

Royal Borough of Greenwich

Statement of Accounts

2020/21

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Introduction from Councillor Linda Perks, Cabinet Member for Finance and Resources, Royal Borough of Greenwich

This statement of accounts covers the financial year 1 April 2020 to 31 March 2021.

The Covid-19 pandemic which hit at the end of the 2019/20 has had significant consequences for everyone. The impact on council finances will be felt in years to come, as the effect of lockdown and continuing efforts to support the community and local businesses will most certainly stretch council resources. We need to focus on building a better future for communities and businesses while protecting the most vulnerable residents in our borough.

Although these are challenging times for everyone, it's very important that we continue to invest in our community, to ensure that we help transform the borough into a place to live, work, experience and shop. We've received over £17million in government funding to boost Woolwich town centre which will support recovery from the pandemic. We also have £91.59m being invested in council-run projects like the Woolwich Leisure Centre Scheme, refurbishment of Tramshed Theatre and Woolwich Works.

As well as keeping critical services going, we've set up new initiatives to support residents and businesses throughout the pandemic. Our Community Hub has helped thousands of residents to access food and medicines as well as provide financial support.

We recognise that this is an incredibly difficult time for our business community and we are always working as fast as we can to ensure that the financial support provided by the government reaches all eligible businesses. You can find information on business support at royalgreenwich.gov.uk/business

We have also improved our council tax support scheme, residents on a low income or claiming benefits could get up to 100% towards their council tax bill. For more information visit royalgreenwich.gov.uk/counciltaxsupport. You can find advice and information on a range of benefits and other forms of financial help at royalgreenwich.gov.uk/benefits.

As a council we will continue to invest in projects that accelerate economic recovery, whilst continuing to support local residents, businesses and communities.

Councillor Linda Perks
Cabinet Member for Finance and Resources, Royal Borough of Greenwich

Narrative Report

The Royal Borough of Greenwich is one of 33 London Boroughs. The borough is home to:

- a World Heritage site
- the O2 arena
- Greenwich Park
- the Cutty Sark
- the Royal Arsenal in Woolwich and
- the Prime Meridian

These are just a few of the world class attractions in the borough.

The Authority operates the Leader / Cabinet system with 51 councillors in total (17 wards comprising 3 members each); the current political balance is 42 Labour and 9 Conservative councillors.

Over the course of 2020/21, the authority was grouped into 6 distinct directorates:

- Children's Services
- Health and Adult Services
- Regeneration, Enterprise and Skills
- Housing and Safer Communities
- Communities and Environment
- Finance and Legal Services

Council Services

The Royal Borough of Greenwich offers services to residents in the following areas:

- **Advice and Benefits** - Welfare Rights, Housing Benefit and debt, as well as what to do in an emergency
- **Business** - Business support services, doing business with the council, and information about licensing and trading standards
- **Community and Living** - births, deaths, marriages and citizenship, community safety and anti-social behaviour, community grant funding and family history research
- **Council and Democracy** – information on councillors, local matters, voting, council tax
- **Education and Learning** - schools and colleges, childcare arrangements, adult learning courses, and help with schooling costs
- **Environment and Planning** - recycling, street cleaning, noise and pollution, planning and conservation, building control and parks and open spaces
- **Health and Social Care** - adult care services, support for families and children and people with disabilities
- **Housing** - Exchanging a council home, access services for council tenants, assessing housing options and information for landlords and leaseholders
- **Jobs and careers** - council jobs and other opportunities through Greenwich Local Labour and Business (GLLaB)
- **Leisure and Culture** - local leisure facilities, libraries, entertainment and events, as well as tourist information
- **Transport and streets** - parking and transport information, as well as resources for cyclists and foot tunnel users

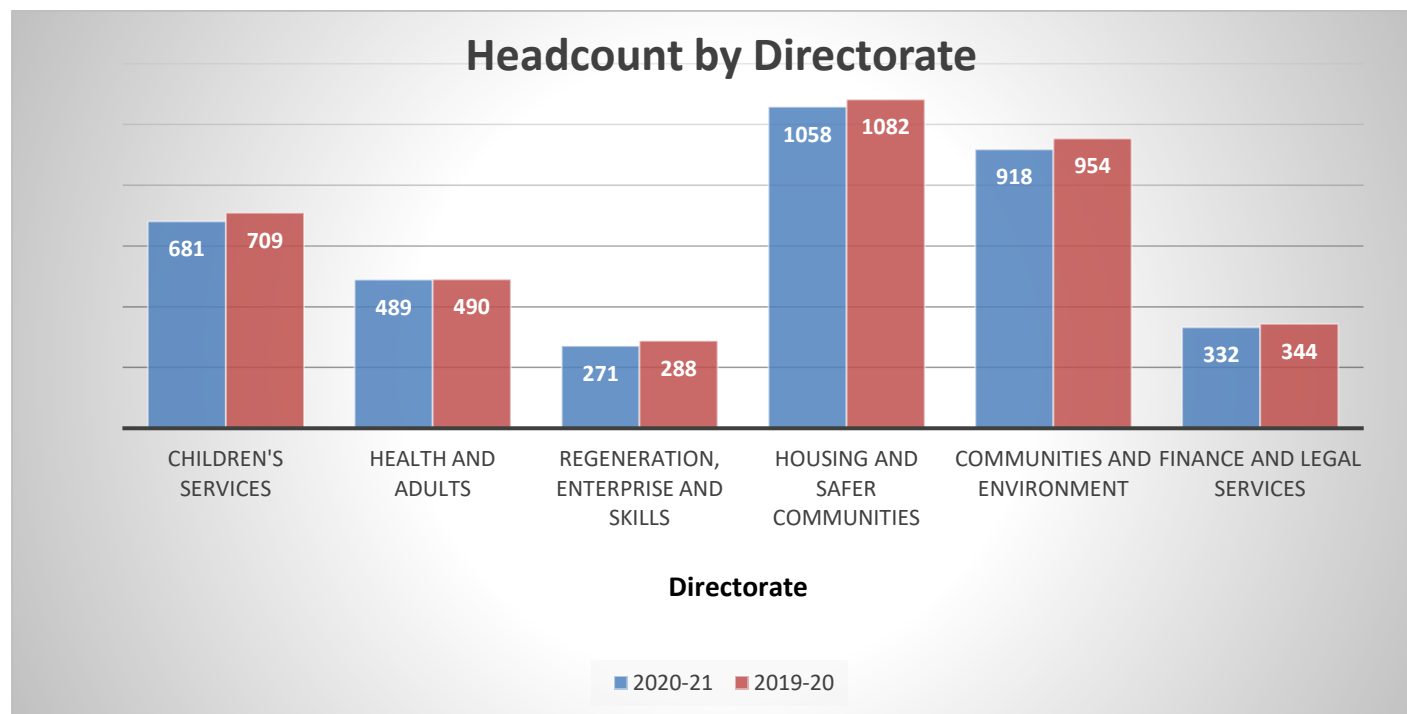
More information on the above services is available on our website www.royalgreenwich.gov.uk

Staffing

The Royal Borough of Greenwich employs 3,750 staff. The demographic composition of the workforce as at 31 March 2021 was:

- 56% female
- 33% BME
- 5% disabled
- an average age of 47

The number of staff working in particular Directorates as at 31st March 2021 is illustrated in the chart below:



Future Challenges

The Council faces a number of overarching challenges in the coming years:

- Central government funding is falling year on year; Local Authorities will need to look to raise alternative sources of income to be able to maintain service delivery.
- Demographic growth and an increasingly ageing population will continue to present challenges on the Council's budget in years to come.
- Brexit will continue to create uncertainty. The financial impacts are not currently quantified and could be positive or negative.
- The Covid-19 pandemic has had a significant impact on the Council's resources and is likely to continue into 2021-22 and beyond.

Performance

The Royal Borough of Greenwich has 8 high level objectives within its Corporate Plan which covers the period 2018-2022. Performance against these objectives during 2020/21 is summarised below:

1. A Healthier Greenwich

- a. Delivery of Greenwich Together for Winter Provision focusing on supporting children on Free School Meals, this included:
 - 8,367 children receiving a Breakfast Bags over Christmas
 - 4,260 children benefiting from holiday meals
 - All FSM children receiving £15 per week over Christmas, February Half Term and Easter.
 - Care Leavers receiving one off payments of £100 to support with food and utility costs.
- b. Delivery of physical activity services that engage inactive people with the biggest barriers to becoming active through Greenwich Get Active campaigns

2. A Safer Greenwich

- a. Trial measures to reduce traffic in West Greenwich were implemented in August 2020. The measures enable safe walking and cycling by reducing traffic and reliance on private cars; addresses safety issues caused by large volumes of vehicles using the narrow streets in

the area; and help to support public health, improve local air quality, and reduce noise pollution.

- b. The Safer Spaces service launched in February 2020 with the aim to deliver Safer Public Spaces within the Royal Borough and is at the heart of an Integrated Enforcement approach. The operating model consists of Digital Evidence (CCTV) and Community Safety Enforcement (Enhanced Problem Solving & Enforcement Officers), supported by the Metropolitan Police Service (MPS) Integrated Enforcement Police Team (IEPT). Safer Spaces tackles a broad range of community safety issues, focusing on long-term problem solving and delivering interventions to offenders/victims in a trauma-informed manner. The service delivers a range of innovative initiatives and projects to improve safety in public spaces.

3. A Great Place to Grow Up

- a. The Council provides approximately 100 parks and green spaces, 27 accessible park playgrounds, 2 paddling pools and a good range of sports facilities across the borough for children and families to be active and enjoy.
- b. 92% of RBG schools are judged good or outstanding by Ofsted.

4. Delivering Homes through Economic Growth

- a. New homes are being delivered through the Greenwich Builds programme, with building underway on a further 15 sites, with increased delivery due in 2021/22. The majority of Greenwich Builds homes will be zero Carbon with air source heat pumps & photovoltaics, allowing homes to generate their own heat and power.
- b. Continue to work closely with local RSL organisations to combat social housing tenancy fraud, recovering properties and ensuring these can be subsequently allocated to those in genuine housing need.

5. A Cleaner Greenwich

- a. The Council has secured 13 Green Flag Awards, the international standard recognised by central government for well-managed, good quality parks and green spaces and also secured a Gold Award in the borough category of the 2020/21 award scheme. The Parks, Estates and Open Spaces Service has also obtained external certification across a number of quality standards (ISO 14001, 9001 and 45001) that help ensure our parks and green spaces are managed to a good standard.
- b. The borough fleet is in the process of being replaced with ULEZ compliant vehicles. To date, contracts have been awarded for replacement of 223 vehicles.

6. Economic Prosperity for All

- a. The Council is partnering with the Mayor of London, MHCLG and Historic England through the Good Growth, Heritage Action Zone and Future High Streets Fund projects to accelerate the regeneration of the borough's town centre to improve resilience and address

significant social issues. This work is supporting businesses, providing new employment opportunities, improving accessibility and creating an improved sense of place.

- b. Greenwich's work on smart city innovation continues, focusing on the implementation of the Council's vision set out in the Smart City and Digital Connectivity Strategies. Initiatives include the delivery of the EU funded Sharing Cities programme and European demonstrator for smart city innovation; delivery of the digital connectivity strategy aimed at significantly improving digital connectivity to underpin economic growth and delivery of council services; completion of the £20m national centre of excellence and test bed for connected and autonomous vehicles and smart mobility.

7. A Great Place to Be

- a. The Parks, Estates and Open Spaces Service works with residents to create and support Park Friend Groups and this helps contribute to community cohesion combating social isolation.
- b. Local Plan policies support the protection and enhancement of heritage assets and settings in the Royal Borough. In 2020/21 two new Conservation Area Character Appraisal Supplementary Planning Documents were published - Thames Barrier & Bowater Road and Charlton Riverside.

8. A Strong Vibrant and Well Run Borough

- a. A new online self-serve Parking Permit system went live in May 2021, allowing permit holders to self-serve when applying for a new permit, renewing an existing permit or changing vehicles.
- b. In 2020 the Council established a small Continuous Improvement Team to enable, support and challenge GMT and Directorates to define, manage and deliver priorities for change and improvement.

