London Borough of Enfield

Statement of Accounts 2018/19

FAY HAMMOND
ACTING EXECUTIVE DIRECTOR OF RESOURCES

ENFIELD Council

www.enfield.gov.uk

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STATEMENT OF RESPONSIBILITIES

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Council, that officer is Fay Hammond, the Acting Executive Director of Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

THE EXECUTIVE DIRECTOR OF RESOURCES' RESPONSIBILITIES

The Acting Executive Director of Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

In preparing this Statement of Accounts, the Acting Executive Director of Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Acting Executive Director of Resources has also:

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

CERTIFICATION BY THE ACTING EXECUTIVE DIRECTOR OF RESOURCES

I certify these Statement of Accounts give a true and fair view of:

- The Financial Position of the Authority as at 31 March 2019, and
- The Authority's Income and Expenditure for financial year 2018/19

Signed

Fay Hammond

Fay Hammond
Acting Executive Director of Resources

16 December 2019

Cllr Mahym Bedekova
Chair, Audit & Risk Management Committee

16 December 2019

1. INTRODUCTION

The Statement of Accounts summarises the financial performance for financial year 2018/19 and the overall financial position of the Council. This Narrative Report explains the most significant matters reported in the accounts and provides a simple summary of the Council's overall financial position.

The Statement of Accounts for 2018/19 has been prepared on an International Financial Reporting Standards (IFRS) basis. The framework within which these Accounts are prepared and published is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

The key financial statements set out within this document include:

- **Movement in Reserves Statement (MiRS)** – this statement sets out the movement on the different reserves held by the Council which are analysed into usable and unusable reserves. It analyses the increase or decrease in net worth of the Council as a result of incurring expenses, gathering income and from movements in the fair value of the assets. It also analyses the movement between reserves in accordance with statutory provisions.
- **Comprehensive Income and Expenditure Statement (CIES)** – this statement brings together all the functions of the Council and summarises all the resources it has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and the ability to divert particular expenditure to be met from capital resources.
- **Balance Sheet** – this records the Council's year-end financial position. It shows the balances and reserves at the Council's disposal, its long-term debt, net current assets or liabilities, and summarises information on the non-current assets held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council can use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council cannot use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** – this summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue.
- **Notes to the Financial Statements** – the notes provide more detail about the items contained in the key financial statements, the Council's Accounting Policies and other information to aid the understanding of the financial statements.
- **Housing Revenue Account (HRA)** – this records the Council's statutory obligation to account separately for the cost of the landlord role in respect of the provision of Council Housing.
- **Collection Fund** – the Council is responsible for collecting Council Tax and local Business Rates.

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

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

2. REVIEW OF THE YEAR

Following the local elections in May 2018 a new leader and Cabinet were elected and a new Corporate Plan "Creating a Lifetime of Opportunities in Enfield" was approved by Cabinet in September 2018 and published to set out Enfield Council's vision, aims and priorities for the next four years. The three key priorities and strategic aims of the new Council are

- Good homes in well-connected neighbourhoods
- Sustain strong and healthy communities
- Build our local economy to create a thriving place

In setting the budget for 2018/19 the Council made the decision to reduce the impact of funding cuts on services through raising Council Tax by the maximum allowed within the referendum limit. For 2018/19 this was 2.99% plus a 1% Adult Social Care precept. These increases plus a package of savings measures enabled the Council to set a balanced budget at the Council meeting on February 27th, 2019, whilst protecting key frontline services.

The Local Government Finance Settlement (LGFS) 2018 confirmed the course the Government had set in the 2015 Spending Review, including the significant funding cuts set out in the four-year settlement for 2016/17 to 2019/20. The continuation of one-off funding in the form of social care grants results in further uncertainty over future funding alongside the ending of the current Spending Review Period and the four-year funding settlement deal.

The Government is also consulting on proposals to move from the 50% Business Rates retention system to 75% retention from 2020/21. There are also plans for a full business rates reset from 2020 as part of the review of local government funding. A number of 100% pilot schemes were agreed for 2018/19 in advance of the national roll out of the new system and Enfield participated in the London Pilot Pool for Business Rates Retention for 2018/19, which included all London Boroughs and the GLA.

The terms of the 2018/19 pool were based on 100% retention of new growth above the baseline, split 64% London Boroughs and 36% GLA, and a "no detriment" clause guaranteeing that participants can be no worse off than under the previous 67% retention scheme, which was distributed 30% to London Boroughs and 37% to GLA. Enfield's share of the additional growth across London was based on the total growth to be distributed and is a net £4.7m benefit. Enfield has also opted to participate in the second year of the London Pilot Pool for Business Rates Retention in 2019/20.

The first phase of the £6billion Meridian Water development, which will deliver significant numbers of homes and jobs, alongside world-class public spaces, community facilities and road and rail networks, was provisionally agreed by Enfield Council's Cabinet on 24th April 2019. The first tranche of homes will be delivered by development partner Galliford Try Partnerships, who were considered, after a robust evaluation of four very strong bids, to be best placed to deliver on value, quality, design and financial robustness.

The first homes, which will include a significant number of affordable homes, will be built by 2022. These will be complemented by new public squares, shops and leisure facilities. The new homes will be delivered around the new Meridian Water train station, which opened in June 2019 and will serve up to four million rail passengers a year. Outline planning permission is already in place for the new homes, with construction enabling work having started in January 2017.

In March Children's Services underwent an Ofsted inspection which judged them to be "good" in all areas. This is the most positive outcome Enfield Council has ever achieved following an inspection of Children's Services. This confirms our position within the top third of local authorities for performance in this area despite the significant financial challenges and increasing pressures we are experiencing. This is a great achievement considering that Children's Services receive 1000s of referrals every month from people worried about the welfare of children and operate around the clock every day of the year.

The Corporate Performance Scorecard, which was presented quarterly to the Executive Management Team (EMT) and Cabinet, contained performance measures that are grouped under the Council's three strategic aims (see above).

At the end of March 2019, 92 performance indicators were reported, of which 82 have targets. Of these, 41 (50%) are at green; 18 (21.9%) are at amber; and 23 (28%) are at red[1], in spite of decreasing resources and increasing demand. Those rated red include crime targets over which the Council has no control, but which are provided for information and to inform our discussions with the Metropolitan Police

The Council continues to set stretching targets, which means that not all targets will automatically be hit each year. In striving to continually improve performance, comprehensive performance reports are considered regularly by Departmental Management Teams and dedicated performance boards where underperformance is analysed in more detail; the reasons for variance in performance discussed; and, where there is under-performance, mitigating actions put in place. Portfolio holders are also briefed regularly on the performance of services in their areas of responsibility.

As a result, 50% of all performance indicators met or exceeded their targets in 2018/19 despite increasing demand and continuing financial restraints. This represents a real achievement in a challenging environment.

3. KEY FACTS ABOUT ENFIELD

We are a Labour Party controlled local authority with 63 Councillors, representing 21 wards.

London's most northerly borough, Enfield is 12 miles from the centre of London and covers an area of 31.7 square miles.

Our population which was estimated at 332,705 at mid-year 2017 (ONS) is forecast by the ONS to exceed 350,000 by 2022.

Within the general population large and increasing numbers of elderly, homeless families and children are resulting in forecasts of increasing cost pressures. For example, the total population of over 65-

[1] Performance is rated at green if it is on or exceeding the target; amber where the target has been narrowly missed; and red where performance is significantly below the target set for the year.

year olds is forecast to rise by 7.6% from 43,900 in 2018 to 47,250 by 2022, with a 10% rise in over 85-year olds.

Enfield has a higher proportion of adults aged 20 to 44 years than the England average, but a significantly lower proportion than in London on average.

Enfield is the 5th most populous amongst the 33 London boroughs, based on their mid-year population estimate, with proportionately more children and young people under 20 than in both London and England overall.

Enfield is the 12th most deprived borough in London on the 2015 Indices of Multiple Deprivation (IMD) rank of score measure.

According to official HMRC statistics, as of 2015 (the latest date for which this information is available), 19,025, or 22.0%, of all dependent children in Enfield are in low-income families. The definition of 'low income' in this case is receiving 60% or less of median income or on out-of-work benefits and this measure includes families where parents are working, as well as those in receipt of out of work benefits alone. In the United Kingdom as a whole, the proportion of children in low-income families is 16.9%, and the London-wide average is 19.0%. Enfield's proportion is the 10th highest of all London boroughs.

Enfield is a diverse place, which has welcomed people from across the world. Based on the 2017 Enfield Ethnicity estimates, residents from White British backgrounds make up 34.77% of Enfield's inhabitants with other White groups at 25.23%, Other Ethnic Groups at 6.14%, Mixed Groups at 5.34%, Asian Groups at 10.24% and Black groups at 18.28%.

The 2017 School Census records 180 languages or dialects that are spoken by pupils who live in Enfield.

Life expectancy summarises the mortality pattern across all age groups and therefore reflects the overall mortality level of a population. It can be defined as the average number of years a person would live, if he/she experienced an area's mortality rates throughout his or her life.

The latest available local estimates from the ONS (Life Expectancy at Birth 2014-2016) suggest that life expectancy at birth for males born in this period in Enfield is 80.1 years, which is slightly below the London average (80.4 years) but above the UK average (79.2 years).

Female life expectancy in Enfield is 84.5 years, while the London and UK averages are 84.2 years and 82.9 years respectively.

As at June (Quarter 2) 2018, Enfield housed 3,466 households in temporary accommodation – the 2nd highest number in the country (Source: MHCLG). This included 5,705 children or expected children in temporary accommodation, the 2nd highest number in the country.

Enfield Council:

- maintains over 364 miles of highways and 130 parks and open spaces
- runs 17 libraries, 4 museums and 3 theatres
- provides 10,260 council homes
- recycles over 44,000 tons of waste every year and collects a further 88,000 tons of non-recycled waste (DEFR, 2016-17)
- provided long term support for over 5,300 adults
- looks after 346 children who are in our care (May 2018)
- is delivering a range of regeneration initiatives, including the £6bn, 80-hectare Meridian Water scheme which will provide up to 10,000 homes and 3,000 jobs
- operates 4 leisure centres, a pool and a bowls hall via a contract with leisure provider Fusion

4. FINANCIAL PERFORMANCE

Revenue Budget Outturn 2018/19

The final outturn position for the year against the revised budget is set out in Table 1 below, together with the sources of income from which the Council's net revenue expenditure was financed.

Table 1: Revenue Outturn Position 2018/19**

	Budget £m's	Net Spend £m's	Outturn Variance £m's
Chief Executive	9.4	8.9	(0.5)
People	117.4	124.8	7.4
Place	29.5	32.7	3.2
Resources	39.1	42.4	3.3
Service Net Costs	**195.4**	**208.8**	**13.4**
Corporate	32.5	24.3	(8.2)
Net Expenditure	**227.9**	**233.1**	**5.2**
Expenditure financed by:			
Business Rates	(98.4)	(98.4)	0.0
Collection Fund	(4.2)	(4.2)	0.0
Other non-ring-fenced Government Grants	(4.2)	(5.4)	(1.2)
Council Tax	(121.1)	(121.1)	0.0
Transfer from Reserves	-	(4.0)	(4.0)
General Fund Corporate Financing	**(227.9)**	**(233.1)**	**(5.2)**

**July 2019 Cabinet reported outturn was £232.3m, which excluded £0.8m under corporate identified during audit

Demographic and cost pressures together with unachieved savings resulted in service overspends of £13.4m in 2018/19. This was partially offset by savings in corporate budgets, in particular in treasury costs where the Council continues to benefit from low interest rates. The LGFS announced the distribution of surplus funds in the Business Rates Levy pot and Enfield received a grant of £1.2m which had not been expected or budgeted for; this has partially offset the service overspends. The remaining overspend was funded by a drawdown of £4.0m from corporate reserves. Use of one-off funding is not sustainable in the long term and the 2019/20 budget attempts to address this by allocating additional budget to areas suffering ongoing pressures.

During 2018/19 the Council's revenue expenditure against budget was monitored monthly and reported quarterly to Cabinet. Many of the pressures which are reported in the 2018/19 outturn were identified in monitoring during the year and addressed as part of the budget setting process for 2019/20. Where it was considered that pressures could not be contained through management action additional resources have been allocated in the 2019/20 budget. This aims to put the budget on a more sustainable footing going forward and other areas considered to be at risk will be closely monitored through 2019/20 by means of the quarterly monitoring reports. The Council is committed to containing its expenditure within budget and, where pressures become evident, action is taken in year to minimise the impact on the overall position whilst ensuring that the delivery of key services is not jeopardised.

Further savings totaling £13.1m were agreed as part of the 2019/20 budget and a rigorous risk-based monitoring of savings will be continued and further developed in 2019/20. This aims to ensure early identification of potential shortfalls, with regular reporting to EMT and Cabinet on the progress in achieving savings. The Council's General Fund balance at 31st March 2019 remains the same as 31st March 2018 at £14.0m (excluding Earmarked Reserves and balances attributable to schools' delegated budgets). This has been assessed by the Acting Executive Director of Resources as being the minimum needed to protect the Council from future financial risks. Although it was necessary to drawdown funds from reserves to balance the outturn, some planned contributions to reserves were achieved at year end, including contributions made to the Minimum Revenue Provision reserve and the Collection Fund (business rates) reserve which will increase the Council's financial resilience going forward.

Information is provided in Note 22, the Expenditure and Funding Analysis, to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with 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 generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES), meaning that the financing and surplus figures reported above are not the same as those reported in the CIES. This is because of a number of accounting entries, such as depreciation, that are required to be reflected in the CIES are reversed out through the Movement in Reserves Statement (MIRS) under statutory regulations.

Housing Revenue Account

The Statement of Accounts also includes the ring-fenced Housing Revenue Account (HRA) which is used for the provision of council housing. The HRA consists of expenditure on council-owned housing, which is paid for by rental income. Since 2012 the HRA has been self-financing and operates a thirty-year business plan. There is a statutory requirement to keep the HRA separate from other housing activities in accordance with Part VI and Schedule 4 of the Local Government and Housing Act 1989. Schedule 4 of the 1989 Act prescribes all the income and expenditure items that are to be included in the Housing Revenue Account. In addition, there is a requirement not to allow cross-subsidy to or from, the General Fund.

The HRA general balance, excluding Earmarked Reserves, reduced by £2.0m in 2018/19 (although, due to a prior period adjustment the closing balance of 2017/18 had to be reduced by £0.4m). Transfers from Earmarked Reserves totalled £1.4m for the year, this being mainly due to the contribution to regeneration schemes. This reduction in reserves is planned and built into the 30-year business plan. The full details of the HRA and the movements on that account are set out on pages 87-90.

Borrowing

The Council undertakes long term borrowing for periods in excess of one year in order to finance capital spending and to replace maturing debt. The Council satisfies its borrowing requirement for this purpose by securing external loans. The Council is able to temporarily defer the need to borrow externally by using the cash it has set aside for longer term purposes; this practice means that there is not a direct link between the need to borrow to pay for capital spend and the level of external borrowing. The effect of using the cash set aside for longer term purposes to temporarily defer external borrowing is to reduce the level of cash the Council has available for investment. This strategy provides better value for money in periods of low interest rates such as we are currently experiencing.

In 2018/19, the Council has borrowed £148.2m towards the cost of financing the General Fund Capital Programme bringing total debt outstanding to £845m. In addition, the Council renewed £5m loans to the Council's wholly owned company Housing Gateway Ltd (HGL) to purchase property to help meet increasing demand for temporary accommodation. The total lent to HGL is £113.9m. The Council also increased its loan to Lee Valley Heat Network by £2.9m, to a total outstanding of £8.9m at year end.

Investment Strategy

The Council's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy, outlines its investment priorities as the security and liquidity of its capital. The Council aims to achieve the optimum return on deposits commensurate with appropriate levels of security and liquidity. In the current economic climate, it is considered appropriate to keep deposits short term, and only deposit with high credit rated financial institutions. A list of counterparties with whom funds could be invested was compiled with reference to the credit ratings issued by the credit agencies Fitch, Moody's and Standard and Poor's. By the end of 2018/19, net borrowing had increased by £125.5m to £807.3m, with investments increasing from £15m to £37.7m.

5. FORWARD LOOK

Medium Term Financial Plan

The Medium Term Financial Plan (MTFP) is based on an analysis of the key influences on the Council's financial position and an assessment of the main financial risks facing the Council. The financial forecast set out in the table below models income and expenditure and resources available over the next four years, and is considered to be the most likely outcome based on forecasts and assumptions for pay and price inflation, etc.

Table 2: Medium Term Financial Plan

	2019/20 £m's	2020/21 £m's	2021/22 £m's	2022/23 £m's
Council Tax Base Provision	121.1	127.3	130.2	133.3
Inflation / Pay Awards	5.1	4.5	4.5	5.2
Other Costs	19.8	5.2	2.6	3.0
Savings Identified	(16.5)	(0.6)	(1.1)	(0.5)
Reductions in Core Government Funding	1.2	0.0	3.0	0.0
Additional Social Care Funding	(5.3)	3.5	0.0	0.0
Budget Gap -savings still to be found	0.0	(12.0)	(5.9)	(4.7)
Collection Fund	2.9	1.3	0.0	0.0
Use of Reserves	(1.0)	1.0	0.0	0.0
Council Tax Requirement	**127.3**	**130.2**	**133.3**	**136.3**
% Council Tax Charge Change	**3.99%**	**1.99%**	**1.99%**	**1.99%**

The Final Local Government Finance Settlement (LGFS) was announced on 29th January 2019. The settlement confirmed real terms cuts to Settlement Funding Assessment (SFA) of 6.5% across London and nationally in 2019/20 and cumulative real terms cuts to core funding of 63% across London between 2010 and 2020. The announcement in the Autumn Budget 2018 of additional one-off funding was also confirmed, with a national allocation of £240m for winter pressures in both 2018/19 and 2019/20 and further one-off funding of £410m nationally for social care (Social Care Support Grant), which can be used to address adults or children's social care pressures. Enfield's allocation from these pots was confirmed in the LGFS as £1.3m in each year for Winter Pressures Grant and £2.2m for the Social Care Support Grant, which has been allocated 50:50 to Adults' and Children's Services in the 2019/20 draft budget. In addition, a further £1.2m has been allocated to Adult Services in respect of the additional Council Tax raised from increasing the ASC precept by 1%.

In setting the 2019/20 budget the Council has focussed attention on delivering a resilient budget in the face of a significant amount of financial uncertainty in the forthcoming years. In 2020/21 there is the prospect of a Business Rates reset, the implementation of Fair Funding and also the expected Spending Review 2019 (SR19) as we come to the end of the existing Spending Review Period. Whilst for the past four years there has been continued austerity and reduction in government funding, there has at least been some certainty across the period due to the four-year funding deal. This uncertainty hampers meaningful financial planning at a time when central government grant funding is the lowest it has been for decades whilst demand pressures are increasing.

The 2019/20 budget gives the Council a solid foundation on which to meet these challenges. There has been an extensive review of existing underlying spend pressures and savings targets that the Council has committed to and where appropriate these have been built back into the budget. Also built into the budget are investments in line with the Corporate Plan, most notably £1m for Children's Social Care and £0.5m to fund an enhanced mentoring programme and data analytics to enable targeted early intervention for young people at risk of involvement in serious youth violence, with a further £0.5m committed for 2020/21. There has been a need for savings, and these will largely be delivered through efficiencies and income generation with the more vulnerable sectors of our community being protected from the reductions.

Enfield has opted to participate in the second year of the London Pilot Pool for Business Rates Retention in 2019/20. The revised terms of the 2019/20 pool arrangements include a reduction from 100% to 75% retention and the removal of the 'no detriment' clause. Despite these disappointing changes it is expected that the potential financial benefit, compared to having no pilot, continues to be significant. From 1 April 2019, as part of the 75% London pilot scheme Enfield will retain 48% of business rates growth above the baseline, GLA will retain 27% and Central Government will take the remaining 25%. Latest modelling by London Councils indicates that Enfield's share of the growth could amount to around £3m in 2019/20.

Enfield will also receive section 31 grants in respect of government changes to the business rates system which reduce the level of business rates income such as the decision to change the annual uprating of the NNDR multiplier from RPI to CPI from April 2018. With the 75% Business Rates retention pilot, the MHCLG will no longer pay Revenue Support Grant (RSG), as this element will be replaced by Business Rates retention.

Demographic cost pressures are one of Enfield's main challenges over the medium term and there are forecast cost increases built into the MTFP to reflect this. London's population is growing twice as fast as that of the rest of the country, and the cost of meeting this demand is rising at a time of ever decreasing resources for doing so. London Councils estimate that London Boroughs face a total funding shortfall of at least £1.5 billion per annum by 2020. Enfield's population which was estimated at 332,705 at mid-year 2017 (ONS) is forecast by the ONS to exceed 350,000 by 2022. Within the general population large and increasing numbers of elderly, homeless families and children are resulting in forecasts of increasing cost pressures For example, the total population of over 65-year olds is forecast to rise by 7.6% from 43,900 in 2018 to 47,250 by 2022, with a 10% rise in over 85-year olds. 13,791 over 65-year olds are forecast to be unable to manage at least one domestic task and 13,623 are forecast to be unable to manage at least one self-care activity on their own in 2022.

These rapid demographic changes have created pressures across core services. The very real pressures in Adult Social Care have been much publicised but it is also important to recognise that other growing demands, including services for children and the homeless, present as great or greater financial threats. The number of people approaching the Council for assistance with homelessness in 2018/19 rose by 20% to 3526 while the total households in temporary accommodation at the year-end had increased by 5% to 3410, including 5670 children.

For 2019/20 a general Council Tax increase of 2.99% per annum plus 1% for the Adult Social Care precept was agreed at Council in February 2019. Increases of 1.99% per annum are included in the MTFP from 2020/21 pending further government notifications on the referendum limit after 2019/20. The remaining funding gaps in future years demonstrates the difficult service decisions ahead in the new spending review period. The 2020/21 budget process aims to produce a 5 year MTFP with savings identified to balance the budget over this period to increase sustainability.

The Schools' Budget

The Dedicated Schools Grant (DSG) for 2018/19 totalled £223.86m (after academy recoupment). DSG is a ring-fenced grant, the majority of which is delegated to schools, as Individual Schools' Budgets. It also funds Early Years, High Needs provision and certain central education services provided by the Council such as admissions.

The DSG had a brought forward deficit of £1.5m from 2018/19 but this moved to a surplus of £1.1m by 31st March 2019, although outstanding recoupment and early years adjustments due to be processed in 2019/20 will reduce this to a net surplus of £0.4m. This improvement is due to additional DSG; funding from the Education and Skills Funding Agency (ESFA); underspends in some areas and a delay in the start of additional in borough provision planned for 2018/19, which resulted in an in-year underspend of £2.6m. The authority is continuing to work on various initiatives to develop additional in borough special education provision which will reduce the number of children being educated in independent out borough provision and reduce costs in the longer term.

Enfield's initial 2019/20 DSG settlement was announced on 18th December 2018 as £334.187m which represents a 0.8% increase on the 2018/19 DSG and 4.2% increase on the 2017/18 DSG. The Early Years Block allocations for 2, 3- and 4-year olds are based on January 2018 data and will be updated during 2019/20 to reflect January 2019 census data. The DSG allocation will be adjusted during 2019/20 to reflect the January 2019 census for early years and academy recoupment.

In August 2017, the Government confirmed that they would continue with their proposal to implement a National Funding Formula (NFF) for the Schools and High Needs Blocks. The Government provided £1.3m over 2 years to support this implementation and Enfield received an additional £7m in 2018/19 and £3m in 2019/20. Overall Enfield is a net gainer from the NFF (2%) but this varies on an individual school basis as the NFF targets funding to deprivation factors and moves funding from primary to secondary sectors. From 2017/18 a 'soft' NFF was introduced so local authorities' allocations were based on the NFF, but authorities had some local flexibility regarding the distribution of these funds. There is, however, very limited flexibility to move funds between blocks and other than an allowable 0.5% transfer to the High Needs Block, funding received in the Schools Block must all be delegated to schools.

In Enfield, various funding formula options were considered and following a consultation process with schools we moved approximately 50% towards NFF unit rates. In July 2018, the Department for Education confirmed that they would continue with the use of a 'soft' NFF for 2019/20 and 2020/21 as they were satisfied with the progress that individual local authorities had made in moving towards the NFF.

Under Department for Education regulations, certain specific decisions relating to the distribution of the DSG funding are subject to consultation with the Schools Forum, with the Council making the final decision on the allocation of available resources taking account of any recommendations made by the Schools Forum. Following a second consultation exercise with schools, Schools Forum agreed at the 16th January 2019 meeting to move further towards NFF values in 2019/20 with full implementation in 2020/21. To support a smooth transition to the NFF, the 2019/20 formula allocations include a -0.6%

minimum funding guarantee and 2.5% gains cap, so no school will lose more than 0.6% per pupil between 2018/19 and 2019/20.

The draft 2019/20 School's Budget was agreed by Schools Forum on 16th January 2019, which confirmed agreement of the School Block formula funding allocations prior to submission of the data to the ESFA by their deadline of 21st January 2019. There are ongoing risks in the school's budget for 2019/20 mainly due to the ongoing increase in numbers of children presenting with special educational needs (SEN).

6. CAPITAL EXPENDITURE AND INCOME

The table below shows the capital expenditure incurred and funding applied in 2018/19 compared to the approved programme (projection as at Quarter 3). The capital outturn will require some re-profiling of the capital programme which will impact on the 2019/20 and future years' budgets.

