org.uk/publications/policy-home/hpf-index/.

Where adjustments to contributions by individual employers are required to make good any deficiency resulting from the change in funding requirement. The Authority has agreed to keep the employers' contribution stable to meet the 100% funding requirement over a period of 10 years from 1 April 2023.

In accordance with the 2019 actuarial valuation, the common rate of contributions for the Fund for the 3 year period from 1 April 2020 to 31 March 2023 is 21.8% of payroll. The common rate of contributions is the rate which, in addition to contributions paid by members, is sufficient to meet 100% of the liabilities arising in respect of service after the valuation.

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

Future assumed returns at 2022	**2022 allocation**	**Neutral assumption (p.a.)**
Gilts	5%	2.0%
Corporate bonds	10%	2.8%
Equities	59%	6.9%
Property	5%	6.4%
Infrastructure	6%	6.4%
Cash plus	15%	5.1%
Less expenses		-0.2%
Neutral return		**5.7%**
Less prudence adjustment		-1.0%
Prudent discount rate assumption		**4.7%**

Financial assumptions	2019	2022
Discount rate	4.7% per annum	4.7% per annum
Consumer Price Inflation (CPI)	2.6% per annum	2.9% per annum
Pension and Deferred Pension increases	2.6% per annum	2.9% per annum
Long - term pay increases	3.6% per annum	3.9% per annum

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

	2019	2022
Actuarial value of liabilities	£(1,034)m	£(1,173)m
Actuarial value of assets	£1,101m	£1,226m
(Deficit)/surplus	£(67)m	£53m
Funding Level	94%	104%

NOTE 18 – ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31 March 2023. The figures have been prepared by Barnett Waddingham, the Fund's Actuary, only for the purposes of providing the information required by IAS26 and are provided in addition to the triennial valuation. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

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

31 March 2022		31 March 2023
£m		£m
(1,940.1)	Present Value of Promised Retirement Benefits	(1,292.3)
1,248.9	Fair Value of Fund Assets (bid value)	1,214.2
(691.2)	**Net Liability**	**(78.1)**

Assumptions

To assess the value of the Fund's liabilities as at 31 March 2023, the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2022 have been rolled forward using financial assumptions that comply with IAS 19.

Demographic assumptions

The demographic assumptions used are consistent with those used for the most recent Fund valuation which was carried out as at 31 March 2022. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 110% for females. These base tables are then projected using the CMI 2021 Model, allowing for a long-term rate of improvement of 1.25% p.a.

The assumed life expectations from age 65 are:

31 March 2022	Life expectancy from age 65		31 March 2023
21.0	Retiring today	Males	21.1
23.5		Females	23.5
22.3	Retiring in 20 years	Males	22.3
24.9		Females	25.0

Financial assumptions

The main financial assumptions are:

31 March 2022		31 March 2023
3.25	CPI increases	2.90
4.25	Salary increases	3.90
3.25	Pension increases	2.90
2.60	Discount rate	4.80

NOTE 19 – LONG TERM DEBTORS

31 March 2022 £m		31 March 2023 £m
0.1	Reimbursement of lifetime tax allowances	0.2
0.1	**Total**	**0.2**

NOTE 20 – CURRENT ASSETS

31 March 2022 £m		31 March 2023 £m
	Debtors:	
0.2	West Yorkshire Pension Fund	0.2
3.1	Contributions due - employers	2.9
1.0	Contributions due - employees	0.9
8.5	Cash balances	6.9
12.8	**Total**	**10.9**

NOTE 21 – CURRENT LIABILITIES

31 March 2022 £m		31 March 2023 £m
	Creditors:	
1.3	Investment management fees	0.3
0.4	PAYE tax due to HMRC	0.5
0.3	Benefits payable	0.8
2.0	**Total**	**1.6**

In 2021/22, investment management fees included accruals for performance related fees of £0.9m. No performance related fees are due for 2022/23.