Financial Performance

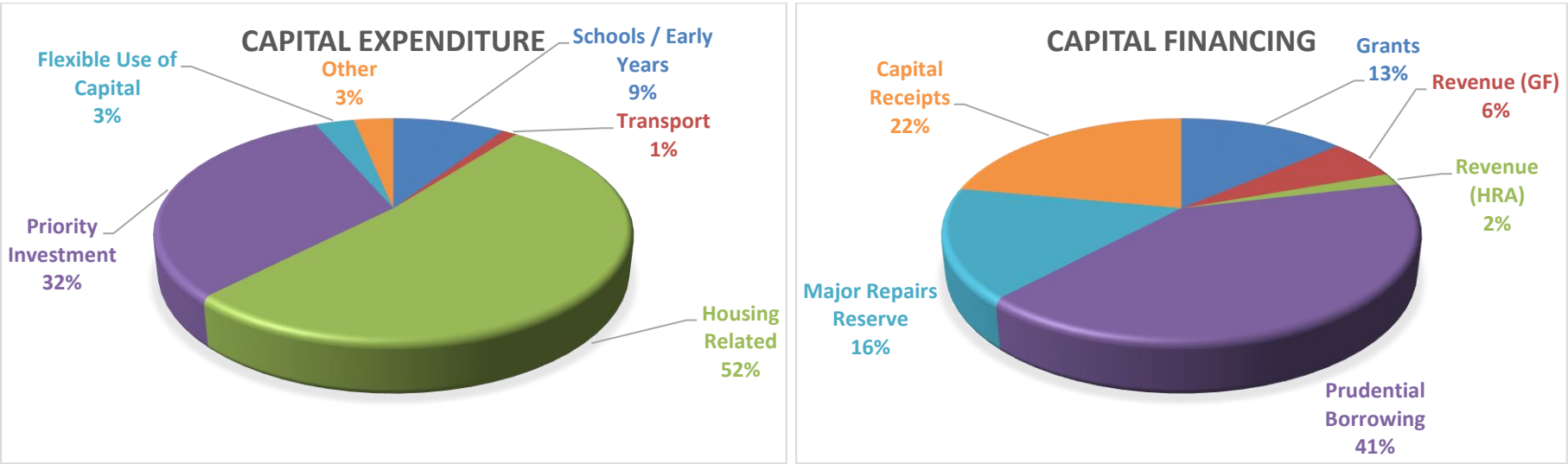
The Council continues to face significant pressures from government policy, alongside local / national demographic and economic trends. Against this backdrop, the borough is well placed to utilise its natural and financial resources in order to counter these pressures. The Council has a medium term financial strategy in place covering a rolling four year period.

Capital

The council invested £179m in 2020/21, with the majority of this deployed on housing related projects followed by regeneration and education schemes. During the financial year Royal Greenwich also took advantage of the time limited Flexible Use of Capital Receipts directive, with £6m of service transformation costs funded from capital receipts.

Financing for the remaining capital investment programme is derived from various sources including revenue and grant streams, capital receipts and borrowing. All borrowing undertaken is sustainable in that debt servicing costs are supported by identified revenue budgets.

Borrowing at 31 March 2021 was £378m - No change from 31 March 2020.



Revenue Outturn

The table below shows the final revenue position for the Authority for 2020/21 and the preceding year for comparison:

Actual Spend versus Budget £m	Overspend / (Underspend)		
	2019/20	2020/21 BAU	2020/21 COVID
Health & Adults	9.4	0.1	19.6
Children's	0.6	0.1	1.9
Communities and Environment	6.5	1.2	7.3
Housing & Safer Communities	3.1	1.6	2.3
Finance & Legal Services	0.2	(0.4)	5.5
Regeneration, Enterprise & Skills	1.0	(0.4)	7.2
Treasury Management	(10.8)	(9.2)	
Net Position	10.0	(7.0)	43.8
<i>Corporate Pressures</i>			
No Recourse to Public Funds	2.1	1.8	
Other		1.2	
<i>Supported by One Off Measures</i>			
COVID Reserve			(43.8)
Business Rates ¹	(4.8)		
Other Capacity	(3.0)		
Increase / (Decrease) General Reserve	(4.3)	(4.0)	0.0
Net GF Position	0.0	(4.0)	0.0

¹ Additional business rates from the London pilot pool

Movement in the General Reserve £m	2020/21
General Reserve b/f	(15.7)
General Fund Services (as above)	(4.0)

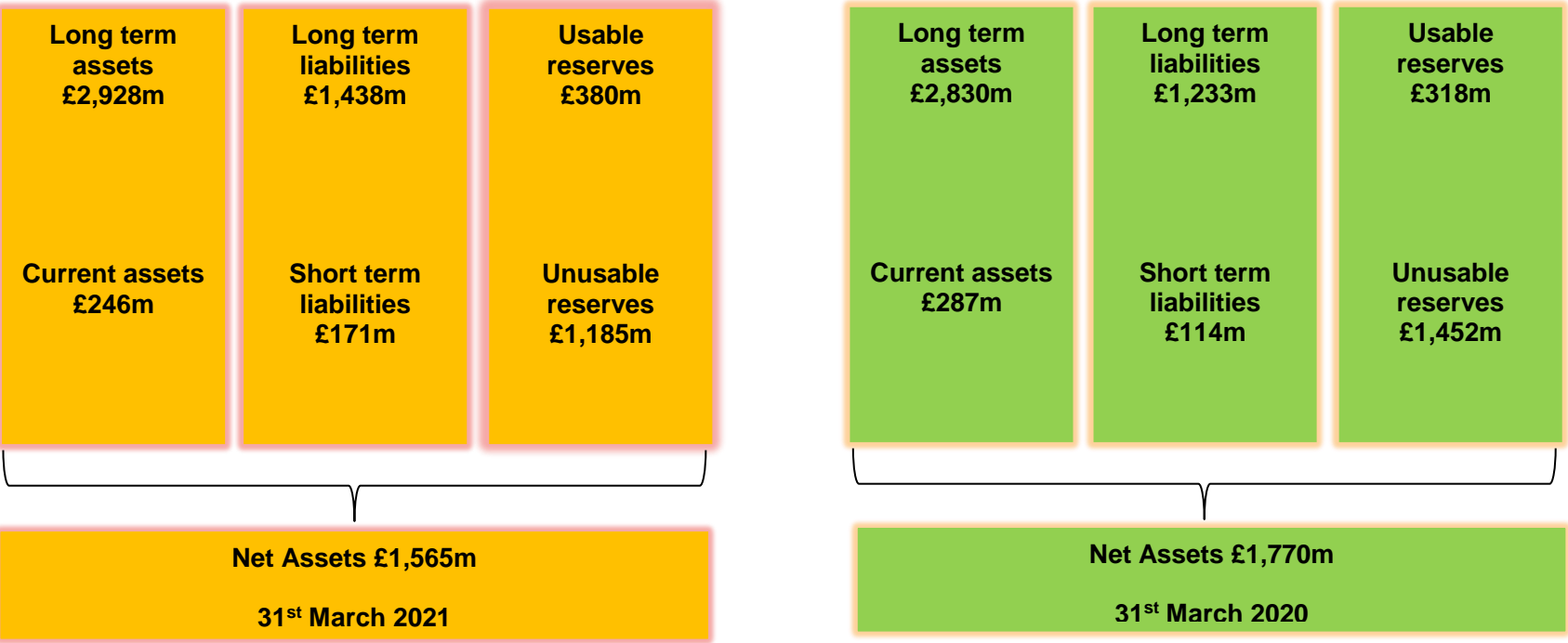
The key business as usual (BAU) budgetary pressures in 2020/21 were in:

- Communities and Environment due to increased waste disposal costs, refuse charges, income pressures and the cost of unfunded activities including the Task Force Teams. The demand pressures from the growth in dwellings and other developed areas also has impacted on other universal services such as Street Cleansing.
- Housing and Safer Communities with sustained pressures on emergency overnight accommodation which have increased due to a longer length of stay in temporary accommodation, a lower level of social lettings and the increase in private rents not met by Housing Benefit.

These pressures have been met through a combination of temporary savings on Treasury Management activities, one-off resources and underspends in other Directorates.

Balance Sheet

The balance sheet has seen a slight decrease in its net worth as can be seen in the graphic below.



Housing Revenue Account

The Council has a stock of 20,950 social rented homes and 4,996 leaseholders. It is planning to invest over £338m in the next 3 years to increase and improve its housing stock. The Council manages its own Housing Stock and collected £96m in dwelling rents and £14m in service charges in 2020/21. This income is held in a ring-fenced account (the Housing Revenue Account) which can only be used for social housing purposes.

Pension Liabilities

The Royal Borough of Greenwich Pension Fund is independently revalued every three years (triennial valuation). The most recent revaluation, as at 31 March 2019, assessed the funding level at 97% compared with 91% in 2016.

The Council is an employer within the Royal Borough of Greenwich pension fund and plans to achieve a 100% funding level over a period of no more than 17 years.

The triennial valuation confirmed that the contribution rate payable would continue to be frozen – such that it will have remained at the same level for a decade.

Impact of Covid-19

The COVID-19 pandemic has had and is likely to continue to have a profound effect upon residents, businesses, staff and wider civil society in the borough and across the world.

The Council has had to act fast to assess the impact of COVID-19 on the community, council services and to maintain and develop services to support the community with a key focus on vulnerable people. One of the first steps was the creation of a Community Hub in order to provide support to the community and shielded vulnerable individuals (those particularly at risk from COVID-19). The Council developed the hub with a range of third sector organisations, registering approximately 1,300 volunteers to provide a range of services, such as deliveries of food parcels, personal shopping, picking up medicines, befriending and making well-being calls. This alongside, maintaining critical services to residents, was enabled at a time when our own staff were, in the main, working from home.

A significant number of Council officers have been sick or have had to quarantine or self-isolate due to COVID-19. The peak of absences was in April 2020. The costs associated with COVID-19 related absences has been estimated by the Council at £4.73m.

In the latter part of the pandemic, including the most recent lockdown, when the Government resumed shielding arrangements for the Clinically Extremely Vulnerable (CEV), most Council services have been kept open and available to protect our most vulnerable residents.

A summary of the impact on service delivery and actions taken in Council directorates is in the following section.

Health and Adult Services

Health and Adult Services (HAS) and its partners have been at the forefront of responding to the COVID-19 crisis in Greenwich.

The Council's Public Health department has continued to dedicate the bulk of officer time and capacity to responding to the challenges posed by the coronavirus epidemic. Key work areas has included:

- Co-ordination of a Health Protection Board work programme.
- Supporting the high uptake of the COVID-19 vaccination programme by residents; working with the NHS to tackle vaccine hesitancy; providing webinars and education sessions for staff and residents to support good uptake.

- Close surveillance of the epidemic and outbreak management; reporting on the progress of the epidemic, identifying clusters and hotspots, managing outbreaks.
- Contact tracing and testing functions.
- Significant amount of work with educational settings: schools, childcare, early years, universities, providing public health and infection control guidance and training for staff, supporting testing programmes.
- Deep engagement with the local population, neighbourhoods and diverse communities; getting the public health messages through to our populations, working with faith organisations, community and voluntary organisations, setting up community champions programme.
- Working with corporate communications on the communication programme with Greenwich residents.
- Enforcement and engagement with business sector, providing advice, guidance and input to Safety Advisory Groups, providing public health intelligence to help to guide prioritisation of enforcement efforts.

Children's Services

Schools have remained open throughout the pandemic for vulnerable children and children whose parents are critical workers. Attendance throughout this period has been better than the London average with 90% of all pupils in Greenwich schools attending school or college at the week ending the 26th March 2021, which is the week prior to the close for Easter holidays. For primary schools overall attendance was 91%, secondary schools 88%, and special schools 84%.