Table 3: Capital Expenditure

	Projected £m's	Outturn £m's
Community Safety	0.2	0.2
Corporate Buildings and Improvements	2.9	2.0
Council Dwellings	75.9	69.1
Housing Grants	2.5	2.1
Housing Regeneration Projects	44.0	50.1
IT Infrastructure and Programmes	10.4	8.7
Leisure and Culture	0.1	0.1
Parks and Open Spaces	2.4	2.0
Regeneration Projects	2.9	4.1
Residential and Day Care Services	0.6	0.5
Schools and Educational Establishments	17.3	20.4
Housing Development Projects	5.5	9.9
Transport and Environmental Schemes	24.9	24.5
Total Capital Expenditure in 2018/19	**189.6**	**193.7**
Sources of Finance:	**Projected £m's**	**Outturn £m's**
Borrowing	31.1	20.4
Borrowing funded by Deferred Capital Receipts	44.0	52.7
Capital Grants & Contributions	31.8	43.2
Capital Receipts	13.6	19.1
Earmarked and Capital Reserves	43.4	31.0
Major Repairs Reserves	17.5	27.3
Revenue Contribution	8.2	0.0
Total Capital Funding 2018/19	**189.6**	**193.7**

The principal elements of expenditure for the 2018/19 capital programme were expenditure on improving, maintaining and regenerating council housing stock through the Housing Revenue Account (HRA), continuing investment in the Council's flagship regeneration scheme, Meridian Water and further investment in school buildings to help meet increasing demand.

Investment in Council Housing during 2018/19 included maintenance of existing Council homes as well as regeneration of existing estates, including Alma, Ladderswood and New Avenue. Work has continued on the Meridian water project, with the construction of the station almost complete. Other areas of investment during 2018/19 were in ICT, where over 2,000 laptops and devices were replaced, and the replacement of elements of the Council's vehicle fleet with a view to reducing the Council's carbon footprint.

The Council generated new General Fund capital receipts in the year of £6.1m (net of disposal costs). In addition, net receipts of £11.8m were received from the sale of council housing stock under Right to Buy provisions, of which £1.4m is payable to the Government under the housing finance regulations.

The Council's Capital Financing Requirement (CFR), which represents the amount of accumulated capital expenditure to date for which resources have yet to be set aside, has increased from £889.1m to £952.8m during the year. The increase is reflected in the amount of capital expenditure funded from borrowing shown in Table 3 less the reduction in debt as set out in Note 34. The CFR is made up debt relating to the HRA (£157.7m) and General Fund (£795.1m). The Council has kept its use of borrowing within its existing plans agreed in the budget setting process and has provided for the statutory Minimum Revenue Provision for the repayment of debt in the MTFP. The Housing Revenue Account CFR is managed through the HRA Business Plan under the HRA Self-Financing framework.

At 31st March 2019, the Council had capital resources available to fund future expenditure of £29.3m (unapplied capital grants) and £9.4m (unapplied capital receipts).

7. PENSION LIABILITY

The Statement of Accounts incorporates in full the accounting requirements of IAS19 (Employee Benefits) as contained in the Local Authority Code of Practice on Local Authority Accounting. Further information and details are provided in Note 39 to the Core Financial Statements.

The Pension Liability reflects the underlying long-term commitments that the Council has to pay retirement benefits. The net pension liability has increased from £555.1m at 31 March 2018 to £583.3m as at 31 March 2019. This deleterious movement of £28.2m is predominantly due to a legal judgement ruling that further pensions obligations have arisen. This is explained further in Note 9.

Adjustments made to comply with accounting standard IAS19 have had the following effect on the 2018/19 Comprehensive Income and Expenditure Statement:

- Reported expenditure within the Net Cost of Services has been increased by £42.7m. Of this figure, £5.0m of this represents the difference between employer's pension contributions made in the year compared with the cost of pension benefits actually earned and £37.7m relates to past service costs associated with former employees (and £37m relates to the exceptional legal judgement);

- A charge for Net Interest Cost on the Defined Benefit Liability – which forms part of Financing and Investment Income and Expenditure in the CIES, of £14.0m. This represents the interest on the present value of scheme liabilities and interest on the net changes in those liabilities over the period; and

- Under Other Comprehensive Income & Expenditure, Net actuarial re-measurement gains of £28.4m have been recognised on the re-measurement of the net defined Pension Liability.

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

8. CHANGES IN ACCOUNTING POLICIES AND PRIOR PERIOD ADJUSTMENTS

The Accounts have incorporated new accounting standards IFRS 9 – Financial Instruments and IFRS 15 Revenue from Contracts with Customers as applicable.

There have been significant prior period adjustments, and these are explained in detail in Note 43.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF ENFIELD

Opinion on the financial statements

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

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council'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

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

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

Other information

The Acting Executive Director of Resources' is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. 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.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion on use of resources

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2017, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Responsibilities of the Acting Executive Director of Resources and the Council

As explained more fully in the Statement of the Acting Executive Director of Resources Responsibilities, the Acting Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which comprises 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, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Acting Executive Director of Resources is responsible for assessing the Council's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations of the Council or group or has no realistic alternative but to do so.

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 audit of the financial statements

In respect of our 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.

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

Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place 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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack and also the work necessary to conclude on objections to the accounts received from local government electors in respect of the audit of the Council's accounts for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our use of resources conclusion.

Use of our report

This report is made solely to the members of London Borough of Enfield, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. 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 Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

David Eagles
For and on behalf of BDO LLP, Appointed Auditor
Ipswich, UK

19 December 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

MOVEMENT IN RESERVES STATEMENT

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

MOVEMENT IN RESERVES STATEMENT 2018/19*

	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£m's	£m's	£m's	£m's	£m's	£m's	£m's	£m's
Balance 31 March 2018 (Restated)	**(81.7)**	**(20.2)**	**(20.9)**	**(13.0)**	**(30.0)**	**(165.8)**	**(701.8)**	**(867.6)**
Movement in Reserves during 2018/19:								
Total comprehensive income and expenditure	145.5	(5.5)	0.0	0.0	0.0	140.0	(64.2)	**75.8**
Adjustments between accounting basis and funding basis under regulations - Note 10	(156.1)	8.9	11.5	13.0	0.7	(122.0)	122.0	**0.0**
(Increase)/decrease in year	(10.6)	3.4	11.5	13.0	0.7	18.0	57.8	**75.8**
Balance 31 March 2019	**(92.3)**	**(16.8)**	**(9.4)**	**0.0**	**(29.3)**	**(147.8)**	**(644.0)**	**(791.8)**

MOVEMENT IN RESERVES STATEMENT 2017/18*

	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m's	£m's	£m's	£m's	£m's	£m's	£m's	£m's
Balance 1st April 2017	**(63.2)**	**(29.8)**	**(25.0)**	**(14.7)**	**(34.3)**	**(167.0)**	**(716.2)**	**(883.2)**
Movement in Reserves during 2017/18:								
Total comprehensive income and expenditure	51.0	(25.7)	0.0	0.0	0.0	**25.3**	(9.7)	**15.6**
Adjustments between accounting basis and funding basis under regulations - Note 10	(69.5)	35.3	4.1	1.7	4.3	**(24.1)**	24.1	0.0
(Increase)/decrease in year	(18.5)	9.6	4.1	1.7	4.3	**1.2**	14.4	**15.6**
Balance 31 March 2018	**(81.7)**	**(20.2)**	**(20.9)**	**(13.0)**	**(30.0)**	**(165.8)**	**(701.8)**	**(867.6)**

*Restated as per Prior Period Adjustment, Note 43

Perry Hammond
18.12.2019

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

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

Note	On its services the council spent:	2017/18* Gross Expenditure £m's	2017/18* Gross Income £m's	2017/18* Net Expenditure £m's	2018/19 Gross Expenditure £m's	2018/19 Gross Income £m's	2018/19 Net Expenditure £m's
	Chief Executive	14.7	(7.1)	7.6	18.6	(2.7)	15.9
	People	491.1	(360.0)	131.1	501.2	(354.3)	146.9
	Place	149.7	(91.6)	58.1	157.5	(89.8)	67.7
	Resources	419.3	(338.4)	80.9	375.2	(318.2)	**57.0**
	Corporate	0.8	(0.3)	0.5	37.0	(0.2)	36.8
	Total General Fund Services	**1,075.6**	**(797.4)**	**278.2**	**1,089.5**	**(765.2)**	**324.3**
	Housing Revenue Account (HRA)	**50.0**	**(68.5)**	**(18.5)**	**65.7**	**(70.1)**	**(4.4)**
	Total Cost of Services	**1,125.6**	**(865.9)**	**259.7**	**1,155.2**	**(835.3)**	**319.9**
5	Other Operating Expenditure			17.2			74.1
6	Financing and Investment Income and Expenditure			15.6			17.3
7	Taxation and non-specific grant income			(267.2)			(271.3)
	Deficit on the Provision of Services			**25.3**			**140.0**
	(Surplus) / Deficit on revaluation of non-current assets			(44.0)			(35.4)
	Remeasurement of the net defined pension liability - Actuarial (gains) / losses on pension fund assets and liabilities			34.3			(28.4)
	Other comprehensive (income) / expenditure that may be recycled to surplus / deficit			0.0			(0.4)
	Sub total			**(9.7)**			**(64.2)**
	Total Comprehensive Income and Expenditure			**15.6**			**75.8**

*Restated as per Prior Period Adjustment, Note 43

BALANCE SHEET

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

Note		31 March 2017* £m	31 March 2018* £m	31 March 2019 £m
	Non-Current Assets			
12	Property, Plant and Equipment	1,757.5	1,901.8	1,931.6
	Heritage Assets	3.9	4.8	3.6
13	Investment Property	111.8	125.4	128.9
42	Intangible Assets	21.9	24.8	27.1
15	Investment In Subsidiaries	15.9	27.0	26.5
15	Long Term Debtors	99.0	105.5	94.2
	Total: Long Term Assets	**2,010.0**	**2,189.3**	**2,211.9**
	Current Assets			
	Inventories	1.0	0.8	0.5
17	Short Term Debtors	104.8	114.0	135.8
	Intangible Current Assets	0.4	0.4	0.0
16	Cash and Cash Equivalents	13.9	15.0	41.7
	Total: Current Assets	**120.1**	**130.2**	**178.0**
	Current Liabilities			
16	Cash and Cash Equivalents	(15.8)	(4.6)	(1.7)
15	Short Term Borrowing	(121.6)	(127.0)	(170.7)
19	Short Term Creditors	(103.1)	(133.8)	(100.6)
20	Provisions	(7.3)	(5.8)	(1.7)
	Total: Current Liabilities	**(247.8)**	**(271.2)**	**(274.7)**
	Long Term Liabilities			
19	Long Term Creditors	(52.7)	(40.8)	(37.7)
20	Provisions	(3.7)	(6.0)	(15.8)
15	Long Term Borrowing	(437.4)	(575.2)	(680.1)
41	Pension Liability	(503.1)	(555.1)	(583.3)
	Capital Grants Received in Advance	(2.2)	(3.6)	(6.5)
	Total: Long Term Liabilities	**(999.1)**	**(1,180.7)**	**(1,323.4)**
	Net Assets	**883.2**	**867.6**	**791.8**
21	**Unusable Reserves**	**(716.2)**	**(701.8)**	**(644.0)**
	Usable Reserves			
	Capital Grants Unapplied	(34.3)	(30.0)	(29.3)
	Major Repairs Reserve	(14.7)	(13.0)	0.0
	Usable Capital Receipts Reserves	(25.0)	(20.9)	(9.4)
11	Housing Revenue Account	(9.1)	(6.6)	(4.6)
11	General Fund & Schools Balance	(19.5)	(16.4)	(14.7)
11	Earmarked Reserves	(64.4)	(78.9)	(89.8)
	Total Usable Reserves	**(167.0)**	**(165.8)**	**(147.8)**
	Total Reserves / Net Worth	**(883.2)**	**(867.6)**	**(791.8)**

*Restated as per Prior Period Adjustment, Note 43

The Audited Accounts were authorised for issue on 16 December 2019 by Fay Hammond, Acting Executive Director of Resources

Fay Hammond
18.12.2019

CASH FLOW STATEMENT

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

Note		2017/18* £m's	2018/19 £m's
	Net Deficit on the provision of services	(25.3)	(140.0)
23	Adjust to deficit on the provision of services for non-cash movements	106.9	179.4
26	Adjustments for items included in net deficit in the provision of services that are investing & financing activities.	(67.4)	(54.3)
	Net cash outflow/(inflow) from operating activities	**14.2**	**(14.9)**
24	Investing activities	(147.7)	(100.5)
25	Financing activities	145.8	145.0
	Net increase/(decrease) in cash and cash equivalents	**12.3**	**29.6**
	Cash and cash equivalents at the beginning of the reporting period	(1.9)	10.4
	Cash and cash equivalents at the end of the reporting period:	**10.4**	**40.0**

*Restated as per Prior Period Adjustment, Note 43

NOTE 1. STATEMENT OF ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's financial performance for the financial year and its financial position as at 31 March 2019. This note sets out the accounting policies and the basis of estimation the Council has selected in preparing the Statement of Accounts (the Accounts). The general principles adopted in compiling the Accounts are consistent with CIPFA's Code of Practice (the Code) on Local Authority Accounting which are based on International Financial Reporting Standards (IFRS) and statutory regulation. Unless specifically required to the contrary, balances are stated in GBP pounds and are rounded to the nearest one hundred thousand pounds (£0.1m). For this reason, figures in tables may not always exactly sum.

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

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

Revenues and Expenses
Income is recognised in the determination of the results for the reporting period when, and only when, there is reasonable certainty that the inflow of economic benefits or service potential has occurred and can be measured reliably. In accordance with IFRS 15 (Revenue from Contracts with Customers) the Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

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

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

1.2 DEBTORS AND CREDITORS

The accounts are prepared on the basis of accrued income and expenditure and include sums due to the Council and sums payable by the Council for work done or goods received – subject to the de minimus level for recognising accrued income and expenditure of £10,000. This de-minimus level is not applied where the expenditure is funded by a time limited grant or debt relating to housing rents, council tax and business rates where amounts below £10,000 are accrued. Accruals are not recognised for utilities and rental income where, by custom and practice, the similar value of invoices are recognised each financial year.

Amounts due to the Council from financial instrument assets (see paragraph 1.26 below) which are within the scope of IFRS9 are assessed for the probability of expected credit loss where the balance is above £100k.

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

For general trade debtors / accounts receivable the expected credit loss provision is maintained at a level which reflects the age profile of the amounts owed at the reporting date and the likelihood of recovery based on historic collection rates.

Expected credit losses on financial instrument assets which meet the CIPFA definition of capital expenditure are reversed out in the Movement in Reserves Statement and debited to unusable reserves.

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

1.3 CASH AND CASH EQUIVALENTS

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

1.4 EXCEPTIONAL ITEMS

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

1.5 PRIOR PERIOD ADJUSTMENTS

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

1.6 EMPLOYEE BENEFITS

Benefits Payable During Employment
Short-term employee benefits (those due wholly within the financial year), such as wages and salaries, paid annual leave, paid sick leave, other leave and non-monetary benefits, where material, are recognised as an expense in the year in which employees render service to the Council. An accrual is also made against services in the surplus or deficit on the provision of services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is notional and required under statute to be reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the entitlement is taken. The Council has concluded that there is no material benefit in undertaking an annual determination of the leave not taken and has established a policy to undertake a review of the accrual every three years unless, in the intervening period, there is evidence of a material change in circumstances and the amount to be disclosed. The last review was undertaken for the 2016/17 Accounts and the next review is due in 2019/20.

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

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

<u>1 Teachers</u>
Teachers employed by the Council are members of the Teachers' Pensions Scheme, administered by Teachers Pensions (TP). It provides teachers with defined benefits upon their retirement. The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The pension cost charged to the accounts is the contribution rate set by TP on the basis of a notional fund. The arrangements for the teachers' scheme mean that the liabilities for the benefits payable cannot be identified to the Council. The scheme is, therefore, accounted for as if it were a defined contribution scheme with no liability for future payments of benefits recognised in the balance sheet.

<u>2. Former NHS Employees</u>
On 1 April 2013 Public Health staff and services were transferred from Primary Care Trusts (PCTs) to local authorities. To discharge their new public health responsibilities, local authorities were provided with a ring-fenced public health grant. Under the new arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the PCTs to local authorities and who had access to the NHS Pension Scheme on 31 March 2013 retained access to that scheme on transfer at 1 April 2013. The NHS pension scheme is an unfunded, defined benefit scheme which is a multi-employer defined benefit scheme. In the NHS, the scheme is accounted for as if it was a defined contribution scheme. Therefore, it is not possible to identify the underlying scheme assets and liabilities for those staff who were transferred from the PCT to the Council in April 2013. Given

this, the Council has decided to follow the recommendation from CIPFA's Local Authority Accounting Panel and to account for the NHS pension scheme on a defined contribution basis.

3 Local Government Pension Scheme (LGPS).

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

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

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

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

- **Current service costs** – the increase in liabilities as a result of the years of service earned in the year allocated to service revenue accounts within the cost of services;

- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. The cost is debited to the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of non-distributed costs.

- **Net Interest on the Defined Benefit Liability** – this is the net interest expense for the Council i.e. the change during the period in the net defined benefit liability (asset) that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. It is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net benefit liability (asset) during the period as a result of contribution and benefit payments.

- **Re-measurements** – these comprise i) the return on scheme assets (excluding amounts included in the net interest on the net defined benefit liability (asset)) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. ii) Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. Actuarial Gains and Losses are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- **Employer's Contributions** - cash payments made to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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

In order to help meet the earlier Statement of Accounts deadline, the Council provides information to its actuary in February based on:

- Actual LGPS Membership as at the end of February;

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

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

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

1.7 EVENTS AFTER THE REPORTING PERIOD

In accordance with International Accounting Standard (IAS) 10, it is the Council's policy to reflect events which have come to light between the end of the financial year (31 March) and the date the Accounts were issued for publication (31 May). Within this context there are two types of events:

- **Adjusting event** – an event after the reporting period that provides further evidence of conditions that existed at the end of the reporting period. The accounting statements are adjusted to reflect this.

- **Non-adjusting event** – an event after the reporting period that is indicative of a condition that arose after the end of the reporting period. The accounting statements are not adjusted but further information about the event is provided in the Notes.

1.8 GRANTS AND CONTRIBUTIONS

Revenue Grants and Contributions

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

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

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

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

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

Capital Grants and Contributions

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

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

1.9 COST OF SUPPORT SERVICES

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

1.10 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

1.11 COUNCIL TAX

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

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

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

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

1.12 NATIONAL NON-DOMESTIC RATES

The Council collects business rates, proportions of which are then paid to the Council, the GLA and Central Government. Previously 30% of business rates were retained by the Council and included in the Comprehensive Income and Expenditure Statement as accrued income. For 2018/19 Enfield retained 64% of business rates under the pilot arrangements of 100% business rates retention (the remaining 36% going to the GLA).

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

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

As with council tax, the difference between the income in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund by regulation is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.
The GLA and Central Government's shares of arrears, provision for impairment of debt, prepayments and over payments are consolidated into single debtors/creditors for the purposes of presenting the financial statements.

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

1.13 INTANGIBLE ASSETS

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

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

Useful economic lives are estimated as follows:

Software Applications: 3-5 Years
IT infrastructure: 10 Years

1.14 PROPERTY, PLANT AND EQUIPMENT

Acquisition and Recognition

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

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

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

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

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

- Purchases of short life (up to 5 years) single item assets having a value of less than £10,000 at the date of acquisition. This excludes the acquisition of furniture and equipment where part of a larger capital scheme representing the fitting out costs of new or refurbished premises can be capitalised even though individual items are below the de minimus level since the expenditure is necessary to bring premises into use.
- Capital schemes costing less than £50,000 relating to construction projects.

Revaluations

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

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

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

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

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

Impairment

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

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

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

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

Disposals

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

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

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

1.15 DEPRECIATION

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

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

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

Council Dwellings and Operational Buildings	35-50 years
Building Fabric	75 years
Roads Infrastructure	40 years
Other Infrastructure	20-80 years
Vehicles	3-10 years
Plant and machinery	3-7 years

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

Depreciation on dwelling and non-dwelling assets is fully absorbed by the HRA based on a componentised model which was introduced from 1 April 2015. Components or a group of components that form part of a larger parent asset are recognised separately from the rest of the asset and may be replaced during the useful life of the parent. Each component or group of components are depreciated over their individual life or the life of the parent asset if shorter. To qualify as a component or a group of components, all the following conditions must be satisfied. The component has:

- a significantly different life from the rest of the parent asset;
- a significant cost (above £0.5m) in relation to the whole asset;
- an economic or service potential to the Council in a different pattern to the rest of the asset.

The carrying value of items within a parent asset not identified as a component, are de-recognised when the capitalised cost of a replacement is incurred. Components or groups of components having the same expected life are identified and reviewed at the time the asset is inspected.

1.16 HERITAGE ASSETS

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

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

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

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

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

1.17 INVESTMENT PROPERTIES

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

1.18 CURRENT ASSETS HELD FOR SALE AND SURPLUS ASSETS

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

1.19 CHARGES TO REVENUE FOR NON CURRENT ASSETS

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

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

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

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

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

In applying this policy in 2018/19, £1.0m of MRP has been charged to the General Fund from the ongoing budget, and a further £3.1m of MRP was charged within PFI unitary payments.

1.20 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

1.21 PFI CONTRACTS

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

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

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

The accounting policy for PFI contracts:

- recognises on the Council's Balance Sheet the assets/enhancements provided and a corresponding liability for the amounts due to the contractor to pay for the assets;
- recognises on the Council's Balance Sheet all non-current assets that were transferred to the PFI contractor at the start of the contract and used directly in the delivery of services; and
- provides for the depreciation and revaluation of assets in the same way as other property, plant and equipment owned by the Council.

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

- the value of services provided during the year charged to the relevant service in the CIES;

[1] Applicable for accounting periods starting on or after 1 April 2019

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

1.22 LEASING

Finance Leases

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

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

Operating Leases

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

1.23 INVENTORIES

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

1.24 PROVISIONS, RESERVES AND BALANCES

Provisions

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

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

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

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

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

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

1.25 SCHOOLS

The Council includes the income and expenditure of local authority maintained schools within its financial statements on the basis that they remain within the local authority boundary under common control. These are defined as community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools. Assets of these schools are also included in the accounts except for non-current assets owned by another legal body acting as a trustee (such as the diocese in the case of Voluntary Aided Schools) and made available for the school's use.

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

1.26 FINANCIAL INSTRUMENTS

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

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

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

- Amortised cost – assets whose contractual terms are basic lending arrangements (i.e. they give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding, which the Council holds under a business model whose objective is to collect those cash flows)
- Fair value – for any financial assets which do not meet the amortised cost definition

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable plus any accrued interest. The only exception to this is loans the Council has made to Housing Gateway Ltd - the Council's largest

[2] See glossary for definition.

subsidiary – which meet the definition of a soft loan and where part of the amount owing is classified as 'investment in subsidiaries' (see paragraph 1.32 below).

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

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

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

1.27 VAT

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

1.28 GROUP ACCOUNTS

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

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

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

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

1.30 INSURANCE ARRANGEMENTS

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

1.31 BORROWING COSTS

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

- the asset(s) acquired take a substantial period of time to get ready for their intended use or sale (referred to hereinafter as 'qualifying assets'), and
- this period of time is sufficiently long for a significant balance of borrowing costs to accrue over the timeframe of the asset's development. Significant in this context is where the accrued borrowing costs exceed £1m.

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

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

1.32 LOANS TO SUBSIDIARIES

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

NOTE 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED.

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

From 1st April 2020, the Code's adoption of IFRS16 will mean all items of property, plant, equipment, furniture and ICT which the Council leases in will have to be recognised as assets on the Council's Balance Sheet, with a matching liability for the repayments due to the lessor. This will be the most significant change to Local Government Accounting since 2010 when the Code moved from UK Generally Accepted Accounting Practices (UKGAAP) to International Financial Reporting Standards (IFRS).

NOTE 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

In applying the accounting policies as set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty over future events. These are:

- As at 31 March 2019, Enfield had 21 voluntary aided Schools (17 Primary; 4 Secondary) and 1 Secondary Foundation School. The Council has formed a judgement that it does not control the economic benefits which flow from these properties. Regarding voluntary aided Schools, this judgement was based on correspondence from the Diocese in which they attest their legal ownership and control of school property assets. Foundation schools also own and control their property and the assets are included within their Trust accounts, therefore the Council does not recognise voluntary aided and foundation school property as assets on its Balance Sheet.
- Land assets held in connection with the Meridian Water regeneration project are non-current assets owned by the Council. At the reporting date the assets were not used to deliver services and did not meet the criteria for Assets under Construction. Consequently, they have been classified as Surplus Assets in accordance with the Code. The value of these land assets at 31 March 2019 is £200.0m and have been valued at market value, on the basis of 'highest and best use'.

NOTE 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

Since balances cannot be determined with complete certainty there is the possibility that actual events could be materially different from the assumptions and estimates that have been made. The principal items in the Council's Balance Sheet at 31 March 2019 which may materially be affected by future events are set out below.

Uncertainty	Effect If Actual Results Differ from Assumptions
Property Plant and Equipment	
The valuation of PPE reported in the Council's Balance Sheet is a significant estimate informed by the Council's expert independent valuer – who assesses the circumstances of the Council's assets to determine the appropriate valuation	A difference between estimated and actual PPE values would have the effect of altering the Council's net worth and could impact on the gain and loss on disposal figure reported in the event of the asset being disposed of.