NOTE 22 – ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

Additional voluntary contributions of £29k were paid directly to Standard Life during the year (2021/22: £26k). Employees can contribute and the Fund acts only as an agent, the contract being between the employee and Standard Life. The value of these separately invested additional voluntary contributions at 31 March 2023 was £300k (31 March 2022: £290k). A further £86.4k is held in policies with Utmost Life and Pensions (formerly Equitable Life), the former provider of AVCs to Fund members. The value of the AVCs with Utmost Life at 31 March 2022 was £133.3k.

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

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

NOTE 23 – RELATED PARTY TRANSACTIONS

The Fund is administered by the London Borough of Hounslow and the Council is therefore a related party to the Fund. During 2022/23, some Fund payments and receipts were made through the Council's General Account as a result of the day-to-day administration of the Fund. At the year end, £3.0m was outstanding from the Council in respect of employer and employee contributions for the month of March 2023 (31 March 2022: £3.2m). These contributions were subsequently received by the Fund on 14 April 2023 (2021/22: 11 April 2022) in accordance with regulations.

The Fund incurred administrative expenses of £0.8m in 2022/23 (2021/22: £0.7m) for Council officers' time spent in administering the Fund.

The Pension Fund is a minority shareholder in London LGPS CIV Limited (the organisation set up to run pooled LGPS investments in London) and, included as long term investments in the net assets statement are shares at cost £150k (31 March 2022: £150k). Fees invoiced to the Fund by LCIV during the year were £157k (2021/22: £129k).

No other material transactions with related parties of the Fund during 2022/23 were identified.

Governance

The Pension Board Members Benjamin Tomlinson (active), Daniel Austin (active), David Carlin (active) and William Cassell (pensioner) were members of the Local Government Pension Scheme (LGPS) during the year.

The Pension Fund Panel member John Wiffen was an active member of the Local Government Pension Scheme (LGPS) during the year.

The S151 Officer Clive Palfreyman (until 12 May 2023) and Robert Meldrum were active members of the Local Government Pension Scheme (LGPS) during the year.

NOTE 24 – CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2023 were £26.4m (31 March 2022: £40m). These commitments relate to outstanding capital call payments due on the renewable infrastructure fund investment with the London CIV. The amounts 'called' by the fund are irregular in size and timing starting from the date of each original commitment until the funds are fully subscribed.

There are no contingent liabilities to report.

NOTE 25 – EVENTS AFTER THE REPORTING DATE

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

PART 6: GOVERNANCE

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority is required to:

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

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Statement of Accounts has also been prepared to comply with the Update to the Code and Specifications for Future Codes for Infrastructure Assets published in November 2022, which provides a temporary relief not to report gross cost and accumulated depreciation for infrastructure assets for accounting periods commencing 1 April 2021.

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

This Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2023. Chief Financial Officer Dated: 1/10/2024	I confirm that these accounts were approved under authority delegated to me at a meeting of the Audit and Governance Committee on 16 July 2024. Chair of the Audit and Governance Committee Dated: 03/10/2024.

London Borough of Hounslow Annual Governance Statement 2022/23

Introduction

The London Borough of Hounslow (the council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government 2016 Edition.

This statement explains how the council has complied with the code and also meets the requirements of regulation 6(2) Accounts and Audit Regulations 2015, in relation to the approval of the Annual Governance Statement. It also highlights how the council's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Finance officer in Local Government (2016).

Key Elements of the Council's Governance Framework

Key Elements of the Council's Governance Framework are:		
Council, Cabinet and Leader • Providing Leadership, develop and set policy. • Support diverse communities and distinctive neighbourhoods to thrive and succeed.	Decision Making • All meetings are held in public. • Decisions are recorded on the council website • All council decisions are supported by detailed officer reports.	Risk Management • Risk registers identify operational and strategic risks. • Key risks are considered by Corporate Leadership Team and reported to Audit and Governance Committee. • Oversight of financial outcomes, governance and key partnership arrangements.
Scrutiny and Review • Scrutiny Committees review council policy and can challenge decisions	CLT • CLT are responsible for overall management of the council. • Head of Paid Service is the Chief Executive who is responsible for all council staff and leading CLT. • The Executive Director of Finance and Resources was responsible for safeguarding the council's financial position as section 151 officer until 14th May 2023, since then it has been the Acting Chief Finance Officer. • The Monitoring Officer is the council's Director of Law and Governance	