When lockdown restrictions were lifted in the summer of 2020, Children's Social Care ensured that face to face visits were completed on all vulnerable children. Following the new lockdown in January 2021, face to face visits were carried out only where the level of risk or need required this, in line with other London Authorities.

Communities and Environment

The Communications and Engagement service adapted and transformed the way it worked. Staff moved from being office-based to working predominantly from home, which was a challenge. On top of "business as usual" work, the pandemic created a number of additional demands on this area including communicating changes to council services to residents and advising residents about changing lockdown restrictions.

Some waste collections and bulky waste collections were affected by staff sickness and self-isolation. In addition, both the Park Ranger and Grounds Maintenance teams operated on a rota/shift system with safe working bubbles to aid social distancing for the staff whilst at work.

Finance

Central Government has provided additional funding for local authorities in 2020-21, with some of it being unringfenced grant, available to respond to local pressures and priorities. Grants can be grouped into four main categories: Emergency funding, Targeted, Compensation and Sales, Fees and Charges. A summary of the grants received during 2020-21 are as follows:

Type of funding	Amount £m
Emergency	17.033
Targeted	19.581
Compensation	96.027
Sales, Fees and Charges	5.261
Total	137.902

Emergency grants allowed the Council to offset pressures outside of any specific targeted areas of spend.

Targeted grants were predominantly attributed to work carried out in the Health and Adults directorate including Public Health and comprised specific targeted areas such as Test and Trace, Community Outbreak Management and Infection Control.

The Compensation grants were largely where the Council acted as an agent in order to passport funds onto residents and businesses which included the Hardship Fund and Local Restrictions grants (allocated to businesses). By the end of March 2021, the Council had paid out 2,822 grants to businesses.

Sales, Fees and Charges compensation was where the government contributed 75% to overall income losses but where the Authority absorbed the first 5% of any budgeted assumptions.

Housing and Safer Communities

The Environmental Health teams have been at the front line of mitigating the pandemic as well as keeping the public safe from hazards other than COVID where it can. The service itself has struggled like many with staffing levels due to COVID-related illness and self-isolation requirements. The pandemic has also impacted on service demand, for example the reports of noise had increased since March 2020.

Regeneration, Enterprise and Skills

At the outset of the first lockdown in March 2020 construction sites temporarily closed whilst the contractors adapted the site processes, procedures and set up to facilitate the new working arrangements in line with government advice. The majority of sites typically re-started in April 2020 with the COVID secure arrangements reducing productivity. Since then, the industry has continued to adapt working practices as the scientific advice has evolved. Site productivity has now returned to around 90% of the pre-covid levels.

Strategic Risks for the coming year

A risk management strategy is in place to identify and evaluate risk. The risks with high likelihood and with the highest potential impact have been included in the table below:

Risk	Impact
Non-delivery of the Medium Term Financial Strategy	<ul style="list-style-type: none"> • Adverse impact on the Council's financial standing
Insufficient School Places	<ul style="list-style-type: none"> • Insufficient places • Reputational damage • Fail to meet statutory duties
Change in Government Welfare Legislation	<ul style="list-style-type: none"> • Increased rent arrears • Increased pressures on family income
Cyber Security	<ul style="list-style-type: none"> • Threat actors gain access to Council data and systems • Temporary or permanent loss of data • Financial penalties
Organisational Improvement	<ul style="list-style-type: none"> • Lack of clarity for development of services • Inability to deliver transformational change
Brexit	<ul style="list-style-type: none"> • Interest rates (both for capital borrowing and investments) • General inflation rates • Workforce costs • Property values or rents • Procurement
Covid-19 Pandemic	<ul style="list-style-type: none"> • Responding to the pandemic has had a significant impact on the Council's overall level of resources both in terms of additional expenditure and lost income and will likely continue into 2021-22 and beyond

Structure of the Statement of Accounts

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which in turn is underpinned by International Financial Reporting Standards.

The Main Financial Statements are:

Movement in Reserves Statement -

The net of the authority's short/long term assets and liabilities is represented by its reserves – this is also known as its net worth. Reserves are usable or unusable and this note shows how the main usable plus total unusable reserves have changed.

Comprehensive Income and

Expenditure Statement - This is the income and expenditure for the authority on a financial accounting basis i.e. it reflects the cost to the authority of running services, but does not reflect the cash position.

Balance Sheet - a snapshot of the Council's assets, liabilities, cash balances and reserves at the year-end date.

Cash Flow Statement - This takes the surplus or deficit from the income and expenditure statement and reconciles it to the actual movement in cash on the balance sheet.

Expenditure and Funding Analysis –

shows how funding available to the Council has been used in providing services in comparison with those resources used by Authorities in accordance with Generally Accepted Accounting Practices.

Additional Statements / Other Notes are:

Collection Fund Statement - this contains statements that reflect the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government, of council tax and non-domestic rates.

Housing Revenue Account - this shows the economic cost in the year of

the landlord responsibility for social housing provision in accordance with

accounting standards, rather than the amount to be funded from rents and government grants.

Pension Fund Account - the Royal Borough of Greenwich Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Greenwich.

Accounting Policies - the main underlying accounting policies underpinning the financial statements.

Annual Governance Statement - this sets out a framework in relation to risk management and internal control, along with efficiency and effectiveness.

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Section 151 Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Approval of Accounts

I certify that the Statement of Accounts was approved by Council at its meeting on 30 September 2021.

.....
Cllr Leo Fletcher

Deputy Mayor of the Royal Borough of Greenwich

Dated: 30 September 2021

The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Section 151 Officer has:

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

The Section 151 Officer has also:

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

Certification of the Section 151 Officer

I hereby certify that the Statement of Accounts on pages 28-181 give a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31st March 2021.

.....
Damon Cook CPFA
CFO - Section 151 Officer

Dated: 30 September 2021

Independent auditor's report to the members of Royal Borough of Greenwich Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Royal Borough of Greenwich (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement and the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements including notes to the Housing Revenue Account, notes to the Collection Fund Statement, and 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the Authority 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 are responsible for concluding on the appropriateness of the Section 151 Officer use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK)

570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as

a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Section 151 Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon and our auditor's report on the pension fund financial statements. 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters 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 and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 in the course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Authority'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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Risk Management Panel is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government

Finance Act 1992), the Local Government Act 2003 and the Local Government Finance Act 2012 and the Local Government Act 2003.

- We enquired of senior officers and the Audit and Risk Management Panel, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Risk Management Panel, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to unusual journals recorded during the year and after the draft accounts stage.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Section 151 Officer has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journals;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.

Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's

- understanding of, and practical experience with audit engagements of a similar nature and
- complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
- the provisions of the applicable legislation
- guidance issued by CIPFA, LASAAC and SOLACE
- the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Royal Borough of Greenwich for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor’s Annual Report.

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Iain Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor, London

30 September 2021

Comprehensive Income and Expenditure Statement

2019/20			Comprehensive Income and Expenditure Statement	2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
72,605	(9,857)	62,748	Communities & Environment	110,223	(9,582)	100,641
199,943	(149,717)	50,226	Finance	171,880	(142,458)	29,423
27,974	(16,436)	11,538	Housing & Safer Communities	35,761	(19,221)	16,540
132,329	(117,834)	14,495	Housing Revenue Account	135,915	(121,388)	14,528
151,255	(56,183)	95,072	Health & Adult's Services	164,054	(73,432)	90,622
63,215	(48,768)	14,447	Regeneration, Enterprise & Skills	48,726	(43,272)	5,455
357,634	(259,626)	98,008	Children's Services	357,536	(265,569)	91,966
1,004,955	(658,421)	346,534	Net Cost of Services	1,024,095	(674,921)	349,174
26,825	0	26,825	Other Operating Expenditure (Note 3)	(11,042)	0	(11,042)
44,143	(1,692)	42,451	Financing and Investment Income and Expenditure (Note 4)	42,129	(451)	41,678
0	(284,191)	(284,191)	Taxation and Non-Specific Grant Income (Note 5)	0	(305,573)	(305,573)
70,968	(285,883)	(214,915)	Other Income and Expenditure	31,087	(306,024)	(274,937)
1,075,923	(944,304)	131,619	(Surplus) or Deficit on Provision of Services	1,055,182	(980,945)	74,237
		(19,394)	(Surplus) or deficit on revaluation of property, plant & equipment assets (Note 8)			(34,599)
		(28,323)	Re-measurement of the net defined benefit liability / (asset) (Note 19)			165,454
		(47,717)	Other Comprehensive Income and Expenditure			130,855
		83,902	Total Comprehensive Income and Expenditure			205,092

Movement in Reserves Statement

Movement in Reserves Statement 2020/21	Revenue Reserves			Capital Reserves			Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied				
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020 carried forward	(162,875)	(12,861)	(85,985)	(9,503)	(47,154)	(318,378)	(1,451,591)	(1,769,969)	
Movement in Reserves During 2020/21									
Total Comprehensive Income and Expenditure	62,272	11,965	0	0	0	74,237	130,855	205,092	
Adj between accounting basis & funding basis under regs (Note 6)	(125,803)	(14,645)	(8,421)	2,755	10,118	(135,996)	135,996	0	
(Increase) / Decrease in 2020/21	(63,531)	(2,679)	(8,421)	2,755	10,118	(61,759)	266,851	205,092	
Balance at 31 March 2021 carried forward	(226,406)	(15,541)	(94,406)	(6,748)	(37,038)	(380,137)	(1,184,740)	(1,564,877)	
General Fund balance comprises:									
Amounts Earmarked (Note 7)	(206,764)								
Amounts Uncommitted	(19,645)								
Total General Fund Balance at 31 March 2021	(226,408)								

Movement in Reserves Statement 2019/20	Revenue Reserves			Capital Reserves			Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied				
	£000	£000	£000	£000	£000				
Balance at 31 March 2019 carried forward	(145,424)	(22,196)	(110,246)	(9,503)	(42,404)	(329,775)	(1,524,096)	(1,853,871)	
Movement in Reserves During 2019/20									
Total Comprehensive Income and Expenditure	115,560	16,058	0	0	0	131,619	(47,717)	83,902	
Adj between accounting basis & funding basis under regs (Note 6)	(133,013)	(6,722)	24,261	0	(4,748)	(120,222)	120,222	0	
(Increase) / Decrease in 2019/20	(17,452)	9,336	24,261	0	(4,748)	11,397	72,505	83,902	
Balance at 31 March 2020 carried forward	(162,875)	(12,861)	(85,985)	(9,503)	(47,154)	(318,378)	(1,451,591)	(1,769,969)	
General Fund balance comprises:									
Amounts Earmarked (Note 7)	(147,201)								
Amounts Uncommitted	(15,677)								
Total General Fund Balance at 31 March 2020	(162,878)								

Balance Sheet

31 March 2020 £000	Balance Sheet	Notes	31 March 2021 £000
2,807,244	Property, Plant & Equipment	9	2,878,175
770	Heritage Assets		770
18,172	Long Term Investments	16	25,027
3,250	Long Term Debtors	16	23,489
2,829,436	Long Term Assets		2,927,460
104,140	Short Term Investments	16	70,497
53,682	Assets Held for Sale	12	107
7,000	Investment Properties	10	7,000
228	Inventories		520
72,092	Short Term Debtors	20	115,069
50,008	Cash and Cash Equivalents	Cashflow	52,760
287,150	Current Assets		245,953
(531)	Cash and Cash Equivalents	Cashflow	(605)
(6,445)	Short Term Borrowing	16	(6,409)
(337)	Short Term Deferred Income	14	(309)
(97,386)	Short Term Creditors	22	(135,178)
(1,290)	Receipts in Advance	5	(15,096)
(7,964)	Provisions	23	(12,916)
(113,954)	Current Liabilities		(170,511)
(704,205)	Long Term Creditors	19	(908,972)
(13,227)	Provisions	23	(15,171)
(374,654)	Long Term Borrowing	16	(371,199)
(2,713)	Long Term Deferred Income	14	(2,404)
(137,864)	Other Long-Term Liabilities	14/16	(140,278)
(1,232,663)	Long Term Liabilities		(1,438,025)
1,769,969	Net Assets		1,564,877
(318,378)	Usable Reserves	MIRS	(380,137)
(1,451,591)	Unusable Reserves	8	(1,184,740)
(1,769,969)	Total Reserves		(1,564,877)