Uncertainty	Effect If Actual Results Differ from Assumptions
methodology and reports the estimated values to be included in the financial statements.	
Assets are depreciated over estimated useful lives reflecting the current condition of the assets. The estimated useful lives are provided by the Council's external valuers using their professional knowledge and expertise. Asset estimated useful lives may need to be reduced if there is deterioration beyond the currently assessed future performance of these assets.	A reduction in useful lives will increase the annual depreciation charge and reduce asset carrying values. An increase in useful lives will give rise to a corresponding reduction in annual depreciation charges. This would affect the surplus/deficit on provision of services, the degree of impact would depend on the change in estimated useful economic life and on the type of asset(s). Across the asset-base, a 1-year change in the UEL would have approximately a £1m change in the depreciation charge.
Pension Fund Liability Estimation of the net liability to pay pensions depends on a number of judgements relating to the discount rate used, the rate at which employee earnings are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council has engaged an actuary to advise on these assumptions and judgements.	The effects on the net pension liability of changes in individual assumptions can be measured. E.g.: a. 1% decrease in the discount rate assumption would result in a increase in the pension liability of approximately £300m. b. 1% increase in assumed earnings inflation would increase the value of liabilities by approx. £60m. c. three-year increase in assumed life expectancy would increase the liability by approximately £150m

NOTE 5. OTHER OPERATING EXPENDITURE

Other Operating Expenditure	2017/18	2018/19
	£m's	£m's
Gain on sale of assets	(11.4)	(5.4)
Demolition of assets	0.0	0.4
Statutory transfer of maintained schools to Academies with no compensation	20.3	70.1
(Gain) / Loss on disposal of non-current assets	**8.9**	**65.1**
Payments to Housing Capital Receipts Pool	1.4	1.4
Precepts and Levies	6.9	7.6
Total	**17.2**	**74.1**

NOTE 6. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure:	2017/18*	2018/19
	£m's	£m's
Interest payable and similar charges	19.0	20.3
Net interest on net defined benefit liability (asset)	12.7	14.0
Interest and investment income	(4.1)	(4.8)
Dividend Income from Joint Venture	(0.1)	(0.1)
Impairment allowances on financial assets	1.0	1.5
Investment Properties: Income, expenditure, valuation changes and gain on disposal	(12.9)	(13.6)
Total	**15.6**	**17.3**

*Restated as per Note 43 Prior Period Adjustment

NOTE 7. TAXATION AND NON-SPECIFIC GRANT INCOME

Taxation and non-specific grant income:	2017/18*	2018/19
	£m's	£m's
Income from Council Tax	(114.4)	(122.8)
Locally Retained Business Rates	(70.8)	(96.7)
London Business Rate Pool	0.0	(4.4)
General Government Grants	(45.6)	(11.0)
Capital Grants and Contributions	(36.4)	(36.4)
Total	**(267.2)**	**(271.3)**

*Restated as per Note 43 Prior Period Adjustment

NOTE 8. EVENTS AFTER THE REPORTING PERIOD

In December 2018 the Government lost a Court of Appeal case (the "McCloud" judgement) which found that the transitional protection arrangements put in place when firefighters' and judges' pension schemes were reformed were age discriminatory. Subsequently, the Government sought to appeal this judgement, but permission was denied by the Supreme Court on 27 June 2019. The Council asked its actuary to recalculate the impact of the additional liability, which is set out in Note 9, and which has been incorporated in the final Accounts.

In addition, since the balance sheet date six schools have transferred to academy status, which will remove £41.6m of value from the PPE line of the balance sheet in 2019/20 (ie this is a "non-adjusting event"), as follows:

- Galliard Primary £5.4m
- Walker Primary £5.7m
- Raynham Primary £7.2m
- Wilbury Primary £13.3m
- Fleecefield Primary £5.9m
- Brettenham Primary £4.1m

NOTE 9. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The McCloud judgement has given rise to an exceptional expense item of £37.0m in the 2018/19 financial year, for which there was no equivalent in the previous year. This item is included within the Corporate line of the Net Cost of Services, and has increased the total net pension liability to £583.3m.

NOTE 10. ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

This sets out the adjustments required to the surplus/deficit on provision of service to reconcile with the statutory funding position on General Fund and HRA.

2018/19 Adjustments between accounting basis & funding basis under regulations	General Fund & HRA 2018-19	Usable Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Total: Usable Reserves	Total Unusable Reserves
	£m's	£m's	£m's	£m's	£m's	£m's
(Surplus) / Deficit on Provision of Services	140.0					
Amounts included in the Comprehensive Income & Expenditure Statement but required by statute to be excluded when determining the Movement in General Fund Balance						
Depreciation and impairment of non current assets - General Fund	(46.3)				**(46.3)**	**46.3**
HRA impairments	(18.6)				**(18.6)**	**18.6**
Investment Properties: Gain/Loss on Disposal and Movements in Fair and Market Value	7.4	0.0			**7.4**	**(7.4)**
Capital grants and contributions credited to the CIES	36.4			(36.4)	**0.0**	**0.0**
Revenue expenditure funded from capital under statute (net of grant funding, £2.7m)	(30.3)				**(30.3)**	**30.3**
Gain on disposal of non-current assets	(65.4)	(17.9)			**(83.3)**	**83.3**
Regulatory Entries regarding HRA Depreciation	0.0		(14.3)		**(14.3)**	**14.3**
Amount by which pension costs calculated in accordance with the Code (IAS 19) are different from the contributions due under the pension scheme regulations	(56.7)				**(56.7)**	**56.7**
Amount by which movements in fair value of financial instruments acquired under capital rules can be reversed	(0.7)				**(0.7)**	**0.7**
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	(3.9)				**(3.9)**	**3.9**
Sub Total	**(178.1)**	**(17.9)**	**(14.3)**	**(36.4)**	**(246.7)**	**246.7**
Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement on the General Fund Balance						
Statutory provision for repayment of debt	4.1				**4.1**	**(4.1)**
Capital expenditure charged to the General Fund & HRA	32.0				**32.0**	**(32.0)**
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(1.4)	1.4			**0.0**	**0.0**
Other Contributions from the Capital Receipts & Deferred Capital Receipts Reserve	(3.8)	3.8			**0.0**	**0.0**
Sub Total	**30.9**	**5.2**	**0.0**	**0.0**	**36.1**	**(36.1)**
Total Adjustments affecting Deficit on Provision of Services	**(147.2)**	**(12.7)**	**(14.3)**	**(36.4)**	**(210.6)**	**210.6**
Transfers between Reserves reflecting financing of Capital Expenditure		**24.2**	**27.3**	**37.1**	**88.6**	**(88.6)**
Total adjustments	**(147.2)**	**11.5**	**13.0**	**0.7**	**(122.0)**	**122.0**

2017/18 Adjustments between accounting basis & funding basis under regulations	General Fund & HRA 2017-18	Usable Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Total: Usable Reserves	Total Unusable Reserves
	£m's	£m's	£m's	£m's	£m's	£m's
(Surplus) / Deficit on Provision of Services	25.3					
Amounts included in the Comprehensive Income & Expenditure Statement but required by statute to be excluded when determining the Movement in General Fund Balance						
Depreciation and impairment of non current assets - General Fund	(47.5)				**(47.5)**	**47.5**
HRA impairments	(0.2)				**(0.2)**	**0.2**
Investment Properties: Gain/Loss on Disposal and Movements in Fair and Market Value	5.1	0.0			**5.1**	**(5.1)**
Capital grants and contributions credited to the CIES	36.5			(36.5)	**0.0**	**0.0**
Revenue expenditure funded from capital under statute	(22.1)				**(22.1)**	**22.1**
Gain on disposal of non-current assets	(8.9)	(30.5)			**(39.4)**	**39.4**
Regulatory Entries regarding HRA Depreciation	0.0		(13.0)		**(13.0)**	**13.0**
Amount by which pension costs calculated in accordance with the Code (IAS 19) are different from the contributions due under the pension scheme regulations	(17.7)				**(17.7)**	**17.7**
Amount by which council tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	0.2				**0.2**	**(0.2)**
Sub Total	**(54.6)**	**(30.5)**	**(13.0)**	**(36.5)**	**(134.6)**	**134.6**
Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement on the General Fund Balance					**0.0**	**0.0**
Statutory provision for repayment of debt	4.0				**4.0**	**(4.0)**
Capital expenditure charged to the General Fund & HRA	25.0				**25.0**	**(25.0)**
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(1.4)	1.4			**0.0**	**0.0**
Other Contributions from the Capital Receipts & Deferred Capital Receipts Reserve	(7.2)	7.2			**0.0**	**0.0**
Sub Total	20.4	8.6	0.0	0.0	**29.0**	**(29.0)**
Total Adjustments affecting Deficit on Provision of Services	**(34.2)**	**(21.9)**	**(13.0)**	**(36.5)**	**(105.6)**	**105.6**
Transfers between Reserves reflecting financing of Capital Expenditure		**26.0**	**14.7**	**40.8**	**81.5**	**(81.5)**
Total adjustments	**(34.2)**	**4.1**	**1.7**	**4.3**	**(24.1)**	**24.1**

NOTE 11. TRANSFERS TO/ (FROM) EARMARKED RESERVES

This note shows the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in future years.

The supplementary statement of MiRS balances and earmarked reserves is in the format reported to Council as part of the statement on the robustness of the Council's finances when setting the annual budget and council tax.

Reserves and Balances	Restated 31 March 2017 £m's	Net Transfers 2017/18 £m's	Restated 31 March 2018 £m's	Net Transfers 2018/19 £m's	31 March 2019 £m's
Housing Revenue Account					
HRA Repairs Fund	6.8	2.6	9.4	1.7	11.1
HRA - Capital Reserve	13.9	(9.7)	4.2	(3.3)	0.9
HRA Insurance Fund	0.0	0.0	0.0	0.2	0.2
Total HRA Earmarked Reserves	**20.7**	**(7.1)**	**13.6**	**(1.4)**	**12.2**
General Fund					
Risk Reserve	12.9	1.1	14.0	(1.8)	12.2
ICT Investment Fund	1.6	(0.7)	0.9	0.0	0.9
Interest Rate Equalisation Reserve	2.9	4.5	7.4	0.0	7.4
Insurance Fund	5.5	1.0	6.5	0.1	6.6
General Fund - Capital Reserves	6.1	0.7	6.8	(5.3)	1.5
Repair & Maintenance	0.6	0.7	1.3	0.5	1.8
Welfare Benefits Reserve	3.2	(1.0)	2.2	(0.1)	2.1
Housing Benefits Smoothing Reserve	0.0	0.0	0.0	1.8	1.8
Troubled Families	0.0	1.4	1.4	0.2	1.6
MRP Equalisation Reserves	0.0	7.9	7.9	7.5	15.4
Collection Fund Equalisation Reserve	0.0	6.0	6.0	4.5	10.5
Projects Reserves	12.6	(2.8)	9.8	2.5	12.3
Sub Total	**45.4**	**18.8**	**64.2**	**9.9**	**74.1**
Dedicated Schools Grant Reserve	(3.0)	2.3	(0.7)	1.8	1.1
S106 Receipts	0.5	0.0	0.5	(0.1)	0.4
Public Health	0.8	0.5	1.3	0.7	2.0
Total General Fund Earmarked Reserves	**43.7**	**21.6**	**65.3**	**12.3**	**77.6**
Total Earmarked Reserves	**64.4**	**14.5**	**78.9**	**10.9**	**89.8**
Summary of MIRS Balances					
General Fund Balance	14.0	0.0	14.0	0.0	14.0
Schools Balances	5.5	(3.1)	2.4	(1.7)	0.7
General Fund Earmarked Reserves	43.7	21.6	65.3	12.3	77.6
Total General Fund Balances	**63.2**	**18.5**	**81.7**	**10.6**	**92.3**
HRA Balance	9.1	(2.5)	6.6	(2.0)	4.6
HRA Earmarked Reserves	20.7	(7.1)	13.6	(1.4)	12.2
Total HRA Balances	**29.8**	**(9.6)**	**20.2**	**(3.4)**	**16.8**

A brief description of significant reserves is as follows:

HRA Repairs Fund
The fund provides resources to help fund the maintenance of the Council's social housing stock.

HRA - Capital Reserve
The reserve helps fund capital investment to improve the Council's social housing stock and meet the Decent Homes Standard.

Risk Reserve
The Council has a number of known pressures and future commitments which will require one-off funding in later years. This reserve is held to meet any costs over and above the budgets set at the start of the financial year to meet these pressures and commitments.

ICT Investment Fund
This fund is used to finance the Council's investment in new IT which will result in efficiency and service improvements.

Interest Rate Equalisation Reserve
This fund has been set aside to meet in year fluctuations in market interest rates that may result in additional costs to the Council either because of higher interest on short term borrowing or reductions in interest earnings on short term deposits.

Insurance Fund (General Fund and HRA)
These reserves are set aside to meet the Council's self-insured risks and other insurance related pressures.

General Fund - Capital Reserves
These reserves help to fund the Council's capital investment (excluding social housing) and also a vehicle replacement programme.

Repair & Maintenance
This reserve meets fluctuations in the cost of maintaining council buildings that is in excess of the annual budgetary provision for building maintenance.

Welfare Benefits Reserve
This reserve is held to mitigate pressures arising from recent welfare reforms, including changes to housing & council tax benefits.

MRP Equalisation Reserve
The Council has revised its MRP policy and is also lending to council owned companies requiring external repayments. This new reserve will be used to smooth any changes in future repayment profiles.

Collection Fund Equalisation Reserve
The Government is introducing major changes to the ways in which local government is funded by business rates. Also, in 2019 the Government will set out its Spending Review of public finances beyond 2019/20. This new reserve has been created to provide one-off funding to meet the risk of turbulence in the council's future business rates and grant funding.

Project Reserves
Various reserves held by services to finance projects to meet Council priorities and improve services to residents.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

Movement in Balances 2018/19	Council Dwellings £m's	Other Land & Buildings £m's	Vehicles, Plant, Furniture & Equipment £m's	Infrastructure Assets £m's	Community Assets £m's	Surplus Assets £m's	Assets Under Construction £m's	Total Property, Plant & Equipment £m's	PFI Assets included within PPE £m's
Cost or Valuation									
As at 1 April 2018	**682.2**	**660.7**	**32.7**	**322.3**	**67.4**	**187.6**	**104.7**	**2,057.6**	**109.1**
Additions	26.1	13.1	8.4	15.6	0.1	22.2	64.4	**149.9**	0.0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0.0	32.8	0.0	0.0	(1.4)	4.1	0.0	**35.4**	4.7
Revaluation increases / (decreases) recognised in the CIES	(16.1)	(10.2)	0.0	0.0	0.0	(4.6)	0.0	**(30.9)**	0.0
Derecognition - Disposals	(5.1)	(74.2)	(0.2)	0.0	0.0	(4.8)	0.0	**(84.3)**	(33.7)
Other movements in cost or valuation	8.3	(12.3)	9.5	13.0	(1.3)	14.1	(65.5)	**(34.1)**	0.0
As at 31 March 2019	**695.4**	**609.9**	**50.4**	**350.9**	**64.8**	**218.6**	**103.6**	**2,093.6**	**80.1**
Accumulated Depreciation and Impairment									
As at 1 April 2018	**(12.9)**	**(25.3)**	**(28.1)**	**(89.5)**	**0.0**	**0.0**	**0.0**	**(155.8)**	**(12.2)**
Depreciation charge for 2018/19	(13.3)	(22.2)	(2.2)	(7.3)	0.0	0.0	0.0	**(45.0)**	(1.9)
Derecognition - disposals	0.0	1.2	0.0	0.0	0.0	0.0	0.0	**1.2**	1.8
Write out of accumulated depreciation	12.5	25.1	0.0	0.0	0.0	0.0	0.0	**37.6**	0.0
As at 31 March 2019	**(13.7)**	**(21.2)**	**(30.3)**	**(96.8)**	**0.0**	**0.0**	**0.0**	**(162.0)**	**(12.3)**
Net Book Value:									
As at 31 March 2019	681.7	588.7	20.1	254.1	64.8	218.6	103.6	**1,931.6**	67.8
As at 31 March 2018	669.3	635.4	4.6	232.8	67.4	187.6	104.7	**1,901.8**	96.9

The stated carrying value of Surplus Assets reflects their highest and best use as Level 2 inputs in the IFRS 13 Fair Value measurement hierarchy

Comparative Restated figures for 2017/18

Movement in Balances 2017/18	Council Dwellings £m's	Other Land & Buildings £m's	Vehicles, Plant, Furniture & Equipment £m's	Infrastructure Assets £m's	Community Assets £m's	Surplus Assets £m's	Assets Under Construction Restated £m's	Total Property, Plant & Equipment £m's	PFI Assets included within PPE £m's
Cost or Valuation									
As at 1 April 2017	**630.5**	**654.5**	**31.6**	**305.9**	**66.2**	**101.5**	**104.7**	**1,894.9**	**105.5**
Additions	47.6	18.7	1.2	12.1	2.2	101.3	32.6	**215.7**	0.0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	37.6	77.2	0.0	0.0	(3.1)	(7.5)	0.0	**104.2**	12.9
Revaluation increases / (decreases) recognised in the CIES	0.0	(12.0)	0.0	0.0	0.0	(15.9)	0.0	**(27.9)**	0.0
Derecognition - Disposals	(8.1)	(32.7)	(0.1)	0.0	0.0	(0.2)	0.0	**(41.1)**	0.0
Other movements in cost or valuation	(25.4)	(45.0)	0.0	4.3	2.1	8.5	(32.6)	**(88.2)**	(9.3)
As at 31 March 2018	**682.2**	**660.7**	**32.7**	**322.3**	**67.4**	**187.6**	**104.7**	**2,057.6**	**109.1**
Accumulated Depreciation and Impairment									
As at 1 April 2017	**0.0**	**(29.1)**	**(26.1)**	**(82.4)**	**0.0**	**0.0**	**0.0**	**(137.6)**	**(18.7)**
Depreciation charge for 2017/18	(13.1)	(25.8)	(2.1)	(7.1)	0.0	0.0	0.0	**(48.1)**	(2.8)
Derecognition - disposals	0.2	0.5	0.1	0.0	0.0	0.0	0.0	**0.8**	0.0
Write out of accumulated depreciation	0.0	29.1	0.0	0.0	0.0	0.0	0.0	**29.1**	9.3
As at 31 March 2018	**(12.9)**	**(25.3)**	**(28.1)**	**(89.5)**	**0.0**	**0.0**	**0.0**	**(155.8)**	**(12.2)**
Net Book Value:									
As at 31 March 2018	669.3	635.4	4.6	232.8	67.4	187.6	104.7	**1,901.8**	96.9
.0As at 31 March 2017	630.5	625.4	5.5	223.5	66.2	101.5	104.7	**1,757.5**	86.8

Capital Commitments

The Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment. Significant contract commitments at 31 March 2019 total £10.9m (£57.6m as at 31 March 2018).

Schemes	Contracted £m's
Environment & Operations	3.3
Meridian Water	2.3
Housing Revenue Account	2.1
ICT	1.1
Education	1.1
Property & Economy	0.9
Other	0.1
Total	**10.9**

Capitalisation of Borrowing Costs
During 2018/19 borrowing costs of £7.2m were capitalised based on an average capitalisation rate of 2.75% (£5.7m in 2017/18).

Schools
As at 31 March 2019 there were 62 Local Authority Maintained Schools, comprising 40 Community Schools, 21 Voluntary Aided Schools and 1 Foundation Schools.

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

In addition, as at 31 March 2019 there were 33 Academy Schools located within the Borough, which also fall outside the control of the Council.

There were 8 academy conversions during 2018/19 as follows:

- Alma Primary (Attigo Trust)
- Churchfield Primary (Ivy Learning Trust)
- Eastfield Primary (Ivy Learning Trust)
- Houndsfield Primary (Attigo Trust)
- Keys Meadows Primary (Attigo Trust)
- Lea Valley High School (Cedars Learning Trust)
- Wolfson Hillel Primary (JCAT)
- Worcesters Primary (Attigo Trust)

NOTE 13. INVESTMENT PROPERTIES

The fair value for investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the levels of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy. There were no transfers between any of the three levels during 2018/19 or the preceding year.

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

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

	Restated 2017/18	2018/19
	£m's	£m's
Land	72.1	75.0
Commercial Units	20.2	22.9
Shops	30.6	29.5
Other	2.5	1.5
Total	**125.4**	**128.9**

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

	Restated 2017/18	2018/19
	£m's	£m's
Rental and Service Charge Income from Investment Property	(8.7)	(8.9)
Related Operating Expenses	0.9	2.7
Changes in Fair Value	(5.1)	(7.4)
Net (gain)/loss	**(12.9)**	**(13.6)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on its right to the remittance of income and the proceeds of disposal. The following table summarises the movement in the fair value of investment properties over the year:

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

	Restated 2017/18	2018/19
	£m's	£m's
Balance at the start of the year	**111.8**	**125.4**
Capital expenditure	0	0
Write out of disposals	0	0
Nets gains/(losses) from fair value adjustments	5.1	7.4
Transfers:		
From Property, Plant and Equipment	9.4	0.1
To Property, Plant and Equipment	(1.3)	(4.0)
From Assets Under Construction	0.4	0.0
Balance at the end of the year	**125.4**	**128.9**

NOTE 14. NON-CURRENT ASSETS VALUATION

The freehold and leasehold properties which comprise the Council's property portfolio are subject to annual review. Enfield's valuers inspect 20% of all properties representing a cross section of each asset class and undertake a desk top valuation on the remaining 80% taking account of any relevant factors identified at the inspected sites. Local knowledge is also factored into valuations and the Council believe this approach meets the latest CIPFA Code of Practice guidance in respect of asset valuations ensuring no selective revaluations are undertaken. Valuations have been commissioned from external valuers having specialised knowledge in particular property types and categories e.g. heritage and listed building properties.

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

Retail portfolios have been prepared and verified by Spencer Craig Partnership Limited and were approved by Nigel Herd FRICS Surveyor, in accordance with the RICS Valuation standards, 8th edition and VS 6.12 of the Red Book. All other valuations have been prepared and verified by Avison Young – the Council's Property Review Contractor and were carried out in accordance with the requirements of the Royal Institution of Chartered Surveyors as incorporated in the Red Book. Valuations were approved by Roger Dunnett MRICS and David Johnson MRICS from Avison Young. Valuations are determined as at 31st March 2019.

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

Specialist buildings valued at DRC following the MEA approach that have not been inspected have been re-valued by adjusting asset lives and updating building costs from the BCIS Index.

An impairment review has been undertaken to consider circumstances where there have been indications of a reduction in the service potential of assets through physical deterioration.

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

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

The Council's housing stock was componentised in 2016/17 and used to calculate the depreciation charge.

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

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

NOTE 15. FINANCIAL INSTRUMENTS

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

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[3] At that time, it was the Department for Communities and Local Government (DCLG)

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

	Long-term		Short-term	
	31 March 2018 £m's	31 March 2019 £m's	31 March 2018 £m's	31 March 2019 £m's
FAIR VALUE THROUGH PROFIT OR LOSS				
Debtor				
Loan to LVHN	4.7	5.4	0.0	0.0
AMORTISED COST				
Debtor				
Loans to LVHN	0.0	0.0	0.0	0.0
Loans to HGL	81.6	83.4	6.0	5.0
Loans to EIL	12.8	0.0	0.0	12.2
Loan to Enfield Enterprise	0.8	0.8	0.0	0.0
Accrued Interest on above loans	0.0	0.0	1.1	1.5
Trade debtors	4.1	3.1	62.4	65.0
Finance lease	1.5	1.5	0.0	0.0
Cash and Cash Equivalents	0.0	0.0	19.6	50.1
Total	**105.5**	**94.2**	**89.1**	**133.8**

Financial Instruments - Liabilities
The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Long-term		Short-term	
	31 March 2018 £m's	31 March 2019 £m's	31 March 2018 £m's	31 March 2019 £m's
AMORTISED COST				
Borrowings				
Principal	(575.2)	(680.1)	(121.6)	(164.8)
Accrued interest	0.0	0.0	(5.4)	(5.9)
Creditors				
PFI - Highlands School	(8.2)	(7.4)	(0.8)	(0.9)
PFI - Street lighting	(13.6)	(12.4)	(1.0)	(1.0)
PFI - Starksfield & Refurbishment	(18.8)	(17.6)	(1.2)	(1.2)
Finance leases	(0.1)	(0.1)	0.0	0.0
Trade creditors	(0.1)	(0.2)	(103.2)	(71.5)
Cash and Cash Equivalents	0.0	0.0	(9.2)	(10.1)
Total	**(616.0)**	**(717.8)**	**(242.4)**	**(255.4)**

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

For HGL, of the total £113.9m outstanding nominal loan, proper accounting practice requires that £25.5m is deemed to be "investment in the subsidiary" and represents the benefit of the reduced interest rate.
For LVHN, the valuation has been more complex due to it being an innovative start-up company, which by their very nature are deemed to be of a higher business risk. Of the total £8.9m outstanding nominal loan, proper accounting practice required that £1.0m be deemed to be investment in subsidiary, £5.4m as debtor, with the balance being a prudent assessment of the inherent business risk of lending to an organisation that does not yet have large cash in-flows and will be substantially dependent on events in the medium-term future.