How we Comply with the CIPFA/Solace framework

Standard	Council Framework
Behave with Integrity	The council has the following arrangements for behaviour and integrity. Members receive clear guidance and training on the statutory Members’ Code of Conduct and the council’s Members’ Planning Code of Practice. In addition there is a formal council protocol on relationships between Councillors and Officers in place. All Members’ and Officers are required to complete an annual Declaration of Interests statement and a register of Members’ interests, which is updated by Members’, is maintained and published on the Hounslow website. The Employee Code of Conduct is published on the intranet. Organisational values and behaviours to demonstrate expectations with regards approach, attitude and underpinning of our people processes and training interventions. The council has an agreed Constitution which sets out how it operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Constitution was revised on 4 May 2021. The Constitution includes the defined responsibility for functions including the scheme of delegation, rules of procedure including financial regulations and contract procedure rules and Member and Officer Codes of Conduct. The full council appoints a Leader of the council for a four year term who then appoints a Cabinet as the council’s executive. Overview and Scrutiny committees hold the Cabinet to account. Whistle-blowing, anti-fraud and anti-corruption / bribery policies are in place and publicised.

Standard	Council Framework
Engage with Stakeholders	Good governance means engaging with local people and other stakeholders to ensure robust public accountability which is achieved through continuous consultation with and engagement local people and communities in a wide range ways on varied important issues. The following describes how the council achieves this: • The council produces a Corporate Plan which sets out and clearly communicates the vision and strategy for the council to all stakeholders and local communities through multiple channels. • A broad range of communication channels are in place, which are subject to continuous review and improvement to ensure effective reach across all borough communities. • An annual Overview and Scrutiny report is published. • Corporately led programmes of community and stakeholder consultation are in place, supported by service led operational consultations delivered to corporate standards and employing effective and tailored feedback mechanisms. • The council's corporate planning process is supported by a communications strategy and delivery plans. • Clear systems and processes are in place for employee and employee representatives to be consulted and involved in decision making, which are subject to regular review and continuous development.
Define Outcomes	The council has put in place arrangements regarding the key systems and processes that comprise its governance framework. The Corporate Plan (2022-2026) Ambitious for Hounslow defines outcomes by seting out six priorities: ○ A Greener Hounslow ○ A Healthier Hounslow ○ A Cleaner Hounslow ○ A Thriving Hounslow ○ A Safer Hounslow ○ A Liveable Hounslow The Corporate Plan and any amendments or updates to it are considered and approved by Full Council.

Standard	Council Framework
Ensure planned outcomes are achieved	The Council's Delivery Plan is organised into three portfolios, which include the programmes and projects of change and development that have been identified to support the delivery of the council's planned outcomes as set out in the Corporate Plan. All activity within the delivery Plan will follow the One Hounslow Project and Programme Management Approach, which is based on best-practice methodologies. Robust and consistent officer level governance approaches are embedded throughout the Delivery Plan activity with oversight and monitoring provided by the Corporate Leadership Team. Delivery Plan Monitoring Reports are reviewed quarterly by Cabinet and Overview and Scrutiny. The council's review of the effectiveness of its system of internal control is informed by: • Annual Assurance Opinion of the Head of Internal Audit; • Performance against targets; • Annual Assurance Statement; and • A review of the previous year's Annual Governance Statement. The arrangements for the Lampton Group of companies for planning of outcomes are: In March 2022 Cabinet approved implementation of the group business plan for Lampton Group covering 2022-23 to 2026-27 which is to be updated annually. This report also delegated authority to the Executive Director of Finance and Resources to put in place arrangements to support the companies in their delivery of the Business Plan.