Cash Flow Statement

2019/20 £000	Cash Flow Statement	2020/21 £000
(131,619)	Net surplus or (deficit) on the provision of services	(74,237)
228,716	Adj to net surplus or deficit on the provision of services for non cash movements (Cash Flow Note 1)	271,293
(47,313)	Adj for items incl in net surplus / deficit on the provision of services that are investing and financing activities (Cash Flow Note	(64,922)
49,784	Net cash flows from Operating Activities	132,133
(48,177)	Investing Activities (Cash Flow Note 2)	(73,464)
(4,631)	Financing Activities (Cash Flow Note 3)	(55,991)
(3,024)	Net increase or (decrease) in cash and cash	2,678
52,501	Cash and cash equivalents at the beginning of the reporting period	49,477
49,477	Cash and cash equivalents at the end of the reporting period (Cash Flow Note 5)	52,155

Cash Flow Note 1 - Operating Activities

The cash flows for operating activities include the following items:

1,823	Interest received	605
(28,322)	Interest paid	(25,680)

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

48,301	Depreciation	47,722
46,476	Impairment and downward valuations	80,316
10,700	Increase / (decrease) in creditors	55,830
11,486	(Increase) / decrease in debtors	(28,608)
(22)	(Increase) / decrease in inventories	(292)
(124)	Increase / (decrease) in receipts in advance	13,806
70,368	Movement in pension liability	39,313
(3,424)	Increase / (decrease) in provisions	6,896
44,955	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	56,309
228,716		271,293

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

(21,836)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(50,670)
(25,477)	Any other items for which the cash effects are investing or financing cash flows	(14,252)
(47,313)		(64,922)

Cash Flow Note 2 - Investing Activities

(142,022)	Purchase of property, plant and equipment, investment property and intangible assets	(163,777)
(9,608,870)	Purchase of short-term and long-term investments	(6,929,681)
21,836	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	50,670
9,653,810	Proceeds from short-term and long-term investments	6,955,965
27,069	Other receipts from investing activities	13,359
(48,177)	Net cash flows from investing activities	(73,464)

Cash Flow Note 3 - Financing Activities

(3,073)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,434)
(4,837)	Repayments of short-term and long-term borrowing	(3,455)
3,279	Other payments for financing activities	(50,102)
(4,631)	Net cash flows from financing activities	(55,991)

Cash Flow Note 4 - Reconciliation of Liabilities Arising from Financing Activities

	2020/21 1 April	Financing Cash flows	Other non-cash changes	2020/21 31 March
Long-term borrowings	374,654	0	(3,455)	371,199
Short-term borrowings	6,445	(3,455)	3,419	6,409
Lease liabilities	1,671	(2)	0	1,669
On balance sheet PFI liabilities	95,968	(2,432)	0	93,536
Total liabilities from financing activities	478,738	(5,889)	(36)	472,813

	2019/20 1 April	Financing Cash flows	Other non-cash changes	2019/20 31 March
Long-term borrowings	378,109	0	(3,455)	374,654
Short-term borrowings	7,829	(4,837)	3,453	6,445
Lease liabilities	1,673	(2)	0	1,671
On balance sheet PFI liabilities	99,040	(3,072)	0	95,968
Total liabilities from financing activities	486,651	(7,911)	(2)	478,738

Cash Flow Note 5 - Cash and Cash Equivalents

50,008	Cash and bank balances	52,760
(531)	Bank overdraft	(605)
49,477	Total cash and cash equivalents	52,155

Notes to the Accounts

Note I – Expenditure and Funding Analysis

2019/20			Expenditure and Funding Analysis	2020/21		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between the Funding and Accounting Basis	Net Expenditure in CIES		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between the Funding and Accounting Basis (Note 1)	Net Expenditure in CIES
£000	£000	£000		£000	£000	£000
48,896	13,852	62,747	Communities & Environment	49,221	51,419	100,641
2,658	47,568	50,226	Finance	12,470	16,953	29,423
14,229	(2,691)	11,538	Housing & Safer Communities	16,039	501	16,540
(6,363)	20,858	14,495	Housing Revenue Account	(17,434)	31,961	14,528
89,697	5,375	95,073	Health & Adult Services	83,282	7,340	90,622
(2,232)	16,679	14,447	Regeneration, Enterprise and Skills	4,416	1,039	5,455
78,689	19,319	98,008	Children's Services	79,270	12,696	91,966
225,574	120,960	346,534	Net Cost of Services	227,264	121,910	349,174
1,557	25,268	26,825	Other Operating Expenditure (Note 3)	1,555	(12,597)	(11,042)
26,628	15,823	42,451	Financing and Investment Income and Expenditure (Note 4)	25,542	16,136	41,678
(261,875)	(22,316)	(284,191)	Taxation and Non-Specific Grant Income (Note 5)	(320,572)	14,999	(305,573)
(233,690)	18,775	(214,915)	Other Income and Expenditure	(293,475)	18,538	(274,937)
(8,116)	139,735	131,619	(Surplus) or Deficit on the Provision of Services	(66,210)	140,447	74,237
(167,621)			Opening General Fund Balance & Housing Revenue Account Balance	(175,737)		
(8,116)			(Surplus) or Deficit on General Fund & Housing Revenue Account Balance in Year	(66,210)		
(175,737)			Closing General Fund Balance & Housing Revenue Account Balance	(241,947)		

**Adjustments from General Fund to arrive at Comprehensive Income & Expenditure Statement amounts
2020/21**

	Adjustments for Capital Purposes £000	Net Change in Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Communities & Environment	47,537	3,334	548	51,419
Finance	13,558	3,379	15	16,953
Housing & Safer Communities	(203)	617	87	501
Housing Revenue Account	26,976	4,288	697	31,961
Health & Adult's Services	4,804	2,295	240	7,340
Regeneration, Enterprise and Skills	(361)	1,271	129	1,039
Children's Services	1,705	7,992	2,999	12,696
Net Cost of Services	94,017	23,177	4,716	121,910
Other Operating Expenditure	(12,597)	0	0	(12,597)
Financing and Investment Income and Expenditure	0	16,136	0	16,136
Taxation and Non-Specific Grant Income	(14,252)	0	29,252	14,999
Other Income and Expenditure	(26,850)	16,136	29,252	18,538
Difference Between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit on Provision of Services	67,167	39,313	33,967	140,447

**Adjustments from General Fund to arrive at Comprehensive Income & Expenditure Statement amounts
2019/20**

	Adjustments for Capital Purposes £000	Net Change in Pension Adjustments £000	Other Differences £000	Total Adjustments £000
Communities & Environment	9,660	3,935	257	13,852
Finance	17,061	30,829	(322)	47,568
Housing & Safer Communities	(3,484)	796	(3)	(2,691)
Housing Revenue Account	15,696	5,066	96	20,858
Health & Adult Services	2,660	2,686	29	5,375
Regeneration, Enterprise & Skills	15,090	1,572	16	16,678
Children's Services	8,854	9,660	805	19,319
Net Cost of Services	65,537	54,545	878	120,960
Other Operating Expenditure	25,268	0	0	25,268
Financing and Investment Income and Expenditure	0	15,823	0	15,823
Taxation and Non-Specific Grant Income	(25,477)	0	3,161	(22,316)
Other Income and Expenditure	(209)	15,823	3,161	18,775
Difference Between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure Statement (Surplus)/Deficit on Provision of Services	65,328	70,368	4,039	139,735

Note 2 – Expenditure and Income Analysed by Nature

2019/20 £000	Expenditure and Income Analysed by Nature	2020/21 £000
	Expenditure	
314,236	Employee Benefits Expenses	292,538
641,005	Other Service Expenditure	653,678
65,537	Depreciation, Amortisation, Impairment	94,017
28,320	Interest Payments	25,643
1,557	Precepts & Levies	1,555
2,186	Payments to Housing Capital Receipts Pool	2,999
23,082	(Gains)/Loss on the disposal of non-current assets	(15,246)
1,075,923	Total Expenditure	1,055,182
	Income	
(230,068)	Fees, Charges and Other Service Income	(223,557)
(1,692)	Interest and Investment Income	(451)
(284,191)	Income from Council Tax and Business Rates	(305,573)
(428,353)	Government Grants & Contributions	(451,364)
(944,304)	Total Income	(980,945)
131,619	Surplus or Deficit on the Provision of Services	74,237

Note 3 - Other Operating Expenditure

2019/20 £000	Other Operating Expenditure	2020/21 £000
1,557	Levies	1,555
2,186	Payments to the Government Housing Capital Receipts Pool	2,999
23,082	(Gains) / losses on the disposal of non-current assets	(15,596)
26,825	Total	(11,042)

Note 4 - Financing and Investment Income and Expenditure

2019/20 £000	Financing and Investment Income and Expenditure	2020/21 £000
28,320	Interest payable and similar charges	25,643
15,823	Pensions interest cost and expected return on pensions assets	16,136
0	Impairment of investments	350
(1,692)	Interest receivable and similar income	(451)
42,451	Total	41,678

Note 5 – Taxation and Grant Income

Taxation and non-specific grant income

The Authority credited the following Grants, Contributions and Donations to the Comprehensive Income and Expenditure Statement in 2020/21.

2019/20 £000	Taxation and Non-Specific Grant Income	2020/21 £000
(100,115)	Council Tax Income	(101,812)
(114,817)	Business Rates	(77,140)
(43,782)	Non-ringfenced Government Grants	(69,721)
0	Non-ringfenced Government Grants - COVID-19	(42,647)
(25,477)	Capital Grants and Contributions	(14,252)
(284,191)	Total	(305,573)

Specific Grant Income

Grant Income	2019/20 £000	2020/21 £000
Dedicated Schools Grant	(209,260)	(215,834)
Rent Allowance Subsidy	(82,244)	(74,275)
Rent Rebate Subsidy	(53,406)	(51,546)
Public Health Grant	(22,433)	(23,603)
Private Finance Initiative – Building Schools for the Future	(12,291)	(12,291)
Pupil Premium	(10,082)	(9,972)
Teachers Pension Grant	(3,090)	(5,651)
Post 16 Grant	(5,050)	(5,426)

Flexible Homelessness Support Grant	(2,215)	(3,245)
Infants Free School Meal Grant	(2,682)	(2,719)
Benefit Administration Grant	(2,313)	(2,535)
Private Finance Initiative – Neighbourhood Resource Centres	(2,091)	(2,091)
Teachers Pay Grant	(1,560)	(1,824)
Unaccompanied Asylum Seeking Children Grant	(2,018)	(1,694)
Skills Funding Agency	(1,651)	(1,677)
Local Implementation and Planning Grant	(1,273)	(1,199)
DHP Subsidy	(860)	(1,128)
Independent Living Fund Grant	(1,082)	(1,082)
Troubled Families Grant	(1,317)	(1,050)
Other Miscellaneous Grants	(11,435)	(9,519)
COVID-19 Grants		
BR Grants Principle	0	(6,774)
Hardship Fund	0	(3,188)
Infection Control Fund	0	(2,950)
Community Testing Fund	0	(2,173)
Contain Outbreak Management	0	(1,224)
Schools Emergency Support	0	(1,217)
Schools Catch Up Premium	0	(1,157)
Other COVID-19 Grants (Under £1 million each)	0	(4,319)
Total	(428,353)	(451,364)

The Authority has received a number of Grants and Contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if not spent. The balances at the year-end are as follows:

Revenue Grant Receipts in Advance	2019/20	2020/21
	£000	£000
Skills Funding Agency	(421)	(713)
Devolved Formula Grant	(840)	(684)
Holiday Activities and Food Grant	0	(107)
Other(Under £100k each)	(29)	(100)
COVID-19:		
Contain Outbreak Management Fund	0	(5,728)
Business Rates Grants	0	(4,253)
COVID-19 Test & Trace Funding	0	(2,160)
Community Champions Fund	0	(678)
Self Isolation Fund	0	(570)
Other COVID-19(Under £100k each)	0	(102)
Total	(1,290)	(15,096)

Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

Adjustments between Accounting Basis and Funding Basis under Regulations 2020/21	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	(35,025)	(4,288)	0	0	0
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	235	0	0	0	0
Council Tax and Business Rates (transfers to or from Collection Fund Adjustment Account)	(29,252)	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(4,254)	(697)	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(91,132)	(90,713)	30	0	(14,252)
Total Adjustments to Revenue Resources	(159,427)	(95,699)	30	0	(14,252)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	18,726	52,208	(71,122)	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	(308)	308	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,999)	0	2,999	0	0
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve	0	26,027	0	(26,027)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	7,408	0	0	0	0
Capital expenditure financed from the revenue balances (transfer to the Capital Adjustment Account)	10,490	3,128	0	0	0
Total Adjustments between Revenue and Capital Resources	33,624	81,054	(67,814)	(26,027)	0
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	39,352	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	28,782	0
Application of capital grants to finance capital expenditure	0	0	0	0	24,370
Cash payments in relation to deferred capital receipts			20,010		

**Adjustments between Accounting Basis and Funding Basis under Regulations
2020/21**

	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
Total Adjustments to Capital Resources	0	0	59,362	28,782	24,370
Total Adjustments	(125,803)	(14,645)	(8,421)	2,755	10,118

**Adjustments between Accounting Basis and Funding Basis under Regulations
2019/20**

	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	(64,526)	(5,842)	0	0	0
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	235	0	0	0	0
Council Tax and Business Rates (transfers to or from Collection Fund Adjustment Account)	(3,162)	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(1,017)	(96)	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(76,803)	(57,073)	188	0	(25,533)
Total Adjustments to Revenue Resources	(145,272)	(63,011)	188	0	(25,533)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,810	19,535	(22,195)	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	(359)	359	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,186)	0	2,186	0	0
Posting of Housing Revenue Account resources from revenue to the Major Repairs Reserve	0	36,646	0	(36,646)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	7,469	0	0	0	0
Capital expenditure financed from the revenue balances (transfer to the Capital Adjustment Account)	4,166	467	0	0	0
Total Adjustments between Revenue and Capital Resources	12,259	56,289	(19,650)	(36,646)	0

**Adjustments between Accounting Basis and Funding Basis under Regulations
2019/20**

	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	43,723	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	36,646	0
Application of capital grants to finance capital expenditure	0	0	0	0	20,785
Total Adjustments to Capital Resources	0	0	43,723	36,646	20,785
Total Adjustments	(133,013)	(6,722)	24,261	0	(4,748)

Note 7a – Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2020/21. Opening figures for 2020/21 have been restated to show Coronavirus Emergency Funding separately.

Earmarked Reserves	31/03/19 £000	Transfers Out £000	Transfers In £000	31/03/20 £000	Transfers Out £000	Transfers In £000	31/03/21 £000
Other Earmarked Reserves	(18,109)	10,597	(4,351)	(11,863)	1,025	(12,704)	(23,543)
Schools	(19,801)	647	(2,602)	(21,755)	7,228	(9,334)	(23,861)
Education and Social Care	(17,778)	5,100	(5,026)	(17,704)	341	(10,849)	(28,212)
Council Tax and Business Rates	(16,598)	6,348	(6,870)	(17,119)	290	(359)	(17,188)
Risk (based upon risk of events occurring)	(17,526)	1,122	(2,642)	(19,047)	1,704	(5,186)	(22,528)
Coronavirus Emergency Funding	0	0	(9,175)	(9,175)	15,275	(18,577)	(12,477)
Coronavirus Grant Funding	0	0	0	0	0	(5,791)	(5,791)
Collection Fund (timing difference)	0	0	0	0	0	(17,180)	(17,180)
Total (excluding revenue reserves held specifically for capital purpose)	(89,812)	23,815	(30,666)	(96,663)	25,863	(79,980)	(150,780)
Reserves held specifically for Capital purposes							
Priority Investment Programme	(1,458)	2,155	(988)	(291)	1,036	(1,558)	(813)
Schools Capital	(4,309)	0	(357)	(4,665)	0	(3)	(4,668)
Section 106 Contributions	(6,972)	1,739	(6,409)	(11,642)	5,616	(411)	(6,438)
Vehicles and Other Capital Reserves	(13,229)	11,066	(13,189)	(15,353)	5,613	(13,905)	(23,645)
Minimum Revenue Provision Capacity	(17,048)	348	(1,886)	(18,586)	30	(1,864)	(20,420)
Total Reserves held specifically for Capital purposes	(43,016)	15,307	(22,829)	(50,538)	12,294	(17,740)	(55,984)
Total Earmarked Reserves	(132,828)	39,122	(53,495)	(147,201)	38,158	(97,721)	(206,764)

Note 7b – Capital Receipts Reserve

2019/20 Reserved £000	2019/20 Usable £000		2020/21 Reserved £000	2020/21 Usable £000
		General Fund		
0	(12,270)	Balance at 1st April	0	(3,616)
		Cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure statement		
0	(2,810)		0	(17,802)
0	0	Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0
0	0	Transfer of receipts from Housing	0	0
0	0	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0
0	11,464	Use of Capital Receipts Reserve to finance new capital expenditure	0	8,068
0	(3,616)	Balance at 31st March	0	(13,350)
		Housing Revenue Account		
(605)	(97,976)	Balance at 1st April	(738)	(82,369)
		Cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure statement		
(2,374)	(17,010)		(2,841)	(30,280)
0	0	Transfer of receipts to General Fund	0	0
0	359	Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	308
0	32,258	Use of Capital Receipts Reserve to finance new capital expenditure	0	31,284
56	0	Prior year adjustment	0	0
2,186	0	Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,999	0
0	0	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0
738	0	Reserved receipts available to repay debt (c/f)	580	0
0	(82,369)	Balance at 31st March	0	(81,057)
0	(85,985)	Total	0	(94,407)

Note 7c – Capital Grants Unapplied Reserve

The capital grants unapplied reserve holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

	2019/20	2020/21
	£000	£000
Gov – Schools & Education	28,338	16,551
Gov – Disabled Facility Grant	3,014	4,587
Gov – Public Sector Decarbonisation	0	3,912
Gov – Community Capacity Social Care	2,505	2,505
GLA – Housing Grants	6,908	3,749
Community Infrastructure Levy	4,251	3,539
Other	2,138	2,195
Balance at end of the year	47,154	37,038

Note 8 – Unusable Reserves

2019/20	Unusable Reserves	2020/21
£000		£000
(677,321)	Revaluation Reserve	(667,488)
(1,473,302)	Capital Adjustment Account	(1,435,007)
1,937	Financial Instruments Adjustment Account	1,703
704,205	Pensions Reserve	908,972
(9,448)	Council Taxpayers Adjustment Account	(3,344)
(442)	Deferred Capital Receipts Reserve	(20,453)
(5,184)	Business Ratepayers Adjustment Account	17,963
7,964	Accumulated Absences Account	12,916
(1,451,591)	Total Unusable Reserves	(1,184,740)

Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since its inception on 1 April 2007. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2019/20 £000	Revaluation Reserve	2020/21 £000
(680,136)	Balance at 1 April	(677,321)
(41,785)	Upward revaluation of assets	(65,882)
22,391	Downward revaluation of assets & impairment losses not charged to the Surplus or Deficit on the Provision of	31,284
(19,394)	Surplus / deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of	(34,598)
19,252	Difference between fair value depreciation and historical cost depreciation	19,007
2,957	Accumulated gains on assets sold or scrapped	25,424
22,209	Amount written off to the Capital Adjustment Account	44,431
(677,321)	Balance at 31 March	(667,488)

Capital Adjustment Account

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

- is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).
- is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement
- contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Authority
- contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 1 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20 £000	Capital Adjustment Account	2020/21 £000	2020/21 £000
(1,496,907)	Balance at 1 April		(1,473,302)
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive I&E Statement</u>		
29,083	Charges for depreciation and impairment of non current assets	29,645	
46,477	Revaluation losses on property, plant and equipment	80,316	
19,473	Revenue expenditure funded from capital under statute	12,101	
44,918	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive I&E Statement	55,029	
139,951		177,091	

(2,957)	Adjusting amounts written out of the Revaluation Reserve	(25,424)	
136,994	Net written out amount of the cost of non current assets consumed in the year		151,667
	<u>Capital financing applied in the year</u>		
(43,723)	Use of the Capital Receipts Reserve to finance new capital expenditure	(39,352)	
(36,647)	Use of the Major Repairs Reserve to finance new capital expenditure	(28,782)	
(5,647)	Capital grants and contributions credited to the Comprehensive I&E Statement that have been applied to capital financing	(2,033)	
(15,138)	Application of grants to capital financing from the Capital Grants Unapplied Account	(22,337)	
(7,469)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(7,406)	
(4,633)	Capital expenditure charged against the General Fund and HRA balances	(13,618)	
(132)	Reserved capital receipts	156	
(113,389)			(113,372)
(1,473,302)	Balance at 31 March		(1,435,007)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2021 will be charged to the General Fund until extinguished in 2031/32.

2019/20	Financial Instruments Adjustment Account	2020/21
£000		£000
2,173	Balance at 1 April	1,938
(235)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(235)
(235)	Amount by which finance costs charged to the Comprehensive I&E Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(235)
1,938	Balance at 31 March	1,703

Pensions Reserve

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

2019/20 £000	Pensions Reserve	2020/21 £000
662,160	Balance at 1 April	704,205
13,585	Adjustment to opening balance	0
(26,134)	Actuarial gains or losses on pensions assets and liabilities	165,454
89,896	Reversal of retirement benefit items debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive I&E Statement	75,294
(35,302)	Employer's pensions contributions and direct payments to pensioners payable in the year	(35,981)
704,205	Balance at 31 March	908,972

Deferred Capital Receipts Reserve

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

2019/20 £000	Deferred Capital Receipts Reserve	2020/21 £000
(443)	Balance at 1 April	(443)
(0)	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive I&E Statement	(20,010)
(443)	Balance at 31 March	(20,453)

Council Taxpayers Adjustment Account

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

2019/20 £000	Council Taxpayers Adjustment Account	2020/21 £000
(10,064)	Balance at 1 April	(9,448)
616	Amount by which council tax income credited to the Comprehensive I&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	6,104
(9,448)	Balance at 31 March	(3,344)

Business Ratepayers Adjustment Account

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

2019/20 £000	Business Ratepayers Adjustment Account	2020/21 £000
(7,730)	Balance at 1 April	(5,184)
2,546	Amount by which business rates income credited to the Comprehensive I&E Statement is different from business rates income calculated for the year in accordance with statutory requirements	23,147
(5,184)	Balance at 31 March	17,963

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2019/20 £000	Accumulated Absences Account	2020/21 £000	£000
6,850	Balance at 1 April	7,964	
(6,850)	Settlement or cancellation of accrual made at the end of the preceding year	(7,964)	
7,964	Amounts accrued at the end of the current year	12,916	
1,114	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4,952	
7,964	Balance at 31 March	12,916	