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

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

	HGL		LVHN	
	2017/18	**2018/19**	**2017/18**	**2018/19**
Total loans (nominal values)	**£m**	**£m**	**£m**	**£m**
Opening balance	94.1	114.6	0.0	6.2
New loans granted	21.4	5.0	6.2	2.9
Loans repaid	(0.6)	(6.0)	0.0	(0.2)
Closing balance . . .	114.9	113.6	6.2	8.9
. . . *of which:*				
Loans at market rates	0.0	0.0	5.0	5.3
Loans at sub-market rates	114.9	113.6	1.2	3.6
	114.9	113.9	6.2	8.9
Loans are shown on the balance sheet as:				
Investment in subsidiary	27.0	25.5	0.0	1.0
Debtors at amortised cost	87.6	88.4	0.0	0.0
Debtors at fair value	0.0	0.0	4.7	5.3
Total	**114.6**	**113.9**	**4.7**	**6.3**

Note: Although not classed as soft loans as at market rates the Council also has an outstanding loan balance of £12.2m with EIL (£12.8m in 2017/18)

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

	2017/18	**2018/19**
Net (gains)/losses on:	**£m**	**£m**
financial assets at fair value in profit and loss	1.0	1.5
financial assets at amortised cost	1.7	0.4
financial liabilities at amortised cost	0.0	0.0
Interest revenue	(4.2)	(4.8)
Interest expense	19.0	20.3
Total	**17.5**	**17.4**

Financial Instruments - Fair Values

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

- Borrowings of the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.

- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

- The fair value of Cash and cash equivalents is assumed to be the carrying value.

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

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

		31 March 2018		31 March 19	
	Fair Value Level	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial Liabilities:		**£m's**	**£m's**	**£m's**	**£m's**
Total Borrowing	2	(702.0)	(847.7)	(850.8)	(1,136.5)
PFI and finance lease liabilities*	2	(40.7)	(40.7)	(40.7)	(40.7)
Trade Payables (Creditors)	n/a	(90.9)	(90.9)	(71.7)	(71.7)
Total Financial Liabilities		**(833.6)**	**(979.3)**	**(963.2)**	**(1,248.9)**
Financial Assets:					
Long Term loans to HGL	2	87.6	87.6	88.4	88.4
Long Term loans to EIL	2	12.8	12.8	12.2	12.2
Long Term loans to LVHN	3	4.7	4.7	5.4	5.4
Long Term Loan to Enfield Enterprise	n/a	0.8	0.8	0.8	0.8
Finance Leases	n/a	1.5	1.5	1.5	1.5
Trade Receivables (Debtors)	n/a	65.2	65.2	68.1	68.1
Cash and cash equivalents	n/a	19.6	19.6	50.1	50.1
Total Financial Assets		**192.2**	**192.2**	**226.5**	**226.5**

*This includes PFI short term liabilities of £3.2m, included within Note 19 Short Term Liabilities.

Financial Instruments - Risks

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

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

The treasury management strategy includes an investment strategy in compliance with the MHCLG guidance on local government investments. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's treasury management strategy and its treasury management practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

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

Credit Risk: Loans to Subsidiary Companies

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

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

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

For LVHN, the council has recognised that there is a heightened credit risk and has adjusted the fair value accordingly.

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the treasury management strategy. These include the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default; the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £15m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government) and for unsecured investments in banks, building societies and companies. The Council also sets limits on investments in certain sectors. No more than £15m in total can be invested for a period longer than one year.

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

	31 March 2018		31 March 2019	
Credit Rating	**Long Term £m**	**Short Term £m**	**Long Term £m**	**Short Term £m**
AA-	0.0	15.0	0.0	37.7
Total	**0.0**	**15.0**	**0.0**	**37.7**

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

	31 March 2018	31 March 2019
	Trade Receivables £m	Trade Receivables £m
Invoices Raised		
Current debt	20.3	10.2
Past due < 3 months	6.9	8.0
Past due 3-6 months	4.3	3.6
Past dúe 6-12 months	2.9	4.5
Past due 12+ months	9.4	15.9
Loss allowance	(3.2)	(3.7)
Total invoices raised	**40.6**	**38.5**
Other debtors due at 31 March	24.8	31.2
Total	**65.4**	**69.7**

Liquidity Risk
The Council has ready access to borrowing at favourable rates from the PWLB and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 30% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial instruments is as follows:

	2017/18			2018/19		
	Principal £m's	Interest £m's	Portion %	Principal £m's	Interest £m's	Portion %
Short Term						
1 Year	121.6	20.9	21.2%	165.1	16.8	3.3%
Long Term						
1-2 Years	30.2	38.2	11.9%	22.9	16.5	3.3%
2-5 years	24.5	55.3	5.9%	44.1	49.1	9.7%
5-10 Years	44.9	89.4	5.1%	85.0	81.3	16.1%
10-15 Years	51.6	83.9	4.9%	151.8	78.8	15.6%
15-20 Years	95.8	73.3	8.7%	48.0	71.2	14.1%
20-25 Years	19.5	64.9	2.1%	19.5	63.9	12.6%
25-30 Years	58.5	57.4	1.7%	58.5	57.2	11.3%
30-35 Years	101.9	37.3	17.0%	101.9	39.0	7.7%
35-40 Years	39.5	19.7	8.1%	39.5	20.9	4.1%
40-45 Years	83.8	10.4	11.7%	83.8	10.6	2.1%
45+ Years	25.0	0.8	1.8%	25.0	0.9	0.2%
	696.8	**551.5**	**100.0%**	**845.1**	**506.2**	**100.0%**
Short Term						
Accrued Interest	0.0	5.4		0.0	5.9	
Total	**696.8**	**556.9**		**845.1**	**512.1**	

The total interest commitment on all outstanding borrowing (as shown in the table above) if all borrowing is held to maturity is £512.1m

Loans and other long term liabilities outstanding (nominal value)	**31 March 2018** £m's	**31 March 2019** £m's
Public Works Loans Board	549.2	660.1
Market Debt	26.0	20.0
Long Term Borrowing	**575.2**	**680.1**
Temporary Borrowing	68.0	145.0
Other Loans Less than 1 year	53.6	25.7
Long & Short Term Borrowing	**696.8**	**850.8**
Deferred Liabilities – PFI and finance leases	40.7	40.7
Total	**737.5**	**891.5**

Market Risk

Interest Rate Risk: The Council is exposed to risks arising from movements in interest rates. The treasury management strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable interest rates. At 31 March 2019, 100% of the debt portfolio was held in fixed rate instruments, and none in variable rate instruments. Deposits are also subject to movements in interest rates. As deposits are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

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

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

NOTE 16. CASH AND CASH EQUIVALENTS

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

Type	**31 March 2018** £m's	**31 March 2019** £m's
Current Assets		
Money Market Funds		9.0
Call Accounts (same day access accounts)	15.0	27.7
Cash and Bank Current Accounts	0.0	5.0
Total Current Assets	**15.0**	**41.7**
Current Liabilities		
Main Bank Clearing Accounts	(3.1)	0.0
Cash Imprest Accounts	(1.5)	(1.7)
Total Current Liabilities	**(4.6)**	**(1.7)**
Total Current Liabilities & Assets	**10.4**	**40.0**

NOTE 17. DEBTORS

SHORT TERM DEBTORS

	31-Mar 2018* £m's	31-Mar 2019 £m's
Contractual:		
Trade Receivables:		
National Health Service	*0.7*	*14*
Bodies External to General Government	*55.7*	*40.2*
Housing Tenants & Rents	*3.6*	*3.7*
Receivables from Related Parties (being the subsidiaries)	*9.4*	*25.7*
	69.4	**83.6**
Prepayments	8.8	8.2
Non-Contractual:		
HMRC	10.7	11.5
Other Government Bodies	10.1	15.7
Council Tax	11.0	10.3
National Non Domestic Rates	0.7	2.1
Housing Benefit Recoveries	0.5	1.3
Bodies External to General Government	2.8	3.1
Total	**114.0**	**135.8**

*Restated as per Note 43 Prior Period Adjustment

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows. It should be noted that the share of locally retained business rates in 2017/18 was 30% compared to 2018/19 when it increased to 64% under the London Business Rate Pool pilot.

LOCAL TAXATION DEBTORS	31 March 2018 £m's	31 March 2019 £m's
Council Tax		
Under 1 year	4.7	4.7
Over 1 Year	6.3	5.6
Total Council Tax	**11.0**	**10.3**
National Non Domestic Rates		
Under 1 year	0.3	1.2
Over 1 Year	0.4	0.9
Total National Non Domestic Rates	**0.7**	**2.1**

NOTE 18. ESTATE RENEWALS

In conjunction with development partners, the Council is in the process of implementing major new estate renewal projects to regenerate the Borough. The projects will re-provide residential housing (both private and affordable housing), provide new community facilities and develop new commercial space. The Council has sought to secure the full vacant possession of certain sites by decanting existing council tenants and negotiating with residential and commercial leaseholders and other third parties to release their interests in the sites. As at 31 March 2019, the decanted/empty premises are disclosed as Council Dwellings in the Balance Sheet. Further decants and the buying out of leaseholder interests will continue into future years as projects proceed. Assets will be formally de-recognised in the financial statements when they are demolished or as they are transferred to the developer during the implementation phases of projects. The carrying value of the assets associated with new developments that are vacant at 31st March 2019 have been valued in the financial statements on the basis of Existing Use Value – Social Housing (with appropriate impairment applied) or, in the case of open land, to reflect the estimated recoverable amounts receivable by the Council for these assets under the respective development agreements.

NOTE 19. CREDITORS AND LONG-TERM LIABILITIES

Short Term Creditors

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

	31-Mar 2018* £m's	31-Mar 2019 £m's
Contractual:		
Trade payables:		
National Health Service	*(2.4)*	*(1.6)*
Other Local Authorities	*(3.5)*	*(5.9)*
Other Government Bodies	*(10.6)*	*(2.8)*
Bodies External to General Government	*(89.7)*	*(64.3)*
	(106.2)	**(74.6)**
Receipts in Advance	(13.1)	(10.3)
Non-Contractual:		
HMRC	(6.3)	(6.7)
Receipts in Advance	(8.2)	(9.0)
Total	**(133.8)**	**(100.6)**

*Restated as per Note 43 Prior Period Adjustment

Long Term Creditors

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

	31 March 2018 £m's	31 March 2019 £m's
Amounts due to be paid under PFI Contracts	(40.5)	(37.3)
Amounts due to be paid under other Finance Leases	(0.1)	(0.1)
Other Long Term Creditors	(0.2)	(0.3)
Total	**(40.8)**	**(37.7)**

NOTE 20. PROVISIONS

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

Provisions: Classification and Description	Restated Balance 31 March 2018 £m's	New Provisions raised in year £m's	Provisions Utilised in Year £m's	Provisions written back to revenue in year £m's	Balance 31 March 2019 £m's
Short Term					
Claims from internal insurance fund	1.5	1.6	(1.5)	0.0	1.6
Carbon Reduction Commitment Levy	0.2	0.1	(0.2)	0.0	0.1
Regeneration Property Buy-Backs	0.2	0.0	(0.2)	0.0	0.0
Business Rate Valuation Appeals	3.3	0.0	(2.5)	(0.8)	0.0
Transformation Partner Reward Payments	0.4	0.0	(0.4)	0.0	0.0
Compensation Awards	0.2	0.0	0.0	(0.2)	0.0
Short Term	**5.8**	**1.7**	**(4.8)**	**(1.0)**	**1.7**
Long Term					
Claims from internal insurance fund	3.0	1.0	0.0	0.0	4.0
Tenant Water Rate Refund	3.0	0.0	0.0	0.0	3.0
Compensation Awards	0.0	0.2	0.0	0.0	0.2
Business Rate Valuation Appeals	0.0	8.6	0.0	0.0	8.6
Long Term	**6.0**	**9.8**	**0.0**	**0.0**	**15.8**
Total Provisions	**11.8**	**11.5**	**(4.8)**	**(1.0)**	**17.5**

The largest provisions relate to: -

i) The combined short and long-term insurance provisions total of £5.7m represents the estimated cost of claims against the Council's internal insurance fund projected to be made for all insured events at the balance sheet date. This figure is in line with conclusions made by the insurance actuary.

iii) The £8.6m provision for business rate valuation appeals is Enfield's 64% share of a total provision of £13.4m set out in more detail in the Collection Fund note on page 91.

NOTE 21. UNUSABLE RESERVES

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

Note	Unusable Reserves	Restated 31 March 2018 £m's	31 March 2019 £m's
(i)	Revaluation Reserve	(604.0)	(596.9)
(ii)	Capital Adjustment Account	(656.0)	(637.4)
(iii)	Collection Fund Adjustment Account	(3.0)	0.9
(iv)	Accumulated Absences Account	6.1	6.1
(v)	Pensions Reserve	555.1	583.3
	Total	**(690.9)**	**(644.0)**

i Revaluation Reserve

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

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

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

Revaluation Reserve	Restated 31 March 2018 £m's	31 March 2019 £m's
Balance at 1 April	**(575.8)**	**(604.0)**
Surplus on revaluation of non-current assets not posted to the surplus/deficit on the provision of services	(44.0)	(35.4)
Total Amount written off to the Capital Adjustment Account		
Difference between fair value depreciation and historical cost depreciation	9.7	13.6
Accumulated gains on assets disposed of in the year	20.4	27.5
Transfer reflecting downward valuation of surplus asset land where no prior revaluation gains exist	(14.3)	0.0
Other Adjusting Amounts Written Off to the Capital Adjustment Account	0.0	1.4
Balance at 31 March	**(604.0)**	**(596.9)**

ii Capital Adjustment Account

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

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

Capital Adjustment Account	2017/18 Restated £m's	2018/19 £m's
Balance at 1 April	(646.8)	(656.0)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Depreciation of Property, Plant and Equipment, and Heritage Assets	33.1	30.6
Amortisation and Impairment Losses of Intangible Assets	1.0	3.4
Revaluation and Impairment Losses on Property, Plant and Equipment	13.8	30.9
HRA Depreciation to Fund Major Repairs Reserve	13.0	14.3
Revenue Expenditure Funded from Capital Under Statute	22.1	33.0
Reclassification of Asset Under Construction to Long Term Debtor	(4.2)	0.0
Carrying amounts of Non-Current Assets written off on disposal as part of the Gain/Loss on Disposal in the Comprehensive Income and Expenditure Statements	40.3	83.2
Sub Total	**119.1**	**195.4**
Adjusting Amounts written out of the Revaluation Reserve	0.0	
Valuation of assets disposed of in the Comprehensive Income and Expenditure Statement	(20.5)	(27.5)
Downward Valuation of Surplus Asset Land where no Prior Revaluation Gains Exist	14.3	0.0
Other adjusting amounts written out of the Revaluation Reserve	(9.8)	(15.0)
Net written out amount of the cost of non-current assets consumed in the year	**(16.0)**	**(42.5)**
Capital financing applied in the year:		
Capital receipts applied	(26.6)	(19.1)
Revenue contributions to fund capital expenditure	(26.4)	(31.0)
Major Repairs Reserve applied	(14.7)	(27.3)
Capital grants and contributions applied	(41.0)	(43.2)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(4.0)	(4.1)
	(112.7)	**(124.7)**
Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(5.1)	(7.4)
Other Movements	5.5	(2.2)
Balance at 31 March	**(656.0)**	**(637.4)**

iii Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2017/18 £m's	2018/19 £m's
Balance at 1st April	(2.7)	(3.0)
Amount by which Council Tax and Business Rates Income credited to the CIES is different from Income calculated for the year in accordance with Statutory Requirements		
Council Tax	(2.5)	2.7
Business Rates	2.2	1.2
Balance at 31 March	**(3.0)**	**0.9**

iv Accumulated Absences Account

The Accumulated Absences Account holds the costs of accrued compensated absences not taken in the year e.g. annual leave and flexitime entitlements carried forward at 31 March. Statutory arrangements require the impact on the General Fund to be neutralised by transfers to or from the Account. The Council's policy is to review the accrued cost of compensated absences every three years with the next review due in financial year 2019/20.

Accumulated Absences Account	2017/18 £m's	2018/19 £m
Balance at 1 April	6.1	6.1
Amount by which Employee Remuneration charged to the CIES differs from Remuneration Chargeable in the year according to Statutory Regulation	0.0	0.0
Balance at 31 March	**6.1**	**6.1**

v Pensions Reserve

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

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or pays pensions for which it is directly responsible. The debit balance on the Pension Reserve means there is a shortfall in the benefits earned by past and current employees and the resources that have been set aside to meet them. Statutory arrangements ensure that the required funding will be set aside by the time the benefits become payable.

Movement in Pension Fund Reserve

Movement in Pension Fund Reserve	2017/18 £m's	2018/19 £m's
Deficit Balance at 1 April	503.0	555.1
Re-measurement of the Net Defined Pension Liability	34.3	(28.4)
Reversal of charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	49.9	89.9
Employer's pension contributions payable in the year	(32.1)	(33.3)
Deficit Balance at 31 March	**555.1**	**583.3**

NOTE 22. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes amongst the Council's four directorates plus the corporate budgets:

- Chief Executive
- People
- Place
- Resources
- Corporate

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

2017/18*						2018/19				
Income & Expenditure per Management Accounts	Adjustments between internal reporting and statutory position	net Expenditure Chargeable to General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES		Income & Expenditure per Management Accounts	Adjustments between internal reporting and statutory position	net Expenditure Chargeable to General Fund and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
£m's	£m's	£m's	£m's	£m's	**Segment**	£m's	£m's	£m's	£m's	£m's
6.7	0.7	7.4	0.2	7.6	Chief Executive	8.9	0.7	9.6	6.3	15.9
118.8	(9.0)	109.8	21.2	131.1	People	124.8	(12.8)	112.0	34.9	146.9
27.5	(0.4)	27.1	31.0	58.1	Place	32.7	(5.6)	27.1	40.5	67.7
44.4	18.0	62.4	18.5	80.9	Resources	42.4	11.7	54.1	2.9	57.0
32.8	(51.7)	(18.9)	19.4	0.5	Corporate	24.3	(15.1)	9.9	26.9	36.8
230.2	**(42.4)**	**187.8**	**90.3**	**278.2**	**GF Sub Total**	**233.1**	**(21.1)**	**212.7**	**115.5**	**324.3**
2.5	(25.4)	(22.9)	4.4	(18.5)	HRA	2.0	(4.5)	(2.5)	(4.4)	(4.4)
232.7	**(67.8)**	**164.9**	**94.7**	**259.7**	**Net Cost of Service**	**235.1**	**(25.6)**	**210.2**	**107.1**	**319.9**
(230.2)	56.4	(173.8)	(61.5)	(234.4)	**Other Income and Expenditure**	(233.1)	15.7	(217.4)	37.7	(179.9)
2.5	**(11.4)**	**(8.9)**	**33.2**	**25.3**	**Deficit**	**2.0**	**(9.9)**	**(7.2)**	**144.8**	**140.0**

2017/18		2018/19
(93.0)	Opening General Fund & HRA Balance	(101.9)
(8.9)	In year surplus / deficit	(7.2)
(101.9)	**Closing General Fund & HRA Balance**	**(109.1)**

*figures have been re-stated from those in the Published 2017-18 Accounts to reflect the Council's New Internal Management Structure which was effective From April 2018

2018/19

Directorate	Income and Expenditure per management Accounts £m's	Adjustments between internal reporting and statutory position £m's	net Expenditure Chargeable to General Fund and HRA Balances £m's	Adjustments for Capital Purposes £m's	Adjustments for Pension Benefits £m's	Other Adjustments £m's	total Adjustments Between Funding and Accounting Basis £m's	Net Expenditure in CIES £m's
Chief Executive	8.9	0.7	**9.6**	6.0	0.3	0.0	**6.3**	**15.9**
People	124.8	(12.8)	**112.0**	24.1	2.7	0.0	**34.9**	**146.9**
Place	32.7	(5.6)	**27.1**	39.6	0.9	0.0	**40.5**	**67.7**
Resources	42.4	11.7	**54.1**	9.4	1.6	0.0	**2.9**	**57.0**
Corporate	24.3	(15.1)	**9.9**	(9.4)	35.6	0.7	**26.9**	**36.8**
GF Sub Total	**233.1**	**(21.1)**	**212.7**	**69.7**	**41.1**	**0.7**	**115.5**	**324.3**
HRA	2.0	(4.5)	**(2.5)**	(6.0)	1.6	0.0	**(4.4)**	**(4.4)**
Net Cost of Service	**235.1**	**(25.6)**	**210.2**	**63.7**	**42.7**	**0.7**	**107.1**	**319.9**
Other Income and Expenditure	(233.1)	15.7	**(217.4)**	19.8	14.0	3.9	**37.7**	**(179.9)**
Deficit/(Surplus)	**2.0**	**(9.9)**	**(7.2)**	**83.5**	**56.7**	**4.6**	**144.8**	**140.0**

2017/18 Directorate	Income and Expenditure per management Accounts £m's	Adjustments between internal reporting and statutory position £m's	net Expenditure Chargeable to General Fund and HRA Balances £m's	Adjustments for Capital Purposes £m's	Adjustments for Pension Benefits £m's	Other Adjustments £m's	total Adjustments Between Funding and Accounting Basis £m's	Net Expenditure in CIES £m's
Chief Executive	6.7	0.7	**7.4**	0.0	0.2	0.0	**0.2**	**7.6**
People	118.8	(9.0)	**109.8**	18.5	2.7	0.0	**21.2**	**131.1**
Place	27.5	(0.4)	**27.1**	30.1	0.9	0.0	**31.0**	**58.1**
Resources	44.4	18.0	**62.4**	17.6	0.9	0.0	**18.5**	**80.9**
Corporate	32.8	(51.7)	**(18.9)**	19.4	0.0	0.0	**20.4**	**0.5**
GF Sub Total	**230.2**	**(42.4)**	**187.8**	**85.6**	**4.7**	**0.0**	**91.3**	**278.2**
HRA	2.5	(25.4)	**(22.9)**	4.2	0.2	0.0	**4.4**	**(18.5)**
Net Cost of Service	**232.7**	**(67.8)**	**164.9**	**89.8**	**4.9**	**0.0**	**95.7**	**259.7**
Other Income and Expenditure	(230.2)	56.4	**(173.8)**	(74.1)	12.8	(0.2)	**(61.5)**	**(234.4)**
Deficit/(Surplus)	**2.5**	**(11.4)**	**(8.9)**	**15.7**	**17.7**	**(0.2)**	**34.2**	**25.3**

Notes to Expenditure Funding Analysis tables

1. Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for other operating expenditure adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. Financing and investment income and expenditure the statutory charges for capital financing i.e. Minimum Revenue Provision (MRP) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices. Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivables without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2. Adjustments Pension Benefits

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

3. Other Adjustments

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

4. Adjustments between Internal Reporting & Statutory Position

These relate to

i) Amounts transferred from earmarked reserves to Directorates - which were included in the movement on General Fund and HRA Balances reported internally but under the Code do not form part of the net cost of service in the CIES

ii) In year overspend on School Delegated Budgets which was included in the net cost of services in the CIES but not included in the General Fund outturn report to management

iii) Net revenue income from investment properties which was included in the General Fund outturn report to management but excluded from the net cost of service in the CIES.