Standard	Council Framework
Develop capacity, capability and leadership	Good governance means developing the capacity and capability of members and Officers to be effective. The following describes how the council achieves this: • A framework is in place for the Hounslow Leadership Group, which defines the Leadership qualities and values that are expected from Hounslow Managers. • Individual training and development plans are an integral part of the staff performance system. • There is an extensive & well considered induction process for new Councillors which has internal and external input from subject specialists. There are Mandatory sessions for all Councillors and added onto that are specific training and continuing development activities (Members Development Programme) dependent upon Councillors portfolios. Councillors also have access to external training and development opportunities on an ongoing basis.
Manage risk and performance effectively	The council has the following arrangements to effectively manage risk and performance. The council has an Audit and Governance Committee that provides independent, effective assurance on the adequacy of the council's governance environment including managing risk. The Audit and Governance Committee has clear terms of reference and an annual work programme for internal audit and risk management. The council managed its risks during 2022/23 in accordance with the approved Risk Management Policy and Strategy. The Corporate Leadership Team and Directorate Management Teams formally considered risk regularly. Details of corporate risks will be considered as part of the Corporate Performance process moving forwards. Risk management reports were submitted to the Audit and Governance Committee including an update of the Risk Strategy in January 2022, which was then approved by Cabinet in March 2022.

Standard	Council Framework
	The indicative Internal Audit Plan for 2022/23 presented to the Audit and Governance Committee in Mar 2022 is chiefly based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2022/23. The Council maintains an Internal Audit service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Audit and Investigation has direct access to the Chief Executive, the Executive Director of Finance and Resources (Section151 Officer) and the Chair of the Audit and Governance Committee. The Council has established Directorate Finance and Performance meetings that are chaired by the Chief Executive where financial, performance and other matters are discussed. Each directorate accounts for the key financial and performance issues for their directorate, with a clear focus on financial rigour. Finance representatives also attend these meetings. There is a corporate performance management system and operational framework in place, which is linked to the Corporate Plan, through service corporate plans to individual delivery targets, which are reported to Cabinet. The arrangements in place for Lampton Group to manage risk is through an audit and risk committee with anAn Independent Chair . The audit and risk committee receive reports from internal and external audit. Cabinet also receives quarterly Trading Company Performance reports.

Standard	Council Framework
Demonstrate transparency and accountability	Good governance means taking informed and transparent decisions that are effectively scrutinised and which manage risk. The following describes how the Council achieves this: • The Leader is responsible for determining where executive decisions are to be made and will usually arrange for the discharge of key and other important decisions to be made by Cabinet. Decisions not specifically reserved to Cabinet collectively or individually are delegated to Chief Officers as outlined in Part 3c of the Constitution – Officer Delegations. • All forthcoming Key decisions are published in the Cabinet's Forward Plan and republished every month on the Council's web site. • Reports and minutes of meetings are also published on the Council's web site. This also includes decisions made by individual Cabinet members and decisions made under the urgency provisions. Urgent decisions are reported to the next formal meeting of the Council. • Equality Impact Assessments are completed for all appropriate decisions, an updated training programme was introduced in 2021/22 to increase the consistency of these across the Council. Senior officers' remuneration is published on the council website. Reports and minutes of formal meetings are also published on the council's website.

Inspection and Assessments

During the year no key inspections were undertaken (e.g. Ofsted).

Assurances from Internal and External Audit

The Internal Audit service is a key means of assurance and reviews the adequacy of the controls throughout all areas of the Council.

The Council's Internal Audit service carries out a comprehensive programme of review activity consistent with the Audit Strategy and the Public Sector Internal Audit Standards. The work is based around the core risks faced by the Council and includes significant work on the main financial and information management systems, corporate programmes and partnerships. Based upon the programme of work for 2022/23, the Head of Audit and Investigation's opinion on the Council's control environment, governance arrangements and risk management arrangements are that they are Reasonable*.

External Audit – Mazar's is currently the council's appointed external auditor. As well as an examination of the council's financial statements, the work of the council's external auditor includes an assessment of whether significant arrangements to secure economy, efficiency and effectiveness from the use of resources has come to their attention.

* See Annex A

Governance Issues

Based on the Council's risk management approach, the issues detailed below have been included in the 2022/23 Annual Governance Statement. Issued raised in 2021/22 have either been addressed or are raised again in the table below. We will over the coming year take appropriate steps to address these matters and further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Issue	Actions
Failure in the safeguarding of vulnerable adults.	Competent and well-trained workforce with a systematic approach to recruitment and retention. Business critical data available. Ensure agencies comply with the statutory requirements on safeguarding. Robust quality assurance mechanism.
Weakening of the Council's financial resilience	Robust monthly financial management and wider MTFS process to assess need and demand. Timely financial reporting. Rigorous capital investment processes. Regular benchmarking of financial resilience. Value for money assessment. Collaborative financial planning processes. Refreshed financial planning process being designed for 2024/25.