Note 9 - Property, Plant and Equipment

Movements 2020/21	Council Dwellings	Other Land and Buildings	Vehicles Plant Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus assets	Assets under Construction	Total Property Plant and Equipment	PFI assets within PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2020	1,525,399	1,161,337	26,968	177,431	6,600	10,945	16,630	2,925,310	107,033
Adjustment to Balance b/fwd	0	0	0	0	0	0	0	0	0
Additions	48,578	76,069	2,553	2,173	188	19,219	17,975	166,754	0
Revaluation increases / (decreases) recognised in Revaluation Reserve	4,023	14,420	0	0	0	(5,465)	(138)	12,840	6,193
Revaluation increases / (decreases) recognised in SoDoPS	(24,579)	(48,890)	0	0	0	(2,284)	(6,125)	(81,877)	0
Derecognise – Disposals	(6,317)	0	(964)	0	0	0	0	(7,281)	0
Derecognise – Other	0	0	0	0	0	0	0	0	0
Assets reclassified (to) / from Held for Sale	0	(1,100)	0	0	0	0	1,100	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0
At 31 March 2021	1,547,104	1,201,836	28,557	179,604	6,787	22,416	29,442	3,015,746	113,226
Accumulated depreciation and Impairment									
At 1 April 2020	(51,770)	(6,329)	(17,813)	(41,767)	0	(383)	0	(118,067)	0
Depreciation charge	(23,947)	(18,625)	(3,135)	(2,881)	0	(46)	(18)	(48,652)	(1,954)
Depreciation written out to the Revaluation Reserve	23,760	3,353	930	67	0	0	18	28,128	0
Derecognise – Disposals	103	0	924	0	0	0	0	1,026	0
Other movements in depreciation and Impairment	0	0	0	0	0	0	0	0	0
At 31 March 2021	(51,855)	(21,601)	(19,095)	(44,581)	0	(429)	0	(137,565)	(1,954)
Net Book Value:									
At 31 March 2020	1,473,629	1,155,009	9,155	135,664	6,600	10,563	16,630	2,807,244	107,033
At 31 March 2021	1,495,249	1,180,235	9,463	135,023	6,787	21,987	29,442	2,878,181	111,272
Revaluations:									
Historic Cost	0	0	9,463	135,023	6,787	0	26,644	177,917	0
At 31 March 2021	1,491,868	1,101,087	0	0	0	21,987	2,798	2,617,735	96,909
At 31 March 2020	3,381	76,927	0	0	0	0	0	80,308	14,363
At 31 March 2019	0	2,221	0	0	0	0	0	2,221	0

Movements 2019/20	Council Dwellings	Other Land and Buildings	Vehicles Plant Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus assets	Assets under Construction	Total Property Plant and Equipment	PFI assets within PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2019	1,532,236	1,117,138	27,065	174,468	6,358	9,573	28,508	2,895,346	103,683
Adjustment to Balance b/fwd	0	0	0	0	0	0	0	0	0
Additions	49,504	80,440	836	2,966	244	363	8,269	142,622	0
Revaluation increases / (decreases) recognised in Revaluation Reserve	(22,681)	8,220	0	0	0	(37)	0	(14,498)	3,350
Revaluation increases / (decreases) recognised in SoDoPS	(25,227)	(28,323)	0	0	0	(363)	0	(53,913)	0
Derecognise – Disposals	(8,433)	(35,241)	(933)	0	0	0	0	(44,607)	0
Derecognise – Other	0	0	0	(3)	(1)	0	0	(4)	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	364	0	364	0
Other movements in cost or valuation	0	19,102	0	0	0	1,045	(20,147)	0	0
At 31 March 2020	1,525,399	1,161,337	26,968	177,431	6,600	10,945	16,630	2,925,310	107,033
Accumulated depreciation and Impairment									
At 1 April 2019	(51,725)	(5,793)	(15,751)	(38,935)	0	(385)	0	(112,589)	0
Depreciation charge	(24,057)	(18,306)	(2,995)	(2,832)	0	(103)	0	(48,293)	(1,782)
Depreciation written out to the Revaluation Reserve	23,875	17,180	0	0	0	103	0	41,158	1,782
Derecognise – Disposals	137	590	933	0	0	0	0	1,661	0
Other movements in depreciation and Impairment	0	0	0	0	0	(3)	0	(3)	0
At 31 March 2020	(51,770)	(6,329)	(17,813)	(41,767)	0	(388)	0	(118,066)	0
Net Book Value:									
At 31 March 2019	1,480,511	1,111,345	11,314	135,533	6,359	9,188	28,508	2,782,758	103,683
At 31 March 2020	1,473,629	1,155,008	9,155	135,664	6,600	10,557	16,630	2,807,244	107,033
Revaluations:									
Historic Cost	0	0	9,155	135,664	6,600	0	16,630	168,049	0
At 31 March 2020	1,473,629	1,106,221	0	0	0	10,557	0	2,590,407	107,033
At 31 March 2019	0	48,787	0	0	0	0	0	48,787	0
At 31 March 2018	0	0	0	0	0	0	0	0	0

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings: 40 years
- Other Land and Buildings: 5 – 125 years
- Vehicles, Plant, Furniture and Equipment: 4 - 10 years
- Infrastructure: 30 – 120 years
- Surplus: 4 – 40 years
- Community Assets: The majority of these assets are not depreciated as they have an indeterminable life. Where a community asset is being used as an operational building, then it has been depreciated in line with the policy relating to that category of asset.

Capital Commitments

As at 31 March 2021, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted to cost £80.03m. Similar commitments at 31 March 2020 were 60.7m. The major commitments are:

- Housing Projects - £50.6m
- Transportation Capital Programme - £0.3m
- Schools Capital Programme - £9.2m
- Regeneration projects - £9.5m
- Other schemes - £10.4m

The Authority has also made available a £60.2m loan facility to Meridian Home Start Ltd for the delivery of affordable housing within the borough. As at 31 March 2021 £24.4m of this facility had been drawn down leaving up to £35.8m available for future years.

Non-Current Assets – Schools

There were no in-year school academy conversions

Revaluations

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimations set out in the professional standards of the Royal Institution of Chartered Surveyors. In estimating fair value, regard has been given to the nature of the property by reference to its use, location, size, method of construction, age, all other relevant matters, and the prevailing market forces.

All Held for Sale assets, Surplus assets and Investment Properties are measured at fair value and have been categorised as having a level 3 input level in the fair value hierarchy, except for these valued at £1. Further information on fair value measurement can be found under accounting policies.

Note 10 – Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Expenditure line within the Comprehensive Income and Expenditure Statement

	2019/20	2020/21
	£000	£000
Rental income from investment property	200	376
Net gain/(loss)	200	376

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2019/20	2020/21
	£000	£000
Balance at start of the year	7,000	7,000
Additions:	0	0
Disposals:	0	0
Transfers:		
- To/from property, plant and equipment	0	0
Balance at end of the year	7,000	7,000

Note 10a – Surplus Assets

Surplus assets are those assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale. The fair value of surplus assets is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There was a material in-year acquisition at Penhall Road totalling £19.1m. As at 31st March, the net book value of these assets were £18.1m.

The following table summarises the movement in the fair value of surplus assets over the year:

	2019/20	2020/21
	£000	£000
Balance at start of the year	9,188	10,563
Additions:	363	19,219
Disposals:	0	0
Assets newly classified as surplus	1,409	0
Depreciation	3	(46)
Other Changes	(400)	(7,749)
Balance at end of the year	10,563	21,988

Note 11 – Impairment Losses

The Authority's Valuer has assessed there has been no impairment with regards to the overall asset portfolio.

Note 12 – Assets Held for Sale

Assets Held for Sale	2019/20 £000	2020/21 £000
Balance outstanding at start of year	55,225	53,682
Assets newly classified as held for sale – Property, Plant and Equipment	496	0
Additions	660	0
Revaluation gains	163	151
Revaluation losses	(2)	(4,028)
Assets declassified as held for sale – Property, Plant and Equipment	(860)	0
Assets sold	(2,000)	(49,698)
Balance outstanding at year-end	53,682	107

Note 13 – Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The Capital Financing Requirement is analysed in the second part of the note.

2019/20 £000	Capital Expenditure and Capital Financing	2020/21 £000
668,709	Opening Capital Financing Requirement	718,072
	Capital Investment	
142,619	Property, Plant and Equipment	166,754
660	Assets Held for Sale	0
19,473	Revenue expenditure funded from capital under statute	12,100
	Sources of Finance	
(43,723)	Capital receipts	(39,352)
(57,433)	Government grants and other contributions	(53,152)
(4,633)	Direct revenue contributions	(13,619)
(7,468)	MRP / loans fund principal	(7,406)
(132)	Reserved capital receipts	157

718,072	Closing Capital Financing Requirement	783,554
Explanation of Movement in Year		
(1,880)	Increase in underlying need to borrow (supported by government financial assistance)	(1,885)
51,243	Increase in underlying need to borrow (unsupported by government financial assistance)	67,367
49,363	Increase / (decrease) in Capital Financing Requirement	65,482

Note 14 – Private Finance Initiatives and Similar Contracts

The Authority has two PFI contracts.

Provision of Neighbourhood Resource Centres (NRCs)

A PFI agreement was signed in 2002 for the provision of three Centres. The three NRCs were designed to replace the Authority's four Homes for Elderly People (HEP) and deliver a range of high quality services for older people. The NRCs opened between May and August 2004 and the contract is for 30 years. The Authority is leasing the sites to the Provider for 30 years at nil value and will be returned to the Authority for nil consideration at the end of the contract.

Provision of two secondary schools

The Authority entered into an agreement in 2009 for the provision of two schools, Crown Woods and Thomas Tallis. The schools came into operation during 2011/12 and the contract runs for 25 years. The sites were made available to the operator at nil value for the duration of the contract. In September 2014, Crown Woods converted to academy status. The Authority undertook a refinancing exercise of the PFI contract in 2016/17.

In accordance with the Code of Practice on Local Authority Accounting the assets provided under the PFI contracts and the sites provided by the Authority are recognised on the authority's Balance Sheet. Movements in value are detailed in the analysis movement on Property, Plant and Equipment.

Under these contracts the Authority paid £11.566m (NRCs) and £15.354m (secondary schools) in 2020/21. The Authority is required to make the following payments to the Providers of these contracts:

Year	NRCs			Secondary Schools		
	Services £000	Interest £000	Capital £000	Services £000	Interest £000	Capital £000
2021/22	9,182	1,385	689	5,478	7,293	2,101
2022/23 to 2025/26	41,017	4,087	2,259	20,476	26,885	13,568
2026/27 to 2030/31	55,045	4,403	5,480	35,816	23,025	20,660
2031/32 to 2035/36	42,448	1,103	6,132	34,198	12,921	36,339
2036/37 to 2038/39	0	0	0	2,932	829	6,308
Total	147,692	10,978	14,560	98,900	70,953	78,976

Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractors for the fair value of the services delivered, the capital expenditure incurred in providing the facilities and interest payable. The payments under these PFI agreements are partially linked to Retail Price Index, adjusted for on an annual basis, and can be reduced if the contractor fails to meet the service or availability standards set-out in the contracts. The liability outstanding to pay the contractors for the capital expenditure incurred is as follows:

Outstanding Liability	NRCs		Secondary Schools	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Balance outstanding at start of year	15,704	15,186	83,336	80,783
Payments during the year	(518)	(626)	(2,553)	(1,806)
Balance outstanding at year-end	15,186	14,560	80,783	78,976

The Authority has the right to terminate the contracts provided it compensates the contractors in full for all costs incurred, including the repayment of outstanding debt. In accordance with the contracts, the Authority may opt to refinance the PFIs through the contractors. During 2016/17 the Authority authorised the refinancing of its Secondary School PFI with the gain shared with the contractor. The savings realised by the Authority during 2020/21 and applied as a reduction in the interest charge was £0.337m (£0.369m 2019/20). The amounts held as deferred income in respect of this transaction at 31 March 2021 is;

PFI Deferred Income	2019/20 £000	2020/21 £000
Not later than one year	337	309
Later than one year and not later than five years	1,086	993
Late than five years	1,627	1,411
Total	3,050	2,713

S106 Liabilities

Section 106 receipts are monies paid to the Authority by developers in relation to the granting of planning permission and typically detail works that are required to be carried out or relate to the provision of new facilities as a result of that permission (e.g. affordable homes, early years provision). These sums are ring-fenced and can only be spent as part of an agreement with the developer. As at 31st March 2021, the Authority held £47.864m of S106 liabilities (£42.659m 2019/20).