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

NATURE OF EXPENSES Subjective Category	Restated 2017/18 £m's	2018/19 £m's
Employee Benefit Expenses	345.1	326.6
Premises	68.1	84.0
Transport	8.0	3.5
Other Operating Expenditure	190.8	198.2
Third Party Payments	113.7	113.6
Transfer Payments	346.2	327.1
Capital Financing Costs (Interest and Financing Costs)	19.9	24.1
Capital Charges (including Depreciation & Amortisation)	47.1	48.4
Government Grants, Reimbursements & Contributions	(820.1)	(771.5)
Customer & Client Receipts	(314.8)	(349.2)
Interest Received	(4.0)	(4.8)
Net Expenditure Chargeable to General Fund & HRA	**-**	**-**

NOTE 23. CASH FLOW ADJUSTMENTS TO NET DEFICIT ON THE PROVISION OF SERVICES

	Restated 2017/18 £m's	2018/19 £m's
Depreciation	46.1	45.0
Impairment and downward valuations	13.8	30.9
Amortisation	1.0	3.4
Increase / (decrease) in provisions	0.8	5.7
Increase / (decrease) in creditors	1.9	(36.3)
Increase / (decrease) in debtors	(19.7)	(10.5)
Increase / (decrease) in inventories	0.1	0.3
Movement in Pension Fund Liability	17.7	56.6
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	39.5	83.2
Other Non-Cash Movements	5.7	1.1
Total adjustments to net deficit on the provision of services	**106.9**	**179.4**

Cashflows from Operating Activities includes the following	Restated 2017/18 £m's	2018/19 £m's
Interest Paid	(4.1)	(4.8)
Interest Received	19.0	20.3
Total adjustments to net deficit on the provision of services	**14.9**	**15.5**

NOTE 24. INVESTING ACTIVITIES

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

Cash Flow Statement – Investing Activities	Restated 2017/18 £m's	2018/19 £m's
Purchase of property, plant and equipment, investment property and intangible assets	(203.7)	(152.9)
Other payments for investing activities	(26.4)	(7.9)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	38.3	17.9
Proceeds from Short and Long Term Investments	0.0	6.0
Capital Grants Received	39.0	36.4
Other receipts from investing activities	5.1	0.0
Total Investing Activities	**(147.7)**	**(100.5)**

NOTE 25. FINANCING ACTIVITIES

Cash Flow Statement – Financing Activities	2017/18 £m's	2018/19 £m's
Cash receipts of short and long term borrowing	279.6	290.0
Cash payments for the reduction of outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(3.1)	(3.2)
Repayments of short and long term borrowing	(137.6)	(141.8)
Other payments for financing activities	6.9	0.0
Total Financing Activities	**145.8**	**145.0**

NOTE 26. INVESTING & FINANCING ACTIVITIES

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

	Restated 2017/18 £m's	2018/19 £m's
Proceeds from sale of property plant equipment & investment property	(31.0)	(17.9)
Any other items for which the cash effects are investing or financing cash flows: Capital Grants & Contributions	(36.4)	(36.4)
Total Financing Activities	**(67.4)**	**(54.3)**

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2016/17 £m's	Financing £m's	Investing £m's	Non-Cash Changes £m's	2017/18 £m's	Financing £m's	Investing £m's	Non-Cash Changes £m's	2018/19 £m's
Long-Term Borrowings	**(437.4)**	(137.8)	0.0	0.0	**(575.2)**	(148.2)	0.0	**43.3**	**(680.1)**
Short-Term Borrowings	**(121.6)**	0.0	(145.7)	140.3	**(127.0)**	0.0	(100.5)	**56.8**	**(170.7)**
Lease Liabilities	**(0.1)**	0.0	0.0	0.0	**(0.1)**	0.0	0.0	**0.0**	**(0.1)**
On Balance Sheet PFI Liabilities	**(43.6)**	3.1	0.0	0.0	**(40.5)**	3.2	0.0	**0.0**	**(37.3)**
Total Liabilities from Financing Activities	**(602.7)**	**(134.7)**	**(145.7)**	**140.3**	**(742.8)**	**(145.0)**	**(100.5)**	**100.1**	**(888.2)**

NOTE 27. POOLED BUDGETS

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

i. **The Integrated Communities Equipment Service** provides equipment services for people with permanent and substantial difficulties, helping them to live in their own home.

ii. **The Learning Disabilities Pool enables the Council and the NHS to maintain integrated provision for the delivery of services to people with learning disabilities, for whom the Council and the NHS have a responsibility to provide health and social care.**

iii. **Mental Capacity Act** and Deprivation of Liberty Safeguards services for both NHS Enfield and the Council. This is in line with the Mental Capacity Act (2005), whereby the NHS and the Council have a duty to deal with all requests for urgent and/or standard authorisations to deprive a person of their liberty.

iv. **A Service Development Team** across health and social care works in partnership to manage an increase in demand against diminishing resources.

v. **Continuing Health Care** (CHC) is the purchase of bed placements from Bridgewood House for continuing needs by Enfield CCG.

vi. **The Better Care Fund** Programme is an evolving initiative spanning both the NHS and local government. It has been created to improve the lives of some of the most vulnerable people in our society, placing them at the centre of their care and support, and providing them with 'wraparound' fully integrated health and social care, resulting in an improved experience and better quality of life.

A funding and expenditure statement for these pooled budgets in 2018/19 and comparison with 2017/18 is set out below.

Pooled Budgets 2018/19	**Integrated Communities Equipment Service £m's**	**Learning Disabilities Pool £m's**	**Mental Capacity Act £m's**	**Service Development Team £m's**	**CHC Beds £m's**	**Total £m's**
Funding provided to the pooled budget:						
London Borough of Enfield	1.0	3.4	1.0	0.1	0.0	5.5
National Health Service Enfield	0.7	2.0	0.0	0.0	0.8	3.5
Total Funding available	**1.7**	**5.4**	**1.0**	**0.1**	**0.8**	**9.0**
Expenditure met from the pooled budget						
Enfield Council	1.8	2.6	0.9	0.1	0.8	6.2
National Health Service Enfield	0.0	2.8	0.0	0.0	0.0	2.8
Total Expenditure	**1.8**	**5.4**	**0.9**	**0.1**	**0.8**	**9.0**
Net Surplus / Deficit	**(0.1)**	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**

Pooled Budgets 2017/18	Integrated Communities Equipment Service £m's	Learning Disabilities Pool £m's	Mental Capacity Act £m's	Service Development Team £m's	CHC Beds £m's	Total £m's
Funding provided to the pooled budget:						
London Borough of Enfield	1.0	4.2	0.8	0.0	0.0	6.0
National Health Service Enfield	0.7	1.9	0.0	0.1	0.2	2.9
Total Funding available	**1.7**	**5.4**	**0.8**	**0.1**	**0.2**	**8.9**
Expenditure met from the pooled budget						
Enfield Council	1.7	3.6	0.7	0.1	0.2	6.3
National Health Service Enfield	0.0	2.7	0.0	0.0	0.0	2.7
Total Expenditure	**1.7**	**6.3**	**0.7**	**0.1**	**0.2**	**9.0**
Net Surplus / Deficit	**0.0**	**(0.2)**	**0.1**	**0.0**	**(0.0)**	**(0.1)**

Better Care Fund Programme 2018/19	Commissioned by Enfield CCG	Commissioned by LB Enfield	Total
	£m	£m	£m
Better Care Fund	9.9	3.9	13.8
Protection of ASC		6.3	6.3
Improved Better Care Fund		8.2	8.2
Disabilities Facilities Grant		3.4	3.4
Total	**9.9**	**21.8**	**31.7**

Better Care Fund Programme 2017/18	Commissioned by Enfield CCG	Commissioned by LB Enfield	Total
	£m	£m	£m
Better Care Fund	9.5	3.9	13.4
Protection of ASC		6.2	6.2
Improved Better Care Fund		6.1	6.1
Disabilities Facilities Grant		2.8	2.8
Total	**9.5**	**19.0**	**28.5**

NOTE 28. MEMBERS ALLOWANCES

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

	2017/18	2018/19
	£m's	£m's
Basic allowances	0.7	0.7
Special responsibility allowances	0.3	0.3
Total	**1.0**	**1.0**

NOTE 29. OFFICERS' REMUNERATION

i) **Senior Employees' Earnings**. Taxable remuneration, expense allowances and employers pension contributions in respect of Senior Employees is detailed below:

Senior Employee Designation 2018/19	Taxable Pay	Performance Related Pay (Note 1)	Pension Contribution	Total
	£	£	£	£
Ian Davies (Chief Executive)[1]	191,342			**191,342**
Tony Theodoulou Executive Director of People[1]	148,327	3,489		**151,816**
Sarah Carey - Executive Director of Place[1]	135,303		33,014	**168,317**
James Rolfe - Executive Director of Resources (to Sept) [1]	75,188	3,560		**78,748**
Fay Hammond - Executive Director of Resources (Acting) [1 & 4]	113,621		27,723	**141,344**
Jeremy Chambers – Director of Law & Governance	112,871	3,242		**116,113**
Director of Public Health[7]	99,760	1,816	24,784	**126,360**
Ray James - Executive Director of Health, Housing & Adult Social Care (External Secondment) [1 & 2]	142,428	9,969		**152,397**

Senior Employee Designation 2017/18	Taxable Pay	Performance Related Pay (Note 1)	Pension Contribution	Total
	£	£	£	£
Ian Davis - Chief Executive	177,236	2,792		**180,028**
Ray James - Executive Director of Health, Housing & Adult Social Care (LBE/NHS secondment/Total)	86,914 52,291 139,205	5,061 3,665 8,726		**91,975** **55,956** **147,931**
James Rolfe - Executive Director of Finance, Resources & Customer Services	139,062	13,962		**153,024**
Tony Theodoulou - Executive Director of Schools & Children's Services[3]	134,872		32,371	**167,243**
Asmat Hussain - Director of Law & Governance (Monitoring Officer)[6]	24,478	1,931	6,346	**32,755**
Jayne Middleton-Albooye - Director of Law & Governance (Monitoring Officer)[6]	25,475	1,357	6,446	**33,278**
Jeremy Chambers – Director of Law & Governance[5]	43,770			**43,770**
Executive Director of Regeneration & Environment	116,738	2,292	10,564	**129,594**
Director of Public Health[7]	91,660			**91,660**

Note 1: The Council had a new management structure in place from 1st April 2018. The new Executive Management Structure comprises Chief Executive and Executive Directors of People, Place and Resources

Note 2: Ray James, The Executive Director of Health and Adult Social Care was seconded to NHS England during 2018/19 (started in October 2017). His actual salary was £152k, which was recharged to NHS England (recharge amount was £173k including oncosts). For 17/18 his total salary was £147k of which £65k was recharged to NHS England (including oncosts) representing 50% of the costs covering October to December 2017 and 100% from January 2018 onwards.

Note 3: The Executive Director of People fills the Statutory roles of Director of Childrens Services and Director of Adult Social Services

Note 4: Fay Hammond was Acting Up postholder October 2018 to March 2019 but the figures are for the whole year

Note 5: Statutory Role. Note 17.18 figure is for 5 months only

Note 6: Asmat Hussain was postholder April to June 2017, Jayne Middleton-Albooye was postholder July to October 2017 but the figures are for the whole year

Note 7: Statutory Role

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

	2017/18				2018/19			
	Non Schools		Schools		Non Schools		Schools	
Taxable Remuneration Band	Current	Left during the year	Current	Left during the year	Current	Left during the year	Current	Left during the year
£50,000 - £54,999	58	5	149	7	69	2	149	5
£55,000 - £59,999	66	5	62	6	86	4	67	
£60,000 - £64,999	23	1	43	3	19	5	40	1
£65,000 - £69,999	15	1	44	2	17	1	28	2
£70,000 - £74,999	24	1	17	2	26		14	3
£75,000 - £79,999	4	1	14		12	1	21	
£80,000 - £84,999	2		9		2	1	6	
£85,000 - £89,999	3	2	9		4	1	6	
£90,000 - £94,999	3	2	3	1		1	7	
£95,000 - £99,999	1	2	3		2		3	1
£100,000 - £104,999	2		2		3		1	
£105,000 - £109,999		3	3		2		3	1
£110,000 - £114,999	1						1	
£115,000 - £119,999			3		1		1	
£120,000 - £124,999			1		1		1	
£125,000 - £129,999			1				1	
£130,000 - £134,999								
£135,000 - £139,999								1
£140,000 - £144,999		1						
£145,000 - £149,999								
£150,000 - £154,999								
£155,000 - £159,999								
£160,000 - £164,999								
£165,000 - £169,999								
Totals	**202**	**24**	**363**	**21**	**244**	**16**	**349**	**14**

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

NOTE 30. EXTERNAL AUDIT COSTS

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

	Fees in Respect of Audit Year	
	2017/18	2018/19
	£'000	£'000
Fees payable to the External Auditors with regard to external audit services carried out by the appointed auditor for the year	172	132
Fees payable to the External Auditors for the certification of grant claims and returns for the year	41	0
Fees payable in respect of other services provided by the appointed auditor during the year	8	0
Full Year Audit Cost Total	**221**	**132**

NOTE 31. DEDICATED SCHOOLS' GRANT

The Council's expenditure on schools is funded primarily by grant money provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the councils' area. DSG is ring fenced and can only be applied to meet expenditure properly included in the schools' budget, as defined in the School Finance (England) Regulations 2011.

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

	Total £m's	Individual Schools Budget (ISB) £m's	Central Expenditure £m's
Final DSG for 2019 before Academy Recoupment	330.4		
Academy Figure recouped for 2018/19	(106.5)		
Total DSG after Academy Recoupment 2017/18	**223.9**		
Plus brought forward from 2017/18	(0.8)		
Less carry forward to 2019/20 agreed in advance	0.0		
Agreed initial budget distribution 2017/18	**223.1**	**182.0**	**41.1**
In year adjustments	0.0		
Final budget distribution for 2018/19	**223.1**	**182.0**	**41.1**
Less: Actual Central Expenditure	**40.2**		**40.2**
Less: Actual ISB Deployed to Schools	**181.8**	**181.8**	
Carry forward to 2019/20	**1.1**	**0.2**	**0.9**

DSG, made under section 14 of the Education Act 2002, has been deployed in accordance with regulations made under sections 45A, 45AA, 47, 48(1) and (2) and 138(7) and paragraph 1(7)(b) of Schedule 14 to the School Standards and Framework Act 1998. Cumulative balances held by schools as at 31 March 2019 were £2.4m (£3.1m, 31 March 2018).

NOTE 32. GRANT INCOME

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

	2017/18 £m's	2018/19 £m's
Credited to Taxation and Non Specific Grant Income		
Education Services & Transitional Grant	2.2	0.0
New Homes Bonus	3.6	2.0
New Homes Bonus Adjustment Grant	0.2	0.0
Business Rates 2% inflation Cap	1.0	3.7
Small Business Rate Relief	1.5	1.7
Discretionary Rate Relief Scheme	0.3	0.2
Business Rate Levy Account Surplus	0.0	1.1
Housing Benefit Administration Grant	1.7	1.6
Council Tax Administration Grant & Other Grants	0.9	0.7
Specific Corporate Grants	**11.4**	**11.0**
Revenue Support Grant	34.0	0.0
General Government Grants	**45.6**	**11.0**
Capital Grants and Contributions	36.4	36.4
Total Grants and Contributions	**81.8**	**47.4**

Service Specific Grants	2017/18 £m's	2018/19 £m's
Housing Benefits Subsidy	317.4	295.3
Dedicated Schools Grant	236.0	223.9
Pupil Premium Grant	14.4	11.9
Education Funding Agency- Learning & Skills Grant	12.2	11.6
Public Health Grant	17.3	16.8
Discretionary Housing Payments	2.4	2.1
Unaccompanied Asylum Seeker Support Grant	1.9	2.3
Flexible Homelessness Grant	8.8	8.5
Council Tax Support New Burdens Funding	0.2	0.0
Other Grants	24.0	31.6
General Government Grants	**634.6**	**604.0**

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

The Council has received several grants, contributions and donations that have yet to be recognised as income as they have conditions outstanding as at 31 March. The balance at the 31 March 2019 was £6.4m (£3.6m 31 March 2018).

NOTE 33. RELATED PARTIES

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

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). The principal grants received from Central Government are set out in Note 32.

Other Public Bodies

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

Members and Officers

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

For financial year 2018/19 several members and senior officers declared they had interests with Local Voluntary Bodies, Charities, schools and other organisations. Transactions between the Council and the vast majority of these organisations were not materially significant and in all cases the member or officer was not in a position to control or direct them. Details of these interests are recorded in the Register of Members Interests which is open to public inspection. The following Members declared interests with the following organisations with whom there was economic activity in the year.

Organisation	Members / Officers Declaring an Interest	Payments made by LBE to Organisation in 2017-18	Payments made by LBE to Organisation in 2018-19
North London Waste Authority (NWLA)	Ian Davis – Executive Director of Environmental Services, was employed by NLWA as an Environment Adviser in 2017.18. His earnings with LBE are shown in Note 29	Statutory levy and charge of £6.6m	N/A
Cyprian Care Ltd	Cllr Ahmet Oykener is a Director of Cyprian Care Ltd, who provide Home Care Services in Enfield as well as other London Boroughs	Payment for Services of £0.6m	Payment for Services of £0.9m
Enfield Citizens Advice Bureau	Cllr Rick Jewell is a Director of the Enfield Citizens Advice Bureau who receive grants from LBE	N/A	Grants £0.47m
Capel Manor College	Cllr Doug Taylor is a Governor of Capel Manor College	N/A	Payment for services £0.18m
Enfield Racial Equality Council	Cllr Kate Anolue is a Director of Enfield Racial Equality Council who receive grants from LBE	N/A	Grants £0.06m

Entities Controlled or Significantly Influenced by the Authority

Wholly Owned Subsidiaries of the Council

Lee Valley Heating Network (LVHN)
In 2011, the Council set up New River Services Ltd with the Board made up of Councillors and Senior Officers. The Company provides a legal platform to enable the Council to trade its services with other public bodies on a commercial basis. The Company was renamed Lea Valley Heat Network Ltd in June 2013 and is also known as Energetik. The Company began trading in 2016/17. During 2018/19, the Management Board included Councillors Doug Taylor, Ahmet Oykener, Alan Sitkin and Officers James Rolfe (Executive Director of Resources) and Ian Davis (Chief Executive). The Council made net loan advances to LVHN of £2.7m. As at 31 March 2019 outstanding loan advances totalled £8.9m. Included within debtors is £0.1m owed by the Company to the London Borough of Enfield in respect of the provision of goods and services in the year; accrued interest on loans is £0.1m.

Housing Gateway Limited (HGL)
HGL was formed in March 2014 with the purpose of acquiring properties to increase the availability of value for money social housing for Enfield residents and to discharge its statutory duties for homelessness. HGL commenced trading in financial year 2014/15. During 2018/19 the Management Board included Councillors Georgiou, Lemonides, Leaver and Oykener and Officers James Rolfe (Executive Director of Resources), Sally McTernan (Assistant Director Community Housing), Jayne Middleton-Albooye (Head of Legal Services) and Joanne Drew (Director of Housing & Regeneration). The Council provided a range of support services to HGL during financial year 2018/19 which came to £1.1m. The Council received net loan repayments of £1.0m. At 31 March 2019 outstanding loan advances to HGL totalled £113.9m. Included within debtors is £1.8m owed by HGL to the London Borough of Enfield in respect of the provision of goods and services in the year, and a further £1.0m for accrued interest on loans. Included within creditors is £0.2m relating to amounts owed to HGL by the council.

Enfield Innovations Limited (EIL)
In 2015 Members approved the creation of EIL – a Special Purpose Vehicle to develop, own and manage property as part of a wider strategy to increase the supply of value for money quality accommodation for Enfield Residents. EIL falls within the Group Boundary. During 2018/19, the Management Board included Councillors Georgiou, Ozaydin, Lemonides and Oykener and Officer James Rolfe (Executive Director of Resources), Sally McTernan (Assistant Director Community Housing), Jayne Middleton-Albooye (Head of Legal Services), Mark Bradbury (Director of Property & Economy) and Matta Bowmer (Interim Director of Finance). In financial year 2018-19 the Authority provided support services to EIL of £0.1m and received net repayments of loan advances from them of £0.6m. At 31 March 2019 outstanding loan advances to EIL totalled £12.2m. Included with debtors is £1m relating to amounts owed by EIL to the Council, of which £0.4m is accrued interest.

Independence and Wellbeing Enfield (IWE) Ltd
IWE commenced trading in September 2016 with the purpose of providing Adult Social Care Services for the people of Enfield. The Management Board includes Councillors Alev Cazimoglu and Hassan Yusuf and Officer Paul Sutton (Assistant Director Youth & Service Development). In financial year 2018-19 the Management fee paid by the Authority to the Company was £15.1m and the Authority provided £2.9m of support services to IWE Ltd. Included within debtors is £3.8m owed by IWE to the London Borough of Enfield in respect of the provision of goods and services in the year.

Enfotec Ltd
In March 2017 the Council Registered Enfotec Ltd. The Company is dormant with no financial activity but is intended to be used in the future as an ICT trading platform. The Enfotec Ltd Board includes Councillors Alan Sitkin, Ayfer Orhan, Dino Lemonides, and Achilleas Georgiou and Officer James Rolfe (Executive Director of Resources).

Joint Venture

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

Associates

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

During financial year 2018/19 the Authority received dividend income from Enfield Norse of £0.1m, and paid them £1.9m for supplies and services. During 2018/19 the Management Board included Councillors Achilleas Georgiou and Charith Gunawardena and Officer James Rolfe (Executive Director of Resources).

Red Lion Homes' (RLH)
In November 2015 the Council gave approval for the creation of a new Social Housing Registered Provider. In May 2017 RLH was formally registered at Companies House. Its purpose is to acquire and develop land and property for the provision of social and affordable housing. The Council will assist RHL by disposal of HRA properties and sites to the RLH and by investing its Right to Buy Receipts from the Governments One to One Replacement Scheme. The RLH Board is made up of nine Board Members, of which two are Council Nominees (Cllr Oykener and LBE Officer Peter George) meaning the Council will have a minority interest. As at the time of writing the RLH is not operational.

NOTE 34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	Restated 2017/18 £m's	2018/19 £m's
Opening Capital Financing Requirement	**735.9**	**889.1**
Capital Investment		
Property, Plant and Equipment	215.7	149.9
Investment Properties	0.0	0.0
Intangible Assets	0.0	3.0
Assets Held for Sale	4.2	0.0
Long Term Investment	26.2	7.8
Revenue Expenditure Funded from Capital Under Statute	22.1	33.0
Total Capital Investment	**268.2**	**193.7**
Sources of Finance		
Capital Receipts	(26.6)	(19.1)
Government Grants and Contributions	(41.0)	(43.2)
HRA Major Repairs Reserve	(14.7)	(27.3)
Direct Revenue Contributions	(26.4)	(31.0)
Minimum Revenue Provision	(4.0)	(4.1)
Repayment of Loans	(5.5)	(7.3)
Decrease in PFI Contract Liabilities	3.0	3.1
Adjustment for impairment of LVHN loan re-categorised as a revenue loan	0.0	(1.7)
Total Sources of Finance	**(115.2)**	**(130.6)**
Closing Capital Financing Requirement	**889.9**	**952.2**
Increase in underlying need to borrow	153.0	63.1
Increase in Capital Financing Requirement	**153.0**	**63.1**

NOTE 35. OPERATING LEASES

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

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

	31 March 2018* £m's	31 March 2019 £m's
Not later than one year	1.2	0.9
Later than one year and not later than five years	2.9	3.0
Later than five years	16.3	19.0
Total	**20.4**	**22.9**

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

The Council also rents out land and buildings it owns to third parties in the form of operating leases. Under its investment property portfolio, the Council has over 800 operating leases of varying lease periods. These include industrial and retail properties, green belt agricultural tenancies and other recreational and commercial buildings. Rent receivable in 2018-19 was £9.0m (£8.5m in 2017-18). The table below sets out the future income profile arising from the most significant of these leases. Projected receipts assume that rent will continue at the current levels, which does not take account of the fact there will be future rent reviews, and where rent is partially based on the performance of the lessee, it is assumed that rental income will continue at the current level.

	31 March 2018 £m's	31 March 2019 £m's
Amount due not later than one year	2.3	4.1
Amount due between one and five years	7.9	14.1
Later than five years	96.1	51.8
Total	**106.3**	**70.0**

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

NOTE 36. Private Finance Initiative (PFI) Contracts

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

The assets will be transferred to the Council at the end of each contract for nil consideration and are therefore recognised on the Council's Balance Sheet; movements in their value in the year are detailed in the analysis of movement in property, plant and equipment in Note 12. The Council makes agreed fixed payments each year which may be increased by inflation or reduced if the contractor fails to meet availability or performance standards in any year. Payments remaining to be made under each PFI contract as at 31 March 2019 are shown below.

Street Lighting Services

Period	Payment for Services £m's	Reimbursement of Capital Expenditure £m's	Interest £m's	Total £m's
Within one year	1.9	1.1	0.7	3.7
Two - five years	8.3	4.4	2.2	14.9
six - 10 years	11.9	5.5	1.5	18.9
11 - 15 years	5.5	2.5	0.2	8.2
Total	**27.6**	**13.5**	**4.6**	**45.7**

The carrying value of the Street Lighting scheme assets at 31 March 2019 was £18.0m (£19m as at 31 March 2018)

Outstanding Liability for Reimbursement of Capital Expenditure	2017/18 £m's	2018/19 £m's
Balance Outstanding 1st April	(16.0)	(14.8)
Payments during the year	1.2	1.3
Balance Outstanding 31st March	**(14.8)**	**(13.5)**

Education – Provision of Highlands Secondary School

Period	Payment for Services £m's	Reimbursement of Capital Expenditure £m's	Interest £m's	Total £m's
Within one year	0.8	0.9	0.9	2.6
Two - five years	3.3	4.9	2.3	10.5
six - 10 years	1.4	2.4	0.3	4.1
Total	**5.5**	**8.2**	**3.5**	**17.2**

The carrying value of assets held at 31 March 2019 was £35.6m (£30.4m as at 31 March 2018).

Outstanding Liability for Reimbursement of Capital Expenditure	2017/18 £m's	2018/19 £m's
Balance Outstanding 1st April	(9.9)	(9.1)
Payments during the year	0.8	0.9
Balance Outstanding 31st March	**(9.1)**	**(8.2)**

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

Period	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m
Within one year	2.0	1.2	1.9	**5.1**
Two - five years	8.5	5.9	6.1	**20.5**
six - 10 years	12.3	10.1	3.9	**26.3**
11 - 15 years	1.0	1.6	0.2	**2.8**
Total	**23.8**	**18.8**	**12.1**	**54.7**

The carrying value of assets held at 31 March 2019 was £12.1m (£47.6m as at 31 March 2018). The reason for this movement is due to one of the schools, Lea Valley Secondary converting to academy during the year (£33.7m valuation in 2017/18).