Failure to implement Adult Social Care legislative reform	Establish and appropriately resource ASC System Reform Programme.
Failure to respond to the SEND Area Review (Written Statement of Action) and deliver against the DfE's Safety Valve initiative (DSG Management Plan)	Ensure the SEND and Alternative Provision (AP) Transformation Programme is designed around the WSOA and Safety Valve planned interventions.
Failure to respond to the recruitment and retention issues in Children and Adult Social Care	Variety of recruitment and retention initiatives - ranging from international recruitment and social work campaigns to draw experienced social workers into Hounslow. Investing in the creation of a Social Work academy to ensure a regular supply of qualified staff.

Conclusion

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

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

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

Signed………………………………………………….

Chief Executive – Hounslow Council

Niall Bolger

Signed…………………………………………….

Leader of the Council

Cllr. Shantanu Rajawat

Annex A

An assurance mechanism is used to reflect the effectiveness of the council's internal control environment. The table below details the four levels of assurance provided:

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

PART 7: GLOSSARY

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

Accounting Policies

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

Actuarial Gains/Losses

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

Available for sale assets

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

Capital Charge

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

Capital Expenditure

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

Cash

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

Cash Equivalents

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

Contingent assets and liabilities

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

Credit Risk

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

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

Consolidation

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

Contingent Liability

A contingent liability is either:

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

Corporate and Democratic Core

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

Current Service Cost (Pensions)

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

Defined Benefit Scheme

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

Depreciation

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

EIR (Effective Interest Rate)

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

Emoluments

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

Finance Lease

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

Fixed Assets (or non-current assets)

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

Government Grants

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

Impairment

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

Infrastructure Assets

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

Intangible assets

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

Investment Properties

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

Liquid Resources

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

Loans and receivables

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

LOBO

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

Minority Interest

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

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

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

Non distributable Costs

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

Non-Operational Assets

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

Operating Leases

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

Operational Assets

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

Past Service Cost

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

Projected unit method

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

Property, Plant and Equipment

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

Provisions

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

Related Party Transaction

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

Revenue Expenditure Funded From Capital Under Statute (REFCUS)

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

Stocks

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

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

Subsidiary

An entity is a subsidiary of the reporting authority if:

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

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

Report on the audit of the Pension Fund financial statements

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

We have audited the financial statements of London Borough of Hounslow Pension Fund (‘the Pension Fund’) for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023, and the amount and disposition of the Pension Fund’s assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Chief Financial Officer is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit and Governance Committee, as to whether the Pension Fund is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

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

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

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

We are also required to conclude on whether the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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

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

We are required by the Code of Audit Practice to report to you if:

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

We have nothing to report in these respects.

Use of the audit report

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

Suresh Patel

4 October 2024

Suresh Patel, Key Audit Partner
For and on behalf of Forvis Mazars LLP
30 Old Bailey, London, EC4M 7AU

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of London Borough of Hounslow (‘the Council’) and its subsidiaries (‘the Group’) for the year ended 31 March 2023, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, Housing Revenue Account, the Movement on the Housing Revenue Account Statement, Collection Fund Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (“the Code Update”), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2023 and of the Council’s and the Group’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of the Chief Financial Officer’s Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Chief Financial Officer is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit and Governance Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;

- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council and the Group which were contrary to applicable laws and regulations, including fraud;

We evaluated the Chief Financial Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to list the balances/ classes of transaction where you identified a fraud risk relating to a significant accounting estimate], and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

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

We are also required to conclude on whether the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in this respect.

Responsibilities of the Council

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

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

We are required by the Code of Audit Practice to report to you if:

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

We have nothing to report in these respects.

Use of the audit report

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

Delay in certification of completion of the audit

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

Suresh Patel

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

30 Old Bailey
London
EC4M 7AU

Date: 04 October 2024