Note 15 – Leases

Authority as Lessee

Finance Leases

The Authority has an industrial estate and four premises held under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Finance Lease (Lessee)	2019/20	2020/21
	£000	£000
Vehicles, Plant , Furniture and Equipment	23,290	6,693

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired and finance costs payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

Finance Lease Liabilities (net present value of minimum lease payments)	2019/20	2020/21
	£000	£000
Current	2	2
Non Current	1,670	1,668
Finance costs payable in future years	5,175	5,095
Minimum lease payments	6,847	6,765

The minimum lease payments will be payable over the following periods:

Finance Lease Liabilities	Minimum Lease Payments		Finance Lease Liabilities	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Not later than one year	82	82	2	2
Later than one year and not later than five years	326	326	7	8
Later than five years	6,439	6,357	1,662	1,660
Total	6,847	6,765	1,671	1,670

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21 contingent rents payable by the Authority were £240,972 (2019/20: £240,972).

The Authority has sub-let some units of the industrial estate held under the finance lease. At 31 March 2021 the minimum payments expected to be received under non-cancellable sub-leases was £1,917,804 (£1,795,013 at 31 March 2020).

Operating Leases

Property

The Authority has acquired some land and a number of buildings to assist with service provision throughout the Borough. The future minimum lease payments due under non-cancellable leases in future years are:

Operating Leases	2019/20	2020/21
	£000	£000
Not later than one year	345	350
Later than one year and not later than five years	1,282	1,240
Later than five years	9,661	9,582
Minimum Lease payments	11,288	11,172

The leases are held for a variety of reasons and are charged to their relevant service line in the Comprehensive Income & Expenditure Statement. The lease payments recognised as an expense in the period total £394,908 (£1,032,708 2019/20). The Authority has sub-let some of the assets held under the above operating leases. At 31 March 2021 the minimum payments expected to be received under non-cancellable sub-leases was £818,931 (£1,042,810 at 31 March 2020).

Internal Leasing

The Authority operates an internal leasing fund for the acquisition of vehicles used principally in the provision of waste collection, building maintenance, street cleansing and passenger services. In 2020/21 the Authorities' accounts include expenditure to the value of £1,240,142 (£712,457 in 2019/20), which was funded by the internal leasing fund. Repayments were made to the fund in 2020/21 totalling £3,113,458 (£3,025,209 in 2019/20). The repayments are made to the fund to enable future replacement and are based on the expected primary life of the vehicle.

Authority as Lessor

Finance Leases

The Authority has leased out part of a Car Park (Calderwood Street) to a Building Management company on a finance lease with a remaining term of 106 years. The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated of the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

Finance Lease Debtor (net present value of minimum lease payments)	2019/20 £000	2020/21 £000
Non-current	308	308
Unearned finance income	7,698	7,623
Gross Investment in the Lease	8,006	7,931

The gross investment in the lease and the minimum lease payments will be received in the following periods:

Finance Lease Debtor	Gross Investment in the Lease		Minimum Lease Payments	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Not later than one year	75	75	75	75
Later than one year and not later than five years	299	299	299	299
Later than five years	7,632	7,557	7,632	7,557
Minimum Lease Payments	8,006	7,931	8,006	7,931

There have been no contingent rents received in respect of the Calderwood Street Car Park lease in 2020/21 (£nil in 2019/20).

Operating Leases

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

- For the provision of community services, such as sports facilities and community centres.
- For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

Future Minimum Lease Payments	2019/20 £000	2020/21 £000
Not later than one year	3,843	3,461
Later than one year and not later than five years	12,100	10,260
Later than five years	24,002	22,143
Minimum Lease Payments	39,945	35,865

There have been no contingent rents received under operating lease agreements in 2020/21 (£nil in 2019/20).

Note 16 - Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Carrying Value			
	Long Term		Short Term	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
<u>Investments*</u>				
Amortised Cost	18,172	25,027	104,140	70,497
<u>Debtors**</u>				
Amortised Cost	1,867	22,163	54,702	51,464
Cash and Cash Equivalents	0	0	50,008	52,760
Total Financial Assets	20,039	47,190	208,850	174,721
 <u>Borrowings</u>				
Financial Liabilities at amortised cost	(374,654)	(371,199)	(6,445)	(6,409)
<u>Other Long Term Liabilities</u>				
PFI and Finance Lease Liabilities	(95,206)	(92,414)	(2,434)	(2,792)
<u>Creditors***</u>				
Amortised Cost	0	0	(57,097)	(55,119)
Cash Overdrawn	0	0	(531)	(605)
Total Financial Liabilities	(469,860)	(463,613)	(66,507)	(64,925)

* £70.392m of the short term investments are held with the Debt Management Account Deposit Facility and balances are held with the Bank of England and within long term investments £24.257m is held with Meridian Home Start Ltd.

** The figure for short-term debtors (net of bad debts provision) excludes prepayments of £3.407m (2019/20 £2.175m) and also excludes Collection Fund, NNDR and Government entries of £60.198m (2019/20 £16.208m). The figure for long-term debtors includes the recognition of a £20.010m deferred capital receipt arising from the disposal of Connaught Estate under the Three Estates regeneration programme. Collection Fund entries of £1.326m are also excluded from the long-term debtor value of £25.027m

*** The figure for creditors excludes prepaid income of £7.592m (2019/20 £7.085m) and also excludes Collection Fund and Government entries of £72.467m (2019/20 £33.204m).

Income, Expense, Gains and Losses

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

Income, Expense, Gain and Loss	2019/20			2020/21		
	Financial Liabilities measured at amortised cost	Financial Assets: measured at amortised cost	Financial Assets: measured at fair value through Profit and Loss	Financial Liabilities measured at amortised cost	Financial Assets: measured at amortised cost	Financial Assets: measured at fair value through Profit and Loss
	£000	£000	£000	£000	£000	£000
Interest Expense	(28,320)	0	0	(25,643)	0	0
Interest Income	0	1,417	275	0	202	0
Gains/(losses) on financial assets	0	0	0	0	(350)	0

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by Investment, long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- based on rates for equivalent loans at that date (premature redemption rates for PWLB)
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

Except for the financial assets carried at fair value (described below), all other financial liabilities and financial assets represented by investment and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the PWLB payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value);
- For non-PWLB loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;

- For loans receivable, the prevailing benchmark market rates have been used to provide the fair value;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

Financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Link Asset Services. This valuation applies the net present value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date.

As new loan rate borrowing comparison would not reflect the effect of the penalty charge that PWLB would raise on early repayment, a supplementary measure of the fair value of PWLB Commitment is to compare the terms of these loans with estimates of the terms that would be offered for the market transactions undertaken at the balance sheet date, which has been assumed as the PWLB Premature Repayment Rate. At the balance sheet date the fair value for PWLB would be £419m (19/20 £477m), LOBO £ 288m (19/20 £353m). The following table shows the Fair Value of PWLB and LOBO measured at New Loan Rate.

The fair values calculated are as follows:

Financial Liabilities Held at Amortised		31 March 2020		31 March 2021	
Costs		Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Fair Value Level	£000	£000	£000	£000
PFI/ Finance Lease	2	(97,641)	(137,892)	(95,207)	(127,264)
PWLB	2	(251,321)	(341,803)	(247,809)	(358,352)
LOBO	2	(129,778)	(196,724)	(129,799)	(217,156)
Overdrawn	N/A	(531)	(531)	(605)	(605)

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

Assets	31 March 2020		31 March 2021	
	Fair Value Level	Carrying Amount	Fair Value	Carrying Amount
		£000	£000	£000
Financial assets held at amortised cost:				
Investment	2	122,312	122,207	95,524
Cash and cash equivalents	1	50,008	50,008	52,760
Short Term Debtors	N/A	54,702	54,702	51,464
Long Term Debtors	N/A	1,867	1,867	22,163

The fair value of the assets is lower than the carrying amount where the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions as at 31 March 2021) attributable to the commitment to receive interest below current market rates. Assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 17 - Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Re-financing risk - the possibility that the Authority might need to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

Overall Procedures for Managing Risk

The Authority's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. This requires the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations.
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - the Authority's overall borrowing
 - its maximum and minimum exposures to fixed and variable rates
 - its maximum and minimum exposures to the maturity structure of its debt
 - its maximum annual exposures to investments maturing beyond a year.
- by the adoption of a Treasury Policy Statement and treasury management by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 24 February 2021 and is available on the Council's website - <https://committees.royalgreenwich.gov.uk/CalendarofMeetings.aspx>

Credit Risk

Credit risk arises from deposits with banks and financial institutions, investment securities and as credit exposures to the Authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- credit default swap spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries
- share prices and news and information from the City via Bloomberg and other sources.

- UK institutions provided with support from the UK Government
- a £30m credit limit (with the exception of the UK Government)

The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and securities. The Authority does not generally allow credit for customers. The past due but not impaired amount (forming part of the Authority's debtors) can be analysed by age as follows (all sums owing are due to be settled within one year):

Debtor Age	2019/20 £'000	2020/21 £'000
Less than three months	13,889	15,555
Three to six months	4,591	4,377
Six to one year	5,051	15,078
More than one year	12,419	12,134
Total	35,950	47,144

A summary of the credit quality of the Council's investments at 31 March 2021 is shown below:

2019/20 £'000		2020/21 £'000
Amortised Cost	Fitch Ratings	Amortised Cost
97,532	AA-	70,392
5,003	A+	-
19,777	N/A	25,132
122,312		95,524

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed. The Authority has term investments in the DMO, which are classified as "investment at amortised cost". The Authority has ready access to borrowings from banks to cover any day- to-day cash flow need and the PWLB and money markets for access to longer-term funds. The Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet

its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates (see Refinancing Risk).

Refinancing Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Authority approved treasury and investment strategies address the main risks, and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. Interest rates on loans varied between 3.52% -10.25% (2019/20: 3.52% - 10.25%). The principal maturity analysis of financial liabilities is as follows:

2019/20 £'000			2020/21 £'000		
PWLB	LOBO*	Total	PWLB	LOBO*	Total
3,455	-	3,455	3,455	-	3,455
		Less than one year			
3,455	-	3,455	1,382	-	1,382
		Between one and two years			
8,291	-	8,291	6,910	-	6,910
		Between two and five years			
19,002	-	19,002	19,002	-	19,002
		Maturing in five to ten years			
214,905	129,000	343,905	214,905	129,000	343,905
		Maturing in more than ten years			
249,108	129,000	378,108	245,654	129,000	374,654

*The LOBO maturity profile assumes that the lender will not exercise their option until maturity.

Within the “more than ten years” category, are £129m of market loans (LOBO`s). £119m is made up of varied interest rates between 3.99% and 4.55%, many of which have options built into them whereby, after a period of time the lender may ask for the rate payable to be changed. The Authority has the option to either accept this increase or repay the loan in full, without penalty. The risk to the Authority is that these options get exercised at a time of unfavourable interest rates. The Authority has set a limit on its long-term borrowing that can be undertaken on this basis. The option dates have been spread over several years to ensure that the risk of this scenario occurring is reduced. All trade and other payables are due to be paid in less than one year. A further £10m market loan (LOBOS) has been fixed at 3.89% interest with Barclays Bank in this category, whilst the remaining £246m is with PWLB Loans at various interest rates within the range stated above.

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

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

The Authority has a number of strategies for managing interest rate risk. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority’s cost of borrowing and provide compensation for a proportion of any higher costs. The treasury management team has an active strategy for assessing interest rate exposure. The long-term borrowing of the Authority is held at a fixed rate and thus there would be no effect on the Comprehensive Income and Expenditure Statement, or the debit to the Housing Revenue Account, if interest rates were different from those that prevailed on the Balance Sheet date. Investments are mostly held at fixed rates.

Price Risk

The Authority does not generally invest in equity shares but has had holdings of Treasury Bills. The Authority was consequently exposed to gains or losses arising from movements in the prices of these instruments should they have wished to sell them before their maturity date. The Treasury Bills would be classified as 'Investment at amortised cost', meaning that all movements in price will impact on gains and losses recognised in income and expenditure in the surplus or deficit on the provision of services. There was no major change in interest rate expectation between the date on which the securities were acquired and the Balance Sheet date, and the carrying value thus would have equated to the fair value of the Treasury Bills. It is the Authority's current policy not to trade the securities before their maturity date unless there are exceptional circumstances.