Outstanding Liability for Reimbursement of Capital Expenditure	2017/18 £m	2018/19 £m
Balance Outstanding 1st April	(20.8)	(19.8)
Payments during the year	1.0	1.0
Balance Outstanding 31st March	**(19.8)**	**(18.8)**

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

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

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

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

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

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

a) Non-Housing Trade Debtors / Accounts Receivable
b) Housing Related Rent Arrears

c) Loans to Subsidiary Companies

As types a) to b) have shared risk characteristics, the lifetime expected credit loss is based on a practical expedient which uses historic payment information to arrive at provision matrices; further consideration has been given to macro-economic factors that may impact on trend data and this has been found to be negligible. This is the same basic methodology as has been used prior to the introduction of IFRS9 and uses the following percentages:

Debt Timeframe	**Credit Loss Provision**
Current Debt	0.5%
1 – 30 days past due	2.5%
31-60 days past due	4.5%
61-90 days past due	7.5%
Over 90 days past due	15.0%

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

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

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

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

NOTE 38. TERMINATION BENEFITS AND EXIT PACKAGES

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

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

The number and cost of exit packages in 2018/19 and 2017/18 were as follows:

Exit Package Cost Band	**Number of Compulsory Redundancies**		**Number of Other Departures**		**Total Number of Exit Packages by Band**		**Total Cost of Exit Packages by Band**	
	2018/19	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19 £m's**	**2017/18 £m's**
0 - £20k	110	117	29	33	139	150	0.918	1.081
£20 - £40k	23	30	5	5	28	35	0.798	0.974
£40 - £60k	4	17	3	2	7	19	0.305	0.922
£60 - £80k	3	4	1	1	4	5	0.270	0.345
£80 - £100k	1	2	0	0	1	2	0.098	0.175
£100 - £150k	2	1	0	0	2	1	0.211	0.101
Over £150k	1	0	0	0	1	0	0.295	0.000
Total	**144**	**171**	**38**	**41**	**182**	**212**	**2.895**	**3.598**

NOTE 39. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19 employer contributions of £12.4m were paid to the Teacher's Pension Scheme (£13.8m paid in 2017/18). The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39 below.

Former NHS Employees

On 1 April 2013 public health staff and services were transferred from Primary Care Trusts (PCTs) to local authorities. To discharge their new public health responsibilities, local authorities were provided with a ring-fenced public health grant. Under the new arrangements for public health, staff performing public health functions who were compulsorily transferred from the PCTs to local authorities and who had access to the NHS Pension Scheme on 31 March 2013 retained access to that Scheme on transfer at 1 April 2013. The NHS pension scheme is an unfunded, multi-employer defined benefit scheme. In the NHS, the scheme is accounted for as if it were a defined contribution scheme. Therefore, it is not possible to identify the underlying scheme assets and liabilities for those staff who were transferred from the PCTs to the Council in April 2013. Given this, the Council has decided to follow the recommendation from CIPFA's Local Authority Accounting Panel and to account for the NHS pension scheme on a defined contribution basis.

NOTE 40. DEFINED BENEFIT PENSION SCHEMES

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

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

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

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

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

NOTE 41. PENSION LIABILITY

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

The transactions in the table below have been made in the CIES and the General Fund balance via the MiRS during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18	2018/19	2017/18	2018/19
	£m's	£m's	£m's	£m's
Comprehensive Income & Expenditure Statement				
Cost of Services				
Current service cost	36.7	38.2	0.0	0.0
Past service cost (gains) / losses	0.5	37.7	0.0	0.0
Settlements and curtailments	0.0	0.0	0.0	0.0
Financing and Investment Income & Expenditure				
Net Interest on the Defined Benefit Liability	11.2	12.6	1.4	1.4
Total Post Employment Benefit charged to the Surplus / Deficit on the Provision of Services	**48.4**	**88.5**	**1.4**	**1.4**
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement - Remeasurement of the net defined pension liability				
Actuarial (Gains) / Losses on Return on Plan Assets	0.3	(48.5)	0.0	0.0
Actuarial (Gains) / Losses due to changes in demographic assumptions	0.0	(64.8)	0.3	(2.2)
Actuarial (Gains) & Losses arising on changes in financial assumptions	24.8	82.8	0.3	1.6
Actuarial (Gains) & Losses due to liability experience	8.1	2.5	0.5	0.2
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**81.6**	**(60.5)**	**2.5**	**(0.5)**
Movement in Reserves Statement				
Adjustment between Accounting Basis & Funding Basis Under Regulations	19.8	59.4	(2.1)	(2.0)
Actual amount charged against the General Fund & HRA Balance for pensions in the year:				
Employers' contributions payable to the scheme	28.6	29.9		
Retirement benefits payable to pensioners			3.5	3.4

Pension Assets & Liabilities Recognised in Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows: -

Present Value of the defined benefit obligation	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18	2018/19	2017/18	2018/19
	£m's	£m's	£m's	£m's

Present Value of the defined benefit obligation	(1,518.6)	(1,622.7)	(55.4)	(52.9)
Fair Value of Plan Assets	1,018.9	1,092.3	0.0	0.0
Sub-Total	(499.7)	(530.4)	(55.4)	(52.9)
Other movements in the liability (asset)	0.0	0.0	0.0	0.0
Net liability arising from defined benefit obligation	**(499.7)**	**(530.4)**	**(55.4)**	**(52.9)**

Reconciliation in the Movement in Fair Value of Scheme Plan Assets

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2017/18	**2018/19**	**2017/18**	**2018/19**
	£m's	**£m's**	**£m's**	**£m's**
Opening fair value of scheme assets	994.6	1018.9	0	0
Interest income	25.9	26.5	0.0	0.0
Remeasurement gain/ (loss) on asset	(0.3)	48.5	0.0	0.0
Contributions from employer	28.6	29.9	3.5	3.4
Contributions from employees	7.7	7.8	0.0	0.0
Benefits paid	(37.5)	(39.3)	(3.5)	(3.4)
Closing value of scheme assets	**1,018.9**	**1,092.3**	**0.0**	**0.0**

Recognition of Present Value of Scheme Liabilities

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits	
	2017/18	**2018/19**	**2017/18**	**2018/19**
	£m's	**£m's**	**£m's**	**£m's**
Opening balance at 1 April	1,441.3	1,518.6	56.4	55.4
Current Service cost	36.7	38.2	0.0	0.0
Interest cost	37.1	39.1	1.4	1.4
Contributions from scheme participants	7.6	7.9	0.0	0.0
Remeasurement (gains)/ losses				
Actuarial (gains) / losses from change in demographic assumptions	0.0	(64.8)	0.3	(2.2)
Actuarial (gains) / losses arising from change in financial assumptions	24.8	82.8	0.3	1.6
Actuarial (gains) /Losses due to liability experience	8.1	2.5	0.5	0.2
Past Service Cost	0.5	37.7	0.0	0.0
Benefits paid	(37.5)	(39.3)	(3.5)	(3.4)
Closing defined benefit obligation 31 March	**1,518.6**	**1,622.7**	**55.4**	**52.9**

Composition of Scheme Assets

Scheme Asset Type	31 March 2019			**As at 31 March 2018**
	Quoted	**Unquoted**	**Total**	
Equity Investments	38.4%	5.9%	44.3%	51.5%
Property	0.0%	6.8%	6.8%	6.6%
Government Bonds	13.6%	0.0%	13.6%	12.8%
Corporate Bonds	14.6%	0.0%	14.6%	6.0%
Cash	5.0%	0.0%	5.0%	6.6%
Other Assets	3.9%	11.8%	15.7%	16.5%
Total	**75.5%**	**24.5%**	**100.0%**	**100.0%**

Basis for Estimating Assets and Liabilities

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

Both the LGPS and discretionary benefits liabilities have been assessed by AON Hewitt Limited, an independent firm of actuaries, with estimates based on the latest full valuation of the scheme as at 31 March 2018. The principal assumptions used by the actuary are shown in the table below.

Mortality Assumptions:	**2017/18**	**2018/19**
Future lifetime from age 65 for current pensioners (aged 65 @reporting date):		
Men	24.5	23.7
Women	27.2	26.1
Future lifetime from age 65 for future pensioners (aged 45 @ 31 March 2014)		
Men	26.6	25.3
Women	29.4	27.8
Economic Assumptions:		
Discount Rate	2.6%	2.4%
RPI Inflation	3.2%	3.3%
CPI Inflation	2.1%	2.2%
Rate of increase to pensions in payment	2.1%	2.2%
Rate of increase to deferred pensions	2.1%	2.2%
Rate of general increase in salaries	3.6%	3.7%

Pensions liability

Impact on the Defined Benefit Obligation

	Increase in Assumption £m	**Decrease in Assumption £m**
Discount Rate (increase or decrease by 0.1%)	(29.9)	30.4
Rate of increase in salaries (increase or decrease by 0.1%)	6.1	(6.1)
Rate of increase in pensions (increase or decrease by 0.1%)	24.3	(23.9)
Longevity (increase or decrease by 1 year)	51.3	(51.0)

The above sensitivity analysis identifies that a 0.1% increase in the Discount Rate assumption, will result in the reported Pension liability of £29.9m. Whereas a 0.1% increase in either the salaries, pension payment or longevity assumptions will result in an increase in the reported Pension Liability as detailed in the table above.

Expected employer contributions for funded benefits and unfunded LGPS benefits in 2019/20 are £30.72m and £1.80m respectively. The duration of the liabilities for the funded LGPS benefits are 18.6 years.

NOTE 42. INTANGIBLE ASSETS

	2017/18	**2018/19**
	£m's	**£m's**
Balances at 1st April		
Gross carrying amounts	27.4	31.3
Accumulated amortisation	(5.5)	(6.5)
Net carrying amount at 1st April	**21.9**	**24.8**
Reclassification	0.0	2.5
Additions	3.9	3.0
Amortisation for the period	(1.0)	(3.2)
Net carrying amount at 31 March	**24.8**	**27.1**

Comprising:		
Gross carrying amounts	31.3	36.8
Accumulated amortisation	(6.5)	(9.7)
	24.8	**27.1**

NOTE 43. PRIOR PERIOD ADJUSTMENTS (LBE Single Entity Accounts)

The 2017/18 Published Statement of Accounts was based on the Council's internal management structure at the reporting date of 31 March 2018. The Council introduced a new management structure on 1st April 2018. Accordingly, as required under IAS1Presentation of Financial Statements the 2017/18 net cost of services section of the CIES and 2017/18 Expenditure and Funding Analysis

have been re-stated based on the new structure so that the 2018/19 figures can be compared on a like for like basis with those for 2017/18.

The substance of the Council's restructure was as follows:

- The former directorates of i) Schools & Children's Services and ii) Housing, Health and Adult Social Care have effectively been merged into a single 'People' Directorate
- The new 'Place' directorate is predominantly based on the former Environment & Regeneration Directorates
- The new 'Resources' directorates is predominantly based on the former 'Finance, Resources & Customer Services' Directorate

The Chief Executive's Directorate remains largely the same as previously. The HRA is a ring-fenced fund and reported separately from the General Fund position.

	CIES			Balance Sheet		
	Income £m	**Expenditure £m**	**Net Exp. £m**	**Assets £m**	**Liability £m**	**Equity £m**
1. Double Counting of Income & Expenditure	33.8	(33.8)	0.0			
2. Reclassification of decanted properties in surplus assets			0.0			
a) Council Dwellings			0.0	1.2		
b) Other Land & Buildings			0.0	0.3		
c) Impairment		0.6	0.6			
d) Depreciation		0.4	0.4			
e) Surplus Assets			0.0	(2.6)		
f) Revaluation						0.1
3. Meridian Water incorrectly capitalised			0.0			
a) Revenue Expenditure Funded From Capital Under Statute		17.5	17.5			
b) Asset Under Construction			0.0	(17.5)		
4. Incorrect Treatment of Long Term Loan			0.0			
a) Investment Income	0.8		0.8			
b) Long-Term Loan to Subsidiary			0.0	(0.8)		
5. Adjustment of B/fwd Housing Price Index as per Land Registry			0.0			
a) Council Dwellings			0.0	15.4		
b) Revaluation Reserve			0.0			(15.4)
6. Reduction in PPE Value to reflect past demolition and impairment of decant properties			0.0			
a) Council Dwellings			0.0	(8.5)		
b) Revaluation Reserve			0.0			8.5
7. Increase of Revaluation to reflect additional value of land cleared for development.			0.0			

a) Revaluation						(3.5)
b) Other Land & Buildings				3.5		
8. HRA – Dwellings Adjustment				**10.9**		**(10.9)**
Net Movement	**34.6**	**(15.3)**	**19.3**	**1.9**	**0.0**	**(21.2)**

Further amendments to the published 2017/18 Accounts within the Comprehensive Income and Expenditure Statement include:

- Reclassification of one grant of £8.8m from the "Taxation and non-specific grant income" line to Place within the Net Cost of Services;
- Depreciation amendments reflecting recognition of further operational assets.

Amendments to the Balance Sheet include:

- Reclassification of £6m debtors from long-term to short term
- Reclassifying £6.1m of provision as short-term creditors
- Elimination of the £0.9m error relating to income receivable from Unusable Reserves and Long-term Debtors
- A decrease in the HRA balance with offsetting increase in the Major Repairs Reserve of £0.4m (this movement was completely offset in the 2018/19 Accounts)
- For 2017/18, Investment properties to the value of £12.6m have been reclassified.

The Movement in Reserves Statement and Cash Flow have been amended in consistent fashion with the above.

HOUSING REVENUE ACCOUNT

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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

	Notes	Restated 2017/18 £m's	2018/19 £m's
INCOME			
Dwelling rents (gross)		(53.3)	(52.6)
Non-dwelling rents (gross)		(0.6)	(0.6)
Charges for services and facilities		(14.6)	(15.0)
Contributions towards expenditure		0.0	(1.9)
Total Income		**(68.5)**	**(70.1)**
EXPENDITURE			
Repairs and maintenance	4	10.3	12.2
Supervision and management		22.3	17.8
Rents, rates, taxes and other charges		1.3	0.7
Depreciation, impairment and revaluation losses of non-current assets	6	15.3	33.0
Movement in the allowance for bad debts	9	0.5	0.3
Total Expenditure		**49.7**	**64.0**
Net Expenditure or Income of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement		(18.8)	(6.1)
Exceptional increase in pension obligations		0.0	1.4
HRA services' share of Corporate & Democratic Core		0.3	0.3
NET COST OF HRA SERVICES		**(18.5)**	**(4.4)**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain) or loss on sale of HRA non-current assets		(9.5)	(6.7)
Interest payable and similar charges		8.2	8.2
Interest and Investment income		(0.2)	(0.2)
Income and expenditure and changes in fair value of Investment Properties	7	(3.6)	(1.7)
Pensions interest cost and expected return on pension assets	8	0.5	0.5
Capital grants and contributions receivable		(4.1)	(0.1)
Other Operating Expenditure		1.5	1.4
(SURPLUS)/ DEFICIT FOR THE YEAR ON HRA SERVICES		**(25.7)**	**(3.0)**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

	Restated 31 March 2018 £m's	31 March 2019 £m's
Balance on the HRA at the end of the previous year	**(9.1)**	**(6.7)**
Deficit for the year on the HRA Income and Expenditure Statement	(25.7)	(3.0)
Adjustments between accounting basis and funding basis under statute:		
Transfer to Major Repairs Reserve	13.0	14.3
Offsetting transfer in from Capital Adjustment Account	(13.0)	(14.3)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(0.2)	(18.6)
Investment properties gain or loss on disposal & movements in fair and market value	1.3	(0.4)
Gain on sale of HRA non-current assets	9.5	6.7
HRA share of contributions to or from the Pensions Reserve	(0.6)	(2.1)
Capital expenditure funded by the HRA	22.9	22.3
Transfers to Capital Grants Unapplied Account	4.1	0.1
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(1.4)	(1.4)
Other Contributions from the Capital Receipts Reserve	(0.4)	(0.2)
NET (INCREASE)/DECREASE BEFORE TRANSFERS TO OR FROM RESERVES	**9.5**	**3.4**
Transfers from earmarked reserves	(7.1)	(1.4)
(Increase) / decrease in year on the HRA balance	2.4	2.0
BALANCE ON THE HRA AT THE END OF THE CURRENT YEAR	**(6.7)**	**(4.7)**

1. HOUSING STOCK

The Council was responsible for managing a Housing Revenue Account stock of 10,542 properties at 31st March 2019 compared with a total of 10,561 properties at 31st March 2018. An analysis of the types of homes is shown below. The Council is also a freeholder of 4,831 leased homes that were previously sold to tenants under the right-to-buy legislation.

	31 March 2018 Number of Properties	31 March 2019 Number of Properties
Low-rise flats (up to 2 storeys)	1,462	1,455
Medium-rise flats (3 to 5 storeys)	3,719	3,750
High-rise flats (6 storeys and over)	2,198	2,167
Houses and bungalows	3,179	3,167
Multi-occupied and shared ownership	3	3
Total Housing stock	**10,561**	**10,542**

The figures above exclude 19 properties classified as Council Dwellings that are not owned by the Council in full. These assets are jointly owned by the Council and a third party. The impact this would have on the stated carrying value of Council Dwellings as at 31 March 2019 would be £0.7m (after applying the Social Housing Factor).

In addition to the units stated above which are actively managed within the HRA service, there are a further 382 units which have been emptied of HRA tenants in readiness for demolition and regeneration schemes (this figure stood at 340 as at 31 March 2018).

2. STOCK VALUATION

The open market value of the council's dwellings was £2.565bn at 31 March 2019. The difference between this value and the existing use value £659.3m at 31 March 2019 represents the economic cost to Government of providing council housing at less than market rents. The social housing valuation is arrived at by applying an adjustment factor provided by the MHCLG to the market value of the stock.

3 MAJOR REPAIRS RESERVE

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

	2017/18 £m's	2018/19 £m's
Balance at 1 April	**(14.7)**	**(13.0)**
Transfer in at depreciation for operational assets	(13.0)	(14.3)
Amount applied in the funding of expenditure on council dwellings during year	14.7	27.3
Balance at 31 March	**(13.0)**	**0.0**

4. REPAIRS & MAINTENANCE

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

	2017/18 £m's	2018/19 £m's
Balance brought forward	(6.8)	(9.4)
Expenditure for the year	10.3	12.2
Contribution to the Repairs Fund	(12.9)	(13.9)
Balance carried forward	**(9.4)**	**(11.1)**

5. HRA ASSETS

Operational Assets	1st April 2018 £m's	Acquisitions and Transfers £m's	Disposals £m's	Depreciation £m's	Net Revaluation £m's	31st March 2019 £m's
Council Dwellings	**669.3**	34.4	(5.1)	(13.3)	(3.6)	**681.7**
Other Land and Buildings	**44.8**	0.0	0.0	(1.1)	(0.8)	**42.9**
Total Property, Plant & Equipment	**714.1**	**34.4**	**(5.1)**	**(14.4)**	**(4.4)**	**724.6**
Aerial Sites	**1.5**	0.0	0.0	0.0	(0.4)	**1.1**
Shops and Commercial	**28.6**	0.0	0.0	0.0	(0.4)	**28.2**
Total Investment Properties	**30.1**	**0.0**	**0.0**	**0.0**	**(0.8)**	**29.3**
TOTAL	**744.2**	**34.4**	**(5.1)**	**(14.4)**	**(5.2)**	**753.9**

Capital expenditure in the year amounted to £71.1m consisting of:

Expenditure on	£m's
Works to Stock – General Works	20.6
Leaseholder Buy Backs	8.8
Buying Out Commercial and Residential Interests (Regeneration Projects)	41.7
Total	**71.1**
Funded by	
Developer contributions	2.5
Capital Grants and Contributions	22.4
Capital Receipts	18.9
Major Repairs Reserve	27.3
Total	**71.1**

6. DEPRECIATION & IMPAIRMENT

	2017/18 £m's	2018/19 £m's
Depreciation		
Council Dwellings	13.0	13.3
Other Land and Buildings	2.1	1.1
Impairment and Downward Valuation		
Council Dwellings	0.0	16.1
Other Land and Buildings	0.0	2.5
Surplus Properties	0.2	0.0
REFCUS	0.0	0.0
Total Capital Charges	**15.3**	**33.0**

7. INVESTMENT PROPERTIES

	2017/18 £m's	2018/19 £m's
Rental Income from Investment Properties	(2.4)	(2.3)
Direct Operating Expenses arising from Investment Property	0.1	0.2
Net (gain)/loss from fair value adjustments	(1.3)	0.4
Net (Gain) / Loss	**(3.6)**	**(1.7)**

8. CONTRIBUTION FROM PENSIONS RESERVE

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

9. RENT ARREARS AND IMPAIRMENT OF DEBTS

Council tenants' rent arrears as at the 31st March 2019 were £3.5m compared to £3.9m at the 31st March 2018. The provision for impairment of debts was £1.5m (2017/18 £2m) and £0.7m (2017/18 £0.5m) was written off during the year.

In 2018/19 a contribution to the Impairment of debt of £0.3m was included in this balance (£0.5m 2017/18).

COLLECTION FUND

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

		2017/18			2018/19		
INCOME AND EXPENDITURE ACCOUNT	**Note**	**Council Tax £m's**	**Business Rates £m's**	**Total £m's**	**Council Tax £m's**	**Business Rates £m's**	**Total £m's**
INCOME							
Council taxpayers	1	(145.6)		**(145.6)**	(152.9)		**(152.9)**
Business ratepayers	2		(110.4)	**(110.4)**		(115.4)	**(115.4)**
Transitional Protection Payment			1.7	**1.7**		0.5	**0.5**
Business Rate Supplement	3		(3.1)	**(3.1)**		(3.3)	**(3.3)**
		(145.6)	**(111.8)**	**(257.4)**	**(152.9)**	**(118.2)**	**(271.1)**
EXPENDITURE							
Council Tax Precepts and demands:							
London Borough of Enfield demand		114.2		**114.2**	121.1		**121.1**
London Borough of Enfield surplus		0.5		**0.5**	4.1		**4.1**
Greater London Authority precept		26.6		**26.6**	28.2		**28.2**
Greater London Authority surplus		0.1		**0.1**	0.9		**0.9**
Business Rates Retention:							
Central Government			36.4	**36.4**		0.9	**0.9**
Greater London Authority			41.7	**41.7**		40.0	**40.0**
London Borough of Enfield			33.5	**33.5**		72.4	**72.4**
Cost of collection allowance			0.3	**0.3**		0.3	**0.3**
GLA Business Rate Supplement							
Payment to GLA			3.1	**3.1**		3.3	**3.3**
Bad and doubtful debts:							
Council Tax		1.2		**1.2**	1.9		**1.9**
Business Rates			1.2	**1.2**		1.1	**1.1**
Provision for business rate appeals			3.0	**3.0**		2.3	**2.3**
		142.6	**119.2**	**261.8**	**156.2**	**120.3**	**276.5**
Deficit / (Surplus) for the year		**(3.0)**	**7.4**	**4.4**	**3.3**	**2.1**	**5.4**
COLLECTION FUND BALANCES							
Balance brought forward at 1 April		(2.6)	(2.1)	**(4.7)**	(5.6)	5.3	**(0.3)**
(Surplus) / Deficit for year		(3.0)	7.4	**4.4**	3.3	2.1	**5.4**
Balance carried forward at 31 March	3	**(5.6)**	**5.3**	**(0.3)**	**(2.3)**	**7.4**	**5.1**
Allocated to:							
London Borough of Enfield		(4.5)	1.6	**(2.9)**	(1.9)	2.8	**0.9**
Greater London Authority		(1.1)	2.8	**1.7**	(0.4)	2.7	**2.3**
Government		0.0	0.9	**0.9**	0.0	1.9	**1.9**
Balance carried forward at 31 March	3	**(5.6)**	**5.3**	**(0.3)**	**(2.3)**	**7.4**	**5.1**

COLLECTION FUND

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimated at 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income that the Council and its preceptors take from the Collection Fund for the forthcoming year and dividing this by the council tax base. This tax base represents the total number of properties in each band, adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated non-collectibles. The tax base calculation for 2018/19 is as follows:

BAND	Chargeable properties adjusted for discounts	Band D equivalent adjusted for estimated non-collection
A	2,672	1,729
B	6,499	4,907
C	23,026	19,867
D	27,624	26,813
E	17,442	20,691
F	8,219	11,523
G	5,464	8,840
H	842	1,635
	91,788	**96,005**

This basic amount of Council Tax for a Band D property, £1,555.40 including the GLA precept is multiplied by the proportion specified for the particular band to give an individual amount due.

Analysis of Council Tax Impairment of debt

Council Tax Bad Debt Provision	2017/18 £m's	2018/19 £m's
Council Tax Provision for Impairment of debt brought forward	8.4	8.0
Amount written off	(1.6)	(2.4)
Contribution to Provision for Impairment of debt	1.2	1.8
Council Tax Bad Debt Provision	**8.0**	**7.4**

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

2. BUSINESS RATES

Business rates are organised on a national basis and re-valued periodically by the Valuation Office Agency. In 2018/19 the Government specified an amount of 48.0p for small businesses who qualify for rate relief and 49.3p for all other businesses. Local businesses pay rates calculated by multiplying their rateable value by these amounts. The Council is responsible for collecting rates due from the ratepayers in its area. In previous years the total amount due, less specific allowances, were paid into the National Pool which was then redistributed back to councils based on the Government's formula grant allocations.

For 2018/19, a 100% Business Rates retention scheme was in place. Enfield retains 64% of the total collectable rates due. The remaining 36% is distributed to the Greater London Authority. These shares were estimated at the start of 2018/19 and paid to each body and charged to the Collection Fund. Variations between the estimated and actual income will create a surplus or deficit which is repaid or recovered from each body in the following year.

In addition, authorities must meet the cost of appeals against the rateable values set by the VOA. This provision is charged and provided for in proportion to the preceptors' shares (total £13.4m[4] in 2018/19). Provision for appeals is in addition to the provision for bad debts set out below.

Local Business Rates Bad Debt Provision	**2017/18**	**2018/19**
	£m's	**£m's**
Provision for impairment of debt brought forward	3.8	4.2
Amount written off	(0.8)	(1.5)
Contribution to Provision for Impairment of debt	1.2	1.1
Local Business Rates Bad Debt Provision	**4.2**	**3.8**

The total non-domestic rateable value for the area at the year-end 2018/19 was £279.2 (2017/18 was £280.4m)

Government legislation gives the Greater London Authority the power to levy an additional 2p Business Rate Supplement on London businesses as a contribution to the cost of the Crossrail scheme. As with national business rates, the Council collects the 2p business rates and pays the income over to the GLA. The total amount due for 2018/19 after reliefs and provisions was £3.3m.

[4] Enfield's share is £8.6m which is shown under the provisions in Note 19.

GROUP ACCOUNTS

For a variety of legal, regulatory and service delivery reasons, local authorities may conduct their activities through other legal entities that fall under their ultimate control. For this reason, the financial statements of the local authority do not necessarily, in themselves, present a full picture of its economic activities or financial position. Because of this, the Code requires a local authority to prepare group accounts if it has a control over one or more other legal entities and its interest in them is material. The aim of the group accounts is to give an overall picture of the extended services and economic activity that is under the control of the local authority.

Note 33 to the Core Financial Statements sets out the entities controlled or significantly influenced by the authority (Page 74 onwards). Having regard to CIPFA's Specific Guidance on assessing which subsidiary companies need to be consolidated, the Council has decided to consolidate all operational subsidiary companies Accordingly, the prior year comparator figures have been re-stated to include Independence Wellbeing Ltd, Enfield Innovations Ltd and LVHN.

BASIS OF CONSOLIDATION

Each company is 100% owned by the Council (parent body). All companies have been consistently consolidated into the group accounts by line-by-line analysis with intercompany transactions, balances and cash flows eliminated. Further information on the companies is set out in the Related Parties Disclosure. The accounts of the subsidiary companies have been prepared using similar accounting policies, practices and reporting date to that of the reporting authority, including the implications and requirements of IFRS9 (Financial Instruments) and IFRS15 (Revenue from Customer Contracts).

The Council's single entity accounts substantially reflect the substance of the Group for most notes, and so new notes to the Group have only been published where they are materially different.

PRIOR YEAR RE-STATEMENT

To aid year on year comparison, the prior year group account figures have had to be re-stated to include Independence Wellbeing Ltd (IWE), Enfield Innovations Ltd (EIL) and Lee Valley Heat Network (LVHN), and to take account of the restatement of the single entity statements of the Council. This has had the following impact on key indicators of Financial Performance and Financial Standing: -

Key Indicator of Financial Performance &Financial Standing	**Published 2017-18 Accounts £m**	**Re-stated amount £m**	**Difference £m**
Group Net Cost of Services	245.9	255.5	9.6
Group Total Comprehensive Expenditure	21.0	26.2	5.2
Group Long Term Assets	2,200.2	2,202.6	2.4
Group Total Reserves / Net Worth	872.0	866.7	5.3

GROUP MOVEMENT IN RESERVES STATEMENT

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

2018/19	LBE Useable Reserves	LBE Unusable Reserves	Total Authority Reserves	Usable Reserves of Subsidiaries	Unusable Reserves of Subsidiaries	Total Reserves
	£m's	£m's	£m's	£m's	£m's	£m's
Balance 31 March 2018	**(165.8)**	**(701.8)**	**(867.6)**	**(6.4)**	**7.3**	**(866.7)**
Movement in Reserves during 2018/19:						
Total comprehensive income and expenditure	140.0	(64.2)	**75.8**	(0.9)	0.5	75.4
Adjustments between accounting basis and funding basis under regulations	(122.0)	122.0	**0.0**	0.0	0.0	0.0
(Increase)/decrease in year	**18.0**	**57.8**	**75.8**	(0.9)	0.5	75.4
Balance 31 March 2019	**(147.8)**	**(644.0)**	**(791.8)**	**(7.3)**	**7.8**	**(791.3)**

2017/18	LBE Useable Reserves	LBE Unusable Reserves	Total Authority Reserves	Usable Reserves of Subsidiaries	Unusable Reserves of Subsidiaries	Total Reserves
	£m's	£m's	£m's	£m's	£m's	£m's
Balance 1 April 2017	**(167.0)**	**(716.2)**	**(883.2)**	**(6.1)**	**1.8**	**(887.5)**
Movement in Reserves during 2017/18:						
Total comprehensive income and expenditure	**25.3**	**(9.7)**	**15.6**	(0.3)	5.5	**20.8**
Adjustments between accounting basis and funding basis under regulations	**(24.1)**	**24.1**	**0.0**	0.0	0.0	**0.0**
(Increase)/decrease in year	1.2	14.4	15.6	(0.3)	5.5	20.8
Balance 31 March 2018	**(165.8)**	**(701.8)**	**(867.6)**	**(6.4)**	**7.3**	**(866.7)**

*Restated

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GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

	2017/18*			2018/19		
On its services the council spent:	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£m's	£m's	£m's	£m's	£m's	£m's
Chief Executive	14.7	(7.1)	**7.6**	18.6	(2.7)	**15.9**
People	490.0	(359.1)	**130.9**	501.5	(354.6)	**146.9**
Place	150.1	(97.4)	**52.7**	158.4	(96.3)	**62.1**
Resources	419.3	(338.4)	**80.9**	375.2	(318.2)	**57.0**
Corporate	1.2	(0.3)	**0.9**	37.6	(0.4)	**37.2**
Housing Revenue Account (HRA)	50.0	(67.5)	**(17.5)**	65.7	(68.8)	**(3.1)**
Total Cost of Services	**1,125.3**	**(869.8)**	**255.5**	**1,157.0**	**(841.0)**	**316.0**
Other Operating Expenditure			17.2			73.4
Financing and Investment Income and Expenditure			19.4			20.6
Taxation and non-specific grant income			(267.2)			(271.3)
Deficit on the Provision of Services			**24.9**			**138.7**
Taxation and non-specific grant income			0.1			0.4
Deficit on the Provision of Services after Tax			**25.0**			**139.1**
(Surplus) / Deficit on revaluation of non-current assets			(44.0)			(35.4)
Remeasurement of the net defined pension liability - Actuarial (gains) / losses on pension fund assets and liabilities			34.3			(28.4)
Other comprehensive (income) / expenditure			0.0			0.1
Total Comprehensive Income and Expenditure			**15.3**			**75.4**

***Restated**

GROUP BALANCE SHEET

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

		31 March 2017 restated	31 March 2018 restated	31 March 2019
		£m	£m	£m
Note	**Non Current Assets**			
G2	Property, Plant and Equipment	1,800.9	1,958.1	1,989.8
	Heritage Assets	3.9	4.8	3.6
G1	Investment Property	196.3	205.8	211.0
	Intangible Assets	21.9	29.4	32.4
	Long Term Debtors	5.9	4.5	3.7
	Total: Long Term Assets	**2,028.9**	**2,202.6**	**2,240.5**
	Current Assets			
	Inventories	1.0	0.8	0.5
G4	Short Term Debtors	96.5	103.3	111.8
	Intangible current Assets	0.4	0.4	0.0
G3	Cash and Cash Equivalents	16.7	25.0	51.1
	Total: Current Assets	**114.6**	**129.5**	**163.4**
	Current Liabilities			
	Cash and Cash Equivalents	(15.8)	(4.6)	(1.7)
	Short Term Borrowing	(121.6)	(127.0)	(170.9)
	Short Term Creditors	(107.0)	(136.1)	(103.1)
	Provisions	(7.3)	(5.8)	(1.7)
	Total: Current Liabilities	**(251.7)**	**(273.5)**	**(277.4)**
	Long Term Liabilities			
	Long Term Creditors	(52.7)	(40.8)	(38.8)
	Provisions	(4.8)	(6.9)	(15.8)
	Long Term Borrowing	(437.4)	(575.8)	(680.8)
	Pension Liability	(504.9)	(562.4)	(591.0)
	Capital Grants Received in Advance	(4.6)	(6.0)	(8.8)
	Total: Long Term Liabilities	**(1,004.4)**	**(1,191.9)**	**(1,335.2)**
	Net Assets	**887.4**	**866.7**	**791.3**
	Reserves			
	Unusable Reserves	**(714.4)**	**(694.5)**	**(636.3)**
	Usable Reserves	**(173.0)**	**(172.2)**	**(155.0)**
	Total Reserves / Net Worth	**(887.4)**	**(866.7)**	**(791.3)**

*Restated

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GROUP CASH FLOW STATEMENT

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

	2017/18* £m's	2018/19 £m's
Net Deficit on the provision of services	**(25.0)**	**(139.1)**
Adjust to deficit on the provision of services for non-cash movements	101.2	180.8
Adjustments for items included in net deficit in the provision of services that are investing & financing activities.	(56.5)	(50.4)
Net cash inflow/(outflow) from operating activities	**19.7**	**(8.7)**
Investing activities	(182.8)	(107.3)
Financing activities	182.5	145.0
Net increase/(decrease) in cash and cash equivalents	**19.4**	**29.0**
Cash and cash equivalents at the beginning of the reporting period	1.0	20.4
Cash and cash equivalents at the end of the reporting period:	**20.4**	**49.4**

*Restated

NOTES TO THE GROUP ACCOUNTS

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

The single entity accounting policies also apply to the Group.

NOTE G1 INVESTMENT PROPERTIES

The fair value for investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the levels of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. There were no transfers between any of the three levels during 2018/19 or the preceding year.

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

The fair value of investment properties at 31st March are analysed as follows;

	2017/18	2018/19
	£m's	£m's
Land	72.1	75.0
Commercial Units	20.2	22.9
Shops	30.6	29.5
Housing	79.2	81.8
Other	3.7	1.8
Total	**205.8**	**211.0**

*Restated

	2017/18*	2018/19
	£m's	£m's
Balance at the start of the year	**191.2**	**205.8**
Capital expenditure	15.8	2.0
Write out of disposals	(4.8)	(0.9)
Nets gains/(losses) from fair value adjustments	(6.1)	8.1
Transfers:		
From Property, Plant and Equipment	19.0	0.1
To Property, Plant and Equipment	(9.7)	(4.1)
From Assets Under Construction	0.4	0.0
Balance at the end of the year	**205.8**	**211.0**

*Restated

NOTE G2 PROPERTY, PLANT AND EQUIPMENT

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

	31 March 2018 restated £m	31 March 2019 restated £m
Council's PPE	1,901.8	1,931.6
Reclassified from Investment Property (HGL)	34.9	34.9
Reclassified from Investment Property (Social Care)	8.5	8.5
HGL	0.2	0.3
LVHN	1.1	1.9
EIL	11.3	12.4
IWE	0.3	0.2
	1958.1	**1989.8**

NOTE G3 FINANCIAL INSTRUMENTS

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

	Long-term		Short-term	
	31 March 2018 £m's	31 March 2019 £m's	31 March 2018 £m's	31 March 2019 £m's
AMORTISED COST				
Debtor				
Loan to Enfield Enterprise	0.8	0.8	0	0
Trade debtors	65.2	65.2	69.9	69.0
Finance lease	1.5	1.5	0	1.5
Cash and Cash Equivalents	0	0	20.4	49.4
Total	**67.5**	**67.5**	**90.3**	**119.9**

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

NOTE G4 GROUP SHORT TERM DEBTORS

	31 March 2018 £m's	31 March 2019 £m's
Analysis of Group Short Term Debtors		
Council's Short Term Debtors	114.0	135.8
Less Related Parties (from Subsidiaries)	(10.7)	(24.0)
Total	**103.3**	**111.8**

Glossary

ACCRUALS	Amounts charged to the accounts for goods and services received during the year for which payments or transfers of economic benefit are expected to be made in the next or a subsequent reporting period. Amounts credited to the accounts for goods and services provided during the year for which payments or transfers of economic benefit are expected to be received in the next or subsequent reporting period.
ACTUARY	A specialised Professional who calculates projections for pensions and insurance purposes.
AMORTISE	To liquidate (a debt, such as a mortgage) by instalment payments, or payment into a sinking fund; or to write off an intangible asset by pro-rating the cost or income over the life of the related asset.
APPROPRIATION	The assignment of revenue to a specific purpose.
BALANCE SHEET	A formal statement of the assets, liabilities and reserves of the Council.
CAPITAL EXPENDITURE	Payments for the acquisition, replacement or enhancement of assets that are considered to be of benefit to the Council over a period of more than one year, e.g. buildings and land, vehicles and equipment. Payments of grants and financial assistance to third parties towards the cost of capital expenditure. Expenditure that is classified as capital following a ministerial direction, e.g. capitalised redundancy costs.
CAPITAL FINANCING REQUIREMENT (CFR)	The measure of the Council's underlying need to borrow in order to fund capital expenditure.
CAPITAL ADJUSTMENT ACCOUNT	This reserve includes amounts set aside from revenue, capital receipts and capital grants to fund capital expenditure and makes contributions in the Movement in Reserves Statement to offset net depreciation charges included in the Comprehensive Income and Expenditure Statement.
CAPITAL GRANTS	Grant received from Government departments, other statutory bodies and external parties to finance capital expenditure.
CAPITAL RECEIPTS	Income received from the sale of land, buildings and other capital assets.
COLLECTION FUND	A separate account that discloses the income and expenditure relating to Council Tax and National Non Domestic Rates.
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	A statement showing the net cost for the year of all the services for which the Council is responsible and how that cost has been financed from general government grants and income from local taxpayers.
CONTINGENT LIABILITY	A possible liability at the Balance Sheet Date to transfer future economic benefit to a Third Party, where the existence of the liability is subject to one or more future uncertain events that are outside the control of the Council.
COUNCIL TAX	A local tax on domestic property values.
CREDITORS	Amounts owed by the Council for goods received or services provided but not yet paid for as at the Balance Sheet date.

Glossary

DEBTORS	Amounts owed to the Council but not received at the Balance Sheet date.
DEPRECIATION	The consumption of an asset's economic value due to normal wear and tear and deterioration in the day to day provision of services.
EARMARKED RESERVES	Reserves set aside from revenue funding to meet future expenditure for specific purposes.
EXPENDITURE	Activity which has been charged to the Accounts. This includes payments physically made, creditors and capital charges such as depreciation and impairment.
FUNDED SCHEME	A pension scheme that is supported by a fund of money, which is maintained at a level sufficient to meet all future liabilities under the scheme.
GENERAL FUND	A statutory account that summarises the cost of providing Council services. It excludes the provision of council housing.
GROSS EXPENDITURE	The total cost of providing a service or activity before taking into account income, e.g. from government grants or fees and charges.
HOUSING REVENUE ACCOUNT (HRA)	A statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.
IMPAIRMENT	Additional charges above normal depreciation representing the reduction in asset values arising from a fall in market values or deterioration/obsolescence.
INTEREST	The amount received or paid for the use of a sum of money when it is invested or borrowed.
INCOME	The Inflow of resources to the Council which has been recognised and recorded in the accounts. This includes actual receipts, plus debtors.
MATERIALITY	Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements (International Accounting Standards Board Framework). Materiality therefore relates to the significance of transactions, balances and errors contained in the financial statements. Materiality defines the threshold or cut off point after which financial information becomes relevant to the users. Information contained in the financial statements must therefore be complete in all material respects (both qualitative and quantities) in order for them to present a true and fair view of the affairs of the entity.
MINIMUM REVENUE PROVISION	The statutory minimum amount that the Council must charge to revenue to provide for the reduction in the Capital Financing Requirement.
NON-DOMESTIC RATES (NDR)	Also known as Business Rates, this is a flat rate in the pound set by Central Government and levied on businesses in the borough. The money is essentially collected by Enfield and then shared between Enfield, the Greater London Authority and Central Government. These arrangements were introduced under the Localism Act in April 2013, so that the Council gets to retain a proportion of Business Rate Income growth locally without sharing.

Glossary

NET EXPENDITURE	Expenditure less income.
NON-CURRENT ASSETS	Tangible and intangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
PRECEPT	A charge on the Collection Fund by the Greater London Authority.
PRIOR YEAR ADJUSTMENT	An adjustment applicable to prior years arising from changes in accounting policies or from the correction of material errors.
PROVISION	An amount set aside for liabilities and losses, which are likely to be incurred, but where the exact amount and the date on which they will arise is uncertain.
PUBLIC WORKS LOANS BOARD	Central Government agency, which is used to fund local government borrowing.
REVENUE EXPENDITURE	Spending on day-to-day items including salaries and wages, premises costs, and supplies and services.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	Expenditure of a capital nature not in connection with a Council-owned asset e.g. private sector renewal grants, Disabled Facilities Grants and funding for Voluntary Aided Schools.
REVENUE SUPPORT GRANT	A general grant paid by Central Government to the Council towards the cost of all its services.
RESERVES	The difference between cumulative income and cumulative expenditure. Reserves are resources available to the Council.
SUPPORT SERVICES	These are services provided centrally in support of the corporate management of the Council and the delivery of front line services. They include financial, legal, HR, IT, property and general administrative support services.
UNFUNDED SCHEME	A superannuation scheme that is not supported by a fund of money.

FINANCIAL STATEMENTS

LONDON BOROUGH OF ENFIELD PENSION FUND ACCOUNT

2017/18 £000s		Notes	2018/19 £000s
	Dealings with members, employers and others directly involved in the Fund		
43,725	Contributions	7	47,179
1,844	Transfers in from other pension funds	8	4,009
45,569			**51,188**
(38,739)	Benefits payable	9	(41,966)
(6,289)	Payments to and on account of leavers	10	(5,116)
(45,028)			**(47,082)**
541	**Net additions/(withdrawals) from dealings with members**		**4,106**
(9,289)	Management expenses	11	(9,442)
(8,748)	**Net additional/(withdrawals) including fund management**		**(5,336)**
	Returns on investments		
11,339	Investment income	12	12,643
(592)	Taxes on income	13a	(462)
18,518	Profit & losses on disposal of investments and changes in the market value of investments	14a	79,653
29,265	**Net returns on investments**		**91,834**
20,517	**Net change in assets available for benefits during the year**		86,498
1,078,485	**Opening net assets of the scheme**		1,099,002
1,099,002	**Closing net assets of the scheme**		**1,185,500**

NET ASSETS STATEMENT FOR YEAR ENDED 31 MARCH 2019

2017/18 £000s		Notes	2018/19 £000s
1,026,666	Investment assets	14	1,124,026
(148)	Investment liabilities		(150)
1,026,518			**1,123,876**
69,956	Cash deposits	14	58,091
2,346	Other investment balances -assets	14	3,533
(476)	Other investment balances - liabilities	14	(183)
1,098,344	**Total net investments**	14	**1,185,317**
-	Long term debtor	21a	14
1,081	Current assets	21	801
(423)	Current liabilities	22	(632)
1,099,002	**Net assets of the fund available to fund benefits at the end of the reporting period**		**1,185,500**

Note: The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

PENSION FUND ACCOUNTS

Notes to the Financial Statement –index

PENSION FUND ACCOUNTS

1. Description of the Fund

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

The following description of the fund is a summary only. For more detail, reference should be made to the Enfield Pension Fund Annual Report 2018/19 and the underlying statutory powers underpinning the scheme.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended).
- the Local Government Pension Scheme (Transitional Provisions, Savings and (Amendment) Regulations 2014 (as amended).
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

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

b) Membership

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

Organisations participating in the fund include the following:

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

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

There are 39 employer organisations within the fund (including the Council itself), and 22,281 individual members, as detailed below. A full analysis is included

Enfield Pension Fund	31 March 2018	31 March 2019
Number of employers with active members	7,385	7,246
Number of pensioners	5,188	5,453
Deferred pensioners	4,891	5,930
Frozen/undecided	3,883	3,652
Total number of members in pension scheme	**21,347**	**22,281**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2019. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019 the results of the valuation will be known by 31 March 2020. Currently, employer contribution rates range from 9.9% to 25.0% of pensionable pay.

d) Benefits

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

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

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

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

2. Basis of preparation

The statement of accounts summarises the fund's transactions for the 2018/19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 20.

The accounts have been prepared on a going concern basis.

3. Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution income

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

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

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

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013 (see Notes 8 and 10).

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

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

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

c) Investment income

i) **Interest income** Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

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

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

iv) **Movement in the net market value of investments** Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

i) **Administrative expenses** All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

ii) **Oversight and governance costs** All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

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

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

In addition the fund has negotiated with the following managers that an element of their fee be performance related. Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account.

Net assets statement

g) Financial assets

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

Foreign currency transactions

h) Dividends

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

i) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes (see Note 15).

j) Cash and cash equivalents

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

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

k) Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

l) Actuarial present value of promised retirement benefits

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

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

m) Additional voluntary contributions

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

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

n) Contingent assets and contingent liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

4. Critical judgements in applying accounting policies

The actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of balance struck between longer term investment growth and short yield/return.

5. Assumptions made about the future and other major sources of estimation uncertainty

Pension fund liability

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19.

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates. This will have not have an affect on either the fun account or the nest asset statement but on the disclosure in Note 20.

The items in the net assets statement at 31 March 2019 (for which there is a significant risk of material adjustment in the forthcoming financial year are set out in the table below:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: a. 1% decrease in the discount rate assumption would result in a increase in the pension liability of approximately £300m. b. 1% increase in assumed earnings inflation would increase the value of liabilities by approximately £50m. c. three-year increase in assumed life expectancy would increase the liability by approximately £90m. It should be noted that any changes in the above would not have an effect on either the Fund ccount or the Net Asset Statement.
Private equity investments (Note 16)	Private equity investments are valued at fair value in accordance with generally accepted accounting principles. The valuation basis is U.K. GAAP. and all investments are recorded at fair value in accordance with IFRS 13, Fair Value Measurements and Disclosures. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £69m in the financial statements. There is a risk that this investment may be under-or overstated in the accounts. Given a tolerance of +/-5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £3.5 million.
Private equity property investments (Note 16)	The estimate of the value of the investment in Portfolio Companies and Intermediate Vehicles requires considerable judgment and estimation techniques. The valuation methodologies are considered to be consistent with the International Private Equity and Venture Capital Valuation Guidelines.	Given a tolerance of +/-5% around the effect of variations in the factors supporting the valuation would be an increase or decrease in the value of held property of £1.3m, on a fair value of £25m.

NOTE 6: EVENTS AFTER THE REPORTING DATE

The McCloud Judgement

During 2018/19 the Court of Appeal upheld two claims concerning age discrimination within the transitional arrangements of the judges and firefighters pension schemes. The impact of the Court of Appeal rulings would be to increase the pension liabilities of both schemes. The Local Government Pension Scheme has similar transitional arrangements to the judges and firefighters schemes. On 27 June the Supreme Court denied the Government's request for an appeal in the McCloud and Sargeant age discrimination case ("McCloud") and the Government subsequently confirmed on 15 July that remedies relating to the McCloud judgment will need to be made in relation to all public service pension schemes

The gross pension liability of £2,048.2million from the 2016 valuation does not take account of the two rulings. The scheme's actuary has provided an updated IAS19 valuation for the main employer which represents approximately 92% of the Fund, the London Borough of Enfield, which increased liabilities by £37m (£33.331m in respect of the McCloud judgement and £3.639m in respect of GMP indexation). Assuming a similar impact across the remainder of employers would give rise to a total increase in liabilities of the Fund of approximately £40m.

NOTE 7: CONTRIBUTIONS

By category

2017/18 £000s		2018/19 £000s
9,589	**Employees' contributions**	**10,151**
	Employers' contributions: -	
25,762	Normal	27,460
7,511	Deficit recovery contributions	8,206
863	Augmentation contributions	1,362
34,136	**Total employers' contributions**	**37,028**
43,725		**47,179**

By authority

2017/18 £000s		2018/19 £000s
36,533	Administering authority	38,245
5,825	Scheduled bodies	7,296
1,367	Admitted bodies	1,638
43,725		**47,179**

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

2017/18 £000s		2018/19 £000s
1,844	Individual transfers	4,009
1,844		**4,009**

NOTE 9: BENEFITS PAID/PAYABLE

By category

2017/18 £000s		2018/19 £000s
(31,985)	Pensions	(34,195)
(5,982)	Commutation and lump sum retirement benefits	(6,485)
(772)	Lump sum death benefits	(1,286)
(38,739)		(41,966)

PENSION FUND ACCOUNTS

By authority

2017/18 £000s		2018/19 £000s
(36,812)	Administration authority	(40,355)
(1,444)	Scheduled bodies	(1,248)
(483)	Admitted bodies	(363)
(38,739)		**(41,966)**

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2017/18 £000s		2018/19 £000s
(132)	Refunds to members leaving service	(108)
(6,157)	Individual transfers	(5,008)
(6,289)		**(5,116)**

NOTE 11: MANAGEMENT EXPENSES

2017/18 £000s		2018/19 £000s
(773)	Administrative costs	(935)
(391)	Oversight and governance costs	(350)
(8,125)	Investment management expenses	(8,157)
(9,289)		**(9,442)**

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

2017/18 £000s		2018/19 £000s
(6,589)	Management fees	(6,494)
(588)	Performance related fees	(186)
(893)	Transaction costs	(1,405)
(39)	Custody fees	(66)
(16)	Other	(6)
(8,125)		**(8,157)**

NOTE 12: INVESTMENT INCOME

2017/18 £000s		2018/19 £000s
4,800	Income from equities	5,066
3,248	Income from bonds	3,290
1,643	Pooled property investments	1,704
1,329	Pooled investments – unit trusts and other managed funds	1,855
319	Interest on cash deposits	728
11,339		**12,643**

NOTE 13: TAXES ON INCOME

2017/18 £000s		2018/19 £000s
	Withholding tax	
(315)	Income from equities	(320)
(277)	Pooled investments – unit trusts and other managed funds	(142)
(592)		**(462)**

NOTE 13A: EXTERNAL AUDIT FEES

2017/18 £000s		2018/19 £000s
25	Paid in respect of external audit (excluding VAT)	19
25		**19**

NOTE 14: INVESTMENTS

Market value 31 March 2018 £000s		Market value 31 March 2019 £000s
	Investments	
82,344	Fixed interest securities	88,279
192,565	Equities	43,141
620,173	Pooled investments	824,211
67,887	Pooled property investments	69,598
63,333	Private equity	98,549
	Derivative contracts:	
262	- Futures	215
102	- Forward currency contracts	33
1,026,666	**Total investment assets**	**1,124,026**
69,956	Cash deposits	58,091
2,346	Investment income due	2,386
-	Amounts receivable for sales	1,147
1,098,968	**Total investment assets**	**1,185,650**
	Investment liabilities	
	Derivative contracts:	
(89)	- Futures	(150)
(59)	- Forward currency contracts	-
(476)	Investment expenditure due	(183)
(624)	**Total investment liabilities**	**(333)**
1,098,344	**Net investment assets**	**1,185,317**

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS & DERIVATIVES

	Market value 1 April 2018	Purchases	Sales	Managem't fees in Market value	Change in market value	Market value 31 March 2019
Period 2018/19	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Bonds	82,344	23,989	(18,982)	-	927	**88,278**
Equities	192,565	143,829	(301,690)	-	8,437	**43,141**
Pooled investments	620,173	193,379	(32,356)	(3,474)	46,489	**824,211**
Pooled property	67,887	-	(1)	-	1,712	**69,598**
Private equity	63,333	29,985	(13,045)	(2,092)	20,368	**98,549**
	1,026,302	**391,182**	**(366,074)**	**(5,566)**	**77,933**	**1,123,777**
Derivatives contracts:						
Futures	173	4,078	(2,130)	-	(2,055)	66
Forward foreign exchange	43	1,612	(2,288)	-	666	33
	216	5,690	(4,418)	-	(1,389)	**99**
	1,026,518	**396,872**	**(370,492)**	**(5,566)**	**76,544**	**1,123,876**
Other investment balances						
Cash deposits	69,956				3,553	58,091
Investment income due	2,346					2,386
Pending investment sales	-					1,147
Other investment expenses	(476)				(444)	(183)
Net investment assets	**1,098,344**				**79,653**	**1,185,317**

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

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

Period 2017/18	Market value 1 April 2017	Purchases	Sales	Managem't fees in Market value	Change in market value	Market value 31 March 2018
	£000s	£000s	£000s	£000s	£000s	£000s
Fixed interest securities	80,870	17,127	(14,006)	-	(1,647)	82,344
Equities	182,277	75,462	(64,152)	-	(1,022)	192,565
Pooled investments	624,292	78,901	(94,290)	(3,948)	15,218	620,173
Pooled property	65,535	-	(1,517)	(3)	3,872	67,887
Private equity	69,314	13,789	(20,279)	(2,291)	2,800	63,333
	1,022,287	**185,279**	**(194,244)**	**(6,242)**	**19,221**	**1,026,302**
Derivatives contracts:						
Futures	159	739	(553)	-	(172)	173
Options	-	20	-	-	(20)	-
Forward foreign exchange	82	417	(732)	-	276	43
	241	**1,176**	**(1,285)**	**-**	**84**	**216**
	1,022,529	**185,455**	**(195,529)**	**(6,242)**	**19,305**	**1,026,518**
Other investment balances						
Cash deposits	54,406				(780)	69,956
Pending sales on investment	256					-
Investment income due	2,054				(7)	2,346
Spot FX contracts	-					
Pending purchases on investments	(165)					
Other investment expenses	(731)					(476)
Net investment assets	**1,078,349**				**18,518**	**1,098,344**

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

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

PENSION FUND ACCOUNTS

NOTE 14B: ANALYSIS OF INVESTMENTS

Market value 31 March 2018 £000s		Market value 31 March 2019 £000s
	Bonds	
	UK	
4,531	Public sector quoted	4,703
3,852	Corporate quoted	39,103
	Overseas	
38,155	Public sector quoted	1,868
35,806	Corporate quoted	42,604
82,344		**88,278**
	Equities	
47,659	UK –quoted	43,141
144,906	Overseas –quoted	-
192,565		**43,141**
	Pooled funds –additional analysis	
86,301	Indexed linked securities	89,072
310,071	Equities	458,410
55,672	Developed markets equity long short fund	50,041
65,238	Events driven fund hedge fund	46,806
43,615	Inflation opportunities hedge fund	72,354
32,693	Absolute bond fund hedge fund	30,911
26,583	Multi-strategy equity hedge fund	25,921
-	Multi asset credit fund	50,696
620,173		**824,211**
	Pooled property investments	
67,887	UK property investments	69,598
67,887		**69,598**
	Private equity	
5,888	Opportunistic property	4,610
2,178	European infrastructure	17,045
55,267	Fund of Funds global private equity	72,283
-	UK secured long income fund	4,611
63,333		**98,549**
	Derivatives- Assets	
262	Futures	215
102	Forward foreign exchange	33
364		**248**
1,026,666	**Total Investment Assets**	**1,124,025**
69,956	Cash deposits	58,091
2,346	Investment income due	2,386
-	Amounts receivable from sales	1,147
1,098,968		**1,185,649**
	Investment liabilities	
(89)	Derivatives- futures	(149)
(59)	Derivatives- forward foreign exchanges	-
(476)	Investment expenses	(183)
(924)		**(332)**
1,098,344	**Net investment assets**	**1,185,317**

PENSION FUND ACCOUNTS

NOTE 14C: INVESTMENTS ANALYSED BY FUND MANAGER

Market value 31 March 2018 £000s	%		Market value 31 March 2019 £000s	%
		Fixed income securities		
86,598	7.9%	Western Asset Management	90,940	7.7%
		Equities		
161,997	14.7%	Trilogy	765	0.1%
38,456	3.5%	International Public Partnerships	43,141	3.6%
		Pooled investments		
86,301	7.9%	Blackrock indexed linked bonds	89,072	7.5%
11,295	1.0%	Blackrock UK passive fund	12,022	1.0%
138,611	12.6%	Blackrock Global passive	155,836	13.2%
12,202	1.1%	Blackrock emerging markets	-	-
96,434	8.8%	MFS global equities	110,109	9.3%
51,528	4.7%	LCIV Baillie Gifford global equities	75,336	6.4%
-	-	LCIV Henderson emerging equities	28,156	2.4%
-	-	LCIV Longview	76,950	6.5%
-	-	LCIV CQS Multi asset	50,696	4.3%
55,267	5.1%	Lansdowne hedge fund	50,041	4.2%
18,950	1.7%	York Capital hedge fund	19,147	1.6%
43,616	4.0%	M&G inflation opportunities	72,354	6.1%
32,693	3.0%	Insight hedge fund	30,911	2.6%
24,983	2.3%	Davidson Kempner hedge fund	27,659	2.3%
21,305	1.9%	Gruss hedge fund	1,147	0.1%
26,583	2.4%	CFM hedge fund	25,921	2.2%
		Pooled property		
339	-	RREEF commercial property	338	-
36,087	3.3%	Blackrock commercial property	36,797	3.1%
31,886	2.9%	Legal & General commercial prop.	33,032	2.8%
		Private equity		
55,672	5.0%	Adam St Partners fund of funds	72,283	6.1%
2,178	0.2%	Antin European infrastructure	17,045	1.4%
5,888	0.5%	Brockton opportunistic property	4,610	0.4%
-	-	CBRE UK secured long income fund	4,611	0.4%
		Cash & accruals		
-	-	Close Brothers	5,009	0.4%
35,161	3.2%	Goldman Sachs cash	34,474	2.9%
24,755	2.3%	Northern Trust cash	17,063	1.4%
35	-	Blackrock MMF	35	-
(476)	-	Enfield Investment accruals	(183)	-
1,098,344	**100.0%**		**1,185,317**	**100.0%**

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

Security	Market value 31 March 2018 £000s	% of total Fund	Market value 31 March 2019 £000s	% of total Fund
Trilogy global equities	161,997	14.7%	-	-
Blackrock –global equities	138,611	12.7%	155,836	13.2%
MFS – global equities	96,434	8.8%	110,109	9.3%
Western Asset – corporate bonds	86,598	7.9%	90,940	7.7%
Blackrock – indexed linked bonds	86,300	7.9%	89,072	7.5%
LCIV – Longview global equities	-	-	76,950	6.5%
LCIV – Baillie Gifford global equities	-	-	75,336	6.4%
M&G Inflation opportunities	43,616	4.0%	72,354	6.1%
Adam Street Partners – private equity	55,267	5.0%	72,283	6.1%
Lansdowne – equity hedge fund	55,672	5.1%	50,041	4.2%

NOTE 14D: STOCK LENDING

The Fund's investment strategy does not permit stock lending.

NOTE 15a: ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreements in place between the fund and the various investment managers.

a) Futures

The fund had to hold cash assets towards the end of the year in order to meet an expected peak in retirements. The pension fund committee did not want this cash to be 'out of the market' and so bought index-based futures contracts which had an underlying economic value broadly equivalent to the cash held in anticipation of the cash outflow for year-end retirements. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

To maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's quoted equity and bond portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the relevant fund manager currency programme in place managed by the global custodian, and hedges a proportion of the overseas holdings

Open forward currency contracts

Settlement	Currency bought	Local value 000	Currency sold	Local value 000	Asset value £000	Liability value £000
1-6 months	GBP	1,158	EUR	(1,315)	23	-
1-6 months	GBP	3,270	USD	(4,257)	10	-
Open forward currency contracts at 31 March 2019					33	-
Net forward currency contracts at 31 March 2019						33
Prior year comparative						
Open forward currency contracts at 31 March 2018					102	(59)
Net forward currency contracts at 31 March 2018						43

Futures

Outstanding exchange traded futures contracts are as follows:

Type	Expires	Economic exposure	Market value 31 March 2018	Economic exposure	Market value 31 March 2019
Assets		£000s	£000s	£000s	£000s
UK Fixed income	Less than a year	12,773	239	-	-
Overseas fixed income	Less than a year	3,327	23	11,665	215
Total assets			262		215
Overseas fixed income	Less than a year	(3,952)	(89)	(5,646)	(149)
Total liabilities			(89)		(149)
Net Futures			173		66

NOTE 15b: HEDGE ACCOUNTING

Hedging is the process of entering into a derivative contract with the objective of reducing or eliminating exposure to a particular type of risk. This is achieved because expected changes in the value or cash flows of the hedged item move in the opposite direction to expected changes in the value or cash flow of other investment holdings.

NOTE 16: FAIR VALUE – BASIS OF VALUATION

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable & unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Futures and options in UK bonds	Level 1	Published exchange prices at the year-end	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Not required	Not required

Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Overseas bond options	Level 2	Option pricing model	Annualised volatility of counterparty credit risk	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – hedge funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Property held in a limited partnership	Level 3		Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Private equity	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines* (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described above are likely to be accurate to 10% within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019

Description of asset	Assessed valuation range (+/-)	Value at 31 March 2019	Value on increase	Value on decrease
	%	£000s	£000s	£000s
UK secured long income fund	10%	4,611	+461	-461
UK opportunistic property	10%	4,610	+461	-461
European Infrastructure	10%	17,045	+1,705	-1,705
Private equity fund of funds	10%	72,283	+7,228	-7,228
Total		**98,549**	**+9,855**	**-9,855**

NOTE 16A: FAIR VALUE HIERARCHY

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

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted 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.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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

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

Values at 31 March 2018	Quoted market price Level 1 £000s	Using observable inputs Level 2 £000s	With significant unobservable inputs Level 3 £000s	Total £000s
Financial assets at fair value	274,909	679,593	72,164	**1,026,666**
Financial liabilities at fair value	-	(148)	-	**(148)**
Net investment assets	**274,909**	**679,445**	**72,164**	**1,026,518**

NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2

There has been no movement during 2018/19.

NOTE 16C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market value 1April 2018	Transfers in/out of level	Purchases during the year	Sales during the year	Unrealised gains/losses	Realised gains/losses	Market value 31March 2019
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Property	5,888	-	432	(3,066)	-	1,356	**4,610**
Infrastructure	2,178	-	13,195	-	1,672	-	**17,045**
Venture capital	55,267	-	11,408	(9,979)	9,729	5,858	**72,283**
Pooled Hedge Funds	8,831	(8,831)	-	-	-	-	**-**
UK secured long income fund	-	-	4,950	-	(339)	-	**4,611**
	72,164	**(8,831)**	**29,985**	**(13,045)**	**11,062**	**7,214**	**98,549**

NOTE 17: FINANCIAL INSTRUMENTS

NOTE 17A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31 March 2018				31 March 2019		
Fair value through profit& loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit& loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£000s	£000s	£000s		£000s	£000s	£000s
			Financial assets			
82,344			Bonds	88,278		
192,565			Equities	43,141		
620,173			Pooled investments	824,211		
67,887			Pooled property	69,598		
63,333			Private equity	98,549		
364			Derivative contracts	248		
-	70,390		Cash deposits		58,091	
-	1,606		Other investment balances		2,547	
-	606		Trade debtors		815	
1,026,666	**72,602**	**-**	**Total financial assets**	**1,124,025**	**61,453**	**-**
			Financial liabilities			
(148)			Derivative contracts	(149)		
		(476)	Other investment balances			(183)
		(423)	Trade creditors			(632)
(148)	**-**	**(899)**	**Total financial liabilities**	**(149)**	**-**	**(815)**
1,026,518	**72,602**	**(899)**	**Grand total**	**1,123,876**	**61,453**	**(815)**

NOTE 17B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

31 March 2018 £000s		31 March 2019 £000s
	Financial assets	
19,305	Designated at fair value through profit & loss	76,544
(787)	Loans & receivables	3,109
18,518	**Total**	**79,653**

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

NOTE 18: 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). Therefore the aim 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 risk, currency risk and interest rate risk) 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 council manages these investment risks as part of its overall pension fund risk management programme.

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

a) Market risk

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

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

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2018/19 reporting period (based on assumption made in December 2018 on data provided by the Fund's investment consultant. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset type	Potential market movements (+/-) 2018/19	Potential market movements (+/-) 2017/18
Fixed income government bond	1.2%	1.4%
Inflation-linked government bonds	1.2%	1.2%
Investment grade corporate bonds	2.0%	2.2%
Equities	7.0%	6.5%
Private equity	9.3%	8.7%
Real estate	5.3%	5.5%
Hedge funds	4.2%	3.7%

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

Asset type	Value at 31 March 2019 £000	Potential value on increase £000	Potential value on decrease £000
Fixed income government bond	43,806	+526	-526
Inflation-linked government bonds	89,072	+ 1,069	- 1,069
Investment grade corporate bonds	44,473	+889	-889
Equities	501,551	+35,109	-35,109
Private equity	72,283	+6,722	-6,722
Real estate	91,253	+4,836	-4,836
Hedge funds	281,340	+11,816	-11,816
Cash & accruals	61,539	-	-
	1,185,317	**+60,967**	**-60,967**

Asset type	Value at 31 March 2018 £000	Potential value on increase £000	Potential value on decrease £000
Fixed income government bond	42,686	+598	-598
Inflation-linked government bonds	86,301	+1,036	-1,036
Investment grade corporate bonds	39,658	+872	-872
Equities	502,636	+32,671	-32,671
Private equity	63,333	+5,510	-5,510
Real estate	67,887	+3,734	-3,734
Hedge funds	223,801	+8,281	-8,281
Cash & accruals	72,042	-	-
Total	**1,098,344**	**+52,702**	**-52,702**

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

The fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

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

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

Assets exposed to interest rate risk	Value as at 31 March 2019 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash deposits	5,000	50	-	-
Cash & cash equivalents	53,091	531	-	-
Cash balances	13	-	-	-
Bonds	177,350	1,774	179,124	175,576
Total	**235,454**	**2,355**	**179,124**	**175,576**

Assets exposed to interest rate risk	Value as at 31 March 2018 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash & cash equivalents	69,956	700	70,656	69,256
Cash balances	435	4	439	431
Bonds	168,644	1,686	170,330	166,958
Total	**239,035**	**2,390**	**241,425**	**236,645**

Income exposed to interest rate risks	Amount receivable as at 31 March 2019	Potential movement on 1% change in interest rates	Value on increase	Value on decrease

	£000	£000	£000	£000
Interest on cash deposits	728	7	735	721
Bonds	3,290	33	3,323	3,257
Total	**4,018**	**40**	**4,058**	**3,978**

Income exposed to interest rate risks	Amount receivable as at 31 March 2018 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on decrease £000
Cash & cash equivalents	321	3	324	318
Cash balances	-	-	-	-
Bonds	3,217	32	3,249	3,185
Total	**3,538**	**35**	**3,573**	**3,503**

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

Currency risk

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

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

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the fund investment advisors, the council considers the likely volatility associated with foreign exchange rate movements to be 10%.

A 10% fluctuation in the currency is considered reasonable. This analysis assumes that all other variables, in particular interest rates, remain constant.

Assets exposed to currency risk	Assets value as at 31 March 2019	Potential movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Australian Dollar	1,562	156	1,718	1,406
Canadian Dollar	1	-	1	1
Danish Krone	737	74	811	663
Euro	39,617	3,962	43,579	35,655
Japanese Yen	291	29	320	262
Mexican Peso	677	68	745	609
Norwegian Krone	6	1	7	5
Singapore Dollar	1,143	114	1,257	1,029
South African Rand	480	48	528	432
Swedish Krona	541	54	595	487
Swiss Franc	1,089	109	1,198	980
US Dollar	161,988	16,199	178,187	145,789
	208,132	**20,814**	**228,946**	**187,318**

Assets exposed to currency risk	Assets value as at 31 March 2018	Potential movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Canadian Dollar	1,079	108	1,187	971
Danish Krone	4,091	409	4,500	3,682
Euro	34,661	3,466	38,127	31,195
Hong Kong Dollar	7,993	799	8,792	7,194
Japanese Yen	18,787	1,879	20,666	16,908
Swedish Krona	5	1	6	4
Norwegian Krone	611	61	672	550
Swiss Franc	1,153	115	1,268	1,038
US Dollar	222,875	22,288	245,163	200,587
	291,255	**29,126**	**320,381**	**262,129**

b) Credit risk

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

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

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

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

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

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2019 was £58.1m (31 March 2018 - £70.4m). This was held with the following institutions:

	Rating	Balances as at 31 March 2019 £000	Balances as at 31 March 2018 £000
Termed deposits			
Close Brothers	A-	5,009	-
Money market funds			
Goldman Sachs money market fund	AAAm	34,474	35,161
Blackrock money market fund	AAAm	35	35
Bank current accounts			
HSBC	AA-	12	434
Northern Trust Custodian	AA-	17,063	24,755
Cash held by fund managers		1,510	10,005
		58,103	**70,390**

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

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

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

All financial liabilities at 31 March 2019 are due within one year.

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

NOTE 19: FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the results will be known by 31 March 2020 and implemented from 1st April 2020.

The key elements of the funding policy are:

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

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

At the 2016 actuarial valuation, the fund was assessed as 87% funded

Financial assumptions

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

Demographic assumptions

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

Life expectancy from age 65 as valuation date	Males	Females
Current pensioners aged 65 at the valuation date	24.3	26.9
Future pensioners aged 45 at the valuation date	26.3	29.2

NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Enfield Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2016 (of £916.3M) covering 87% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.

The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:

- 17.7% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date, (the primary rate)

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 19 years from 1 April 2017 (the secondary rate), equivalent to 5.1% of pensionable pay (or £7.8M in 2017/18, and increasing by 3.5% p.a. thereafter).

In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 27 March 2017 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer or group was in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer, was agreed with the Administering Authority reflecting the employers' circumstances.

The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled body funding target *	4.5%pa
Orphan body funding target	4.1%pa
Discount rate for periods after leaving service	
Scheduled body funding target*	4.5%pa

Orphan body funding target	2.5%pa
Rate of inflationary pay increases	3.5%pa
Rate of increase to pension accounts	2.0%pa
Rate of increases in pensions in payment	2.0%pa

** The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.*

In addition the discount rate for orphan liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.

The assets were valued at market value.

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

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

	Men	Women
Current pensioners aged 65 at the valuation date	24.3	26.9
Future pensioners aged 45 at the valuation date	26.3	29.2

The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 27 March 2017. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

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

- **Increases to GMPs:**
  HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, announced an extension of the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off in advance of this announcement, but the increase in liability is not expected to be material. In addition, on 26 October 2018 the High Court ruled in the Lloyds Banking Group case that schemes are required to equalise male and female members' benefit for the effect of unequal GMPs.
- **Cost Management Process and McCloud judgement:**

  Legislation requires HM Treasury and the LGPS Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Initial results from the Scheme Advisory Board process indicated that benefit improvements / member contribution reductions would be required. However, the cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) were age discriminatory; these cases could have knock on implications for the LGPS (potentially increasing the liabilities) which also had transitional arrangements when the new scheme was introduced with effect from April 2014.

  The impact of both the McCloud case and the GMP equalisation will be accounted for in the 2019 formal valuation.

The actuarial valuation of the Fund as at 31 March 2019 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions commencing from 1 April 2020 to be signed off by 31 March 2020. Asset values have increased in value since 2016, on its own leading to an improvement in the funding level due to higher than assumed investment returns. Liability values and employer contributions, as well as being affected by the items listed in paragraph 9 above, will depend upon membership factors, changes to expectations of future returns and other assumptions (including allowance for the slow-down in longevity improvements) and any changes to funding strategy made as part of the 2019 valuation.

This Statement has been prepared by the current Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

The report on the actuarial valuation as at 31 March 2016 is available on the Fund's website at the following address:

https://new.enfield.gov.uk/pensions/wp-content/uploads/2017/10/London-Borough-of-Enfield-Pension-Fund-Actuarial-valuation-as-at-31-March-2016-.pdf

NOTE 21: CURRENT ASSETS

31 March 2018 £000s		31 March 2019 £000s
	Debtors	
120	Contributions due - employees	168
382	Contributions due - employers	495
145	Sundry debtors	72
-	Prepayments	53
647		**788**
	Cash balances	
434	Current account	13
1,081		**801**

NOTE 21A: LONG TERM DEBTORS

31 March 2018 £000s		31 March 2019 £000s
	Debtors	
-	Pensioner Tax liability	14
-		**14**

NOTE 22: CURRENT LIABILITIES

31 March 2018 £000s		31 March 2019 £000s
-	Sundry creditors	(19)
(423)	Benefits payable	(613)
(423)		**(632)**

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

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

	Opening Balance at 1st April 18	Contributions & Transfers	Sums Paid Out	Investment Return	Closing Balance at 31 March 2019
	£000s	£000s	£000s	£000s	£000s
With profits cash accumulation	**1,281**	477	(410)	2	**1,350**
Cash statement	**13**	130	(9)	1	**135**
Deposit fund statement	**944**	300	(352)	3	**895**
Discretionary fund	**639**	165	(42)	37	**800**
	2,877	**1,072**	**(813)**	**43**	**3,180**

NOTE 24: AGENCY SERVICES

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

NOTE 25: RELATED PARTY TRANSACTIONS

London Borough of Enfield

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

During the reporting period, the Council incurred costs of £935k (2017/18: £773k) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The Council is also the single largest employer of members of the pension fund and contributed £38.2m to the fund in (2017/18 £36.8m). At year end the London Borough of Enfield owed the Pension Fund £72k (£44k in 2017/18).

Scheduled and admitted bodies owed the Fund £664k (£502k in 2017/18) from employer & employee contributions. All payments were received by 19th April 2019.

Governance

The Enfield Council has decided that Councillors should not be allowed to join the LGPS scheme and receive pension benefits from the Fund. Councillor Taylor, a member of the Pension Policy & Investment Committee, is also a Governor of Capel Manor, a scheduled body.

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

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

NOTE 25A: KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Pension manager, Head of Finance and the Head of Exchequer Services. As required by paragraph 3.9.4.2 of the CIPFA code of practice 2018/19 the figures below show the change in value of post-employment benefits provided to these individuals over the accounting year.

31 March 2018 £000s		31 March 2019 £000s
119	Short-term benefits	197
41	Post-employment benefits	62
160		**259**

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2019 totalled £100.6m (31 March 2018: £68.5m).

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF ENFIELD

Opinion on pension fund financial statements

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

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and the amount and disposition of the fund's assets and liabilities as at 31 March 2019, other than the liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of 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

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

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

Other information

The Acting Executive Director of Resources is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the pension fund financial statements and our auditor's report thereon. Our opinion on the pension fund 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 pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund 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 pension fund 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 Acting Executive Director of Resources and the London Borough of Enfield ("the Council") as administering authority of the pension fund

As explained more fully in the Statement of the Acting Executive Director of Resources' Responsibilities, the Acting Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which comprises the pension fund 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, and for being satisfied that the financial statements give a true and fair view.

In preparing the pension fund financial statements, the Acting Executive Director of Resources is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to wind up the scheme or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the pension fund financial statements our objectives are to obtain reasonable assurance about whether the pension fund 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.

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

Use of our report

This report is made solely to the members of the London Borough of Enfield, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. 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 Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

David Eagles
For and on behalf of BDO LLP, Appointed Auditor
Ipswich, UK

19 December 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).