Foreign Exchange Risk

The Authority has no financial assets/liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Note 18 - Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are eligible to be members of the Teachers' Pension Scheme, administered by the Department for Education. Certain Public Health employees who transferred to the Authority on 1 April 2013 are eligible to be members of the NHS Pension Scheme. The Schemes provide relevant employees with specified benefits upon their retirement and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Schemes are technically defined benefit schemes. However, the Schemes are unfunded and use notional funds as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Schemes with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, they are accounted for on the same basis as defined contribution schemes.

In respect of Teacher's Pensions, the Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and included within Note 19.

Scheme	Year ending 31 March 2020		Year ending 31 March 2021	
	Contributions paid	Percentage of pensionable pay	Contributions paid	Percentage of pensionable pay
	£000	%	£000	%
Teacher's Pensions	13,471	16.48-23.68*	15,782	23.68
NHS Pension scheme	114	14.38	110	14.38
Total	13,585	-	15,892	-

**Total contributions paid into the Teachers' Pension Scheme in 2020/21 was £22.399m (£19.927 in 2019/20).
The employer's contribution rate was 16.48% until the 31 August 2019. On 1 September 2019 this increased to 23.68%.*

Note 19 - Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post- employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the benefit payments, and that needs to be recognised and disclosed at the time that employees earn their future entitlement. Benefits are therefore, guaranteed.

The Authority participates in two post- employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by the Royal Borough of Greenwich (RBG) – this is a funded defined benefit career average re-valued earnings scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The Authority is an employer within the London Pension Fund Authority (LPFA), which is also a LGPS fund.
- Discretionary post- retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due. No further awards have been made since 2008 in respect of the LGPS. However, this facility remains as part of the Teachers' Pension Scheme.

The policy for recognising actuarial gains and losses is that actuarial gains and losses are recognised in the reserves i.e. in Other Comprehensive Income and Expenditure.

Transactions Relating to Post-employment Benefits

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions (in accordance with IAS 19). However, the charge required to be made against council tax is based on the cash payable in the year (derived from the employer contribution rates of 18.5% for RBG and 22.2% for LPFA, plus lump sums as required), therefore, the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Total Expense Recognised in the Comprehensive I&E Statement for Post-Employment Benefits	LGPS (Funded)			Discretionary Benefits (Unfunded)				
	2019/20		2020/21		2019/20		2020/21	
	Total	RBG	LPFA	Total	Total	RBG	LPFA	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Comprehensive I&E Statement								
<u>Cost of Services</u>								
<u>Service cost comprising</u>								
Current service cost including admin expenses	61,288	57,339	353	57,692	-	-	-	-
Settlements and curtailments	485	1,466	0	1,466	-	-	-	-
Past Service Cost	12,334	0	0	0				
<u>Financing and Investment Income and Expenditure</u>								
Net interest expense	14,613	15,135	(36)	15,099	1,176	985	52	1,037
Total Post Employment Benefit Charged to SoDoPS	88,720	73,940	317	74,257	1,176	985	52	1,037
 <u>Other Post Employment benefit Charged to the Comprehensive I&E Statement</u>								
<u>Re-measurement of the net defined benefit liability comprising:</u>								
Return on plan assets	113,151	(241,589)	(12,016)	(253,605)	-	-	-	-
Actuarial (gains) or losses arising on changes in demographic assumptions	(47,373)	(27,084)	(817)	(27,901)	(564)	(680)	(26)	(706)
Actuarial (gains) or losses arising on changes in financial assumptions	(176,188)	454,537	11,645	466,182	(1,239)	4,367	230	4,597
Experience gain/loss	67,943	(23,792)	(1,123)	(24,915)		(641)	(31)	(672)
Other	18,136	0	2,474	2,474	-	-	-	-
Total Post Employment Benefit Charged to other Income and Expenditure in the CIES	(24,331)	162,072	163	162,235	(1,803)	3,046	173	3,219

Total Post Employment Benefit Charged to the CIES

64,389	236,012	480	236,492	(627)	4,031	225	4,256
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Movement in Reserves Statement

Reversal of net charges made to SoDoPS for post- employment benefits (per Code)

(88,720)	(73,940)	(317)	(74,257)	(1,176)	(985)	(52)	(1,037)
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Actual amount charged against the General Fund Balance for Pensions in the Year

Employer's contributions payable to the scheme

31,220	31,655	47	31,702
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Retirement benefits payable to pensioners

4,082	3,966	313	4,279
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Pensions Assets and Liabilities recognised in the Balance Sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefits plans is as follows:

Pensions Assets and Liabilities recognised in the Balance Sheet**LGPS (Funded)****2019/20****2020/21****Total****RBG****LPFA****Total****£000****£000****£000****£000**

Present value of defined benefit obligation

(1,849,683)	(2,233,865)	(84,052)	(2,317,917)
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Fair value of plan assets

1,191,750	1,370,048	87,731	1,457,779
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Other movements in liability/(assets) – asset ceiling

(32)	-	(2,507)	(2,507)
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Net liability arising from Defined Benefit Obligation

(657,965)	(863,817)	1,172	(862,645)
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Pensions Assets and Liabilities recognised in the Balance Sheet	Discretionary Benefits (Unfunded)			
	2019/20		2020/21	
	Total	RBG	LPFA	Total
	£000	£000	£000	£000
Net liability arising from Defined Benefit Obligation	(46,240)	(43,944)	(2,383)	(46,327)

Reconciliation of the movements in the Fair Value of Scheme (Plan) Assets

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. However, from 2013/14 the expected return and the interest cost has been replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

Reconciliation of movements in the	Local Government Pension Scheme			
Fair Value of the scheme (plan) assets				
	2019/20		2020/21	
	Total	RBG	LPFA	Total
	£000	£000	£000	£000
Opening balance 1 April	1,313,523	1,113,939	77,811	1,191,750
Interest on scheme assets	31,210	26,050	1,747	27,797
Re-measurement gain/ loss:				
Return on assets less interest	(113,151)	241,589	12,016	253,605
Other	(19,681)	-	-	-
Administration expenses	(1,203)	(1,054)	(101)	(1,155)

Employer contributions	35,302	35,621	360	35,981
Contributions by scheme participants	11,591	12,104	47	12,151
Benefits paid	(63,895)	(57,301)	(4,149)	(61,450)
Settlements	(1,946)	(900)	-	(900)
Closing balance 31 March	1,191,750	1,370,048	87,731	1,457,779

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Reconciliation of present value of the Scheme Liabilities (Defined Benefit Obligation)	LGPS (Funded)				Discretionary (Unfunded)			
	2019/20		2020/21		2019/20		2020/21	
	Total	RBG	LPFA	Total	Total	RBG	LPFA	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance 1 April	(1,936,562)	(1,773,399)	(76,284)	(1,849,683)	(51,164)	(43,879)	(2,361)	(46,240)
Current service cost	(60,085)	(56,285)	(252)	(56,537)	-	-	-	-
Interest cost	(45,788)	(41,185)	(1,710)	(42,895)	(1,176)	(985)	(52)	(1,037)
Contributions by scheme participants	(11,591)	(12,104)	(47)	(12,151)	-	-	-	-
Remeasurement gains and losses	176,188	(454,537)	(11,645)	(466,182)	1,239	(4,367)	(230)	(4,597)
Change in demographic assumptions	47,373	27,084	817	27,901	564	680	26	706
Experience (loss)/gain on defined benefit obligation	(68,158)	23,792	1,123	24,915	215	641	31	672
Benefits paid	59,813	53,335	3,946	57,281	4,082	3,966	203	4,169
Settlements	3,447	1,309	-	1,309	-	-	-	-
Past service costs, including Curtailments	(14,320)	(1,875)	-	(1,875)	-	-	-	-
Closing balance 31 March	(1,849,683)	(2,233,865)	(84,052)	(2,317,917)	(46,240)	(43,944)	(2,383)	(46,327)

Local Government Pension Scheme Assets

The Discretionary Benefits arrangement has no assets to cover its liabilities. The LGPS assets consist of the following categories, by amount and proportion of the total assets held:

RBG Pension Fund	2019/20			2020/21		
	Quoted price in active markets	Not quoted price in active markets	Total	Quoted price in active markets	Not quoted price in active markets	Total
	£000	£000	£000	£000	£000	£000
UK and Overseas Unit Trusts	-	243,300	243,300	-	340,659	340,659
Unitised insurance policies	-	414,276	414,276	-	535,000	535,000
Equity investments	-	101,934	101,934	-	126,778	126,778
Bonds	-	211,463	211,463	-	229,151	229,151
Property	-	125,071	125,071	-	121,391	121,391
Cash	-	17,895	17,895	-	17,069	17,069
Closing balance 31 March	-	1,113,939	1,113,939	-	1,370,048	1,370,048

LPFA	2019/20			2020/21		
	Quoted price in active markets	Not quoted price in active markets	Total	Quoted price in active markets	Not quoted price in active markets	Total
	£000	£000	£000	£000	£000	£000
Equity investments	42,146	-	42,146	48,487	-	48,487
Property	-	7,106	7,106	-	7,778	7,778
Infrastructure	-	5,461	5,461	-	7,535	7,535
Target Return Portfolio	18,965	-	18,965	20,246	-	20,246
Cash	-	4,133	4,133	-	3,685	3,685
Closing balance 31 March	61,111	16,700	77,811	68,733	18,998	87,731

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 Barnett-Waddingham, an independent firm of actuaries, using data from the full triennial valuation as at 31 March 2019. with the exception of the morality improvement projection which has been updated to use the latest version of the Continuous Mortality Investigations Model known as the CMI-2020. The CMI-2020, was released in March 2021 in light of the coronavirus pandemic and reflects the latest information available from the CMI.

The principal assumptions used by the actuary have been:

Assumptions	RBG		LPFA	
	2019/20	2020/21	2019/20	2020/21
Mortality assumptions (yrs)				
Longevity at 65 for current pensioners				
Men	20.8	20.5	20.7	21.4
Women	23.5	23.3	23.6	23.9
Longevity at 65 for future pensioners				
Men	23.3	21.9	22.2	21.9
Women	25.1	24.9	25.1	25.8
Other assumptions (%)				
Rate of inflation (RPI)	2.70	3.20	2.70	3.35
Rate of inflation (CPI)	1.90	2.80	1.90	2.85
Rate of increase in salaries	2.90	3.80	2.90	3.85
Rate of increase in pensions	1.90	2.80	1.90	2.85
Rate for discounting scheme liabilities*	2.35	2.00	2.30	1.90
Take up of option to convert annual pensions into retirement lump sum	50.0	50.0	50.0	50.0
50/50 take up	10.0	10.0	10.0	10.0

*effectively also equal to the expected return.

RBG and LPFA assume all members will retire at one age for all tranches of benefit, which will be the weighted average tranche retirement age.

There have been marginal changes in the rate for discounting scheme liabilities between 2019/20 and 2020/21 for RBG and the LPFA scheme. RBG decreased by 0.35% and LPFA decreased by 0.40%. Had the discount rate remained at 2019/20 levels, the defined benefits obligation for RBG would have decreased by £149.8m and LPFA would have decreased by £4.3m.

Change in Assumptions	Increase in assumption			Decrease in assumption		
	RBG	LPFA	Total	RBG	LPFA	Total
	£000	£000	£000	£000	£000	£000
Rate for discounting scheme liabilities (increase or decrease by 0.1 %)	(42,809)	(1,086)	(43,895)	43,470	1,101	44,571
Rate of increase in salaries (increase or decrease by 0.1 %)	3,264	44	3,308	(3,439)	(44)	(3,483)
Rate of increase in pensions (increase or decrease by 0.1 %)	39,721	1,046	40,767	(39,181)	(1,034)	(40,215)
Longevity (increase or decrease in 1 year)	121,700	6,064	127,764	(115,376)	(5,647)	(121,023)

Asset and Liability Matching Strategy

Previously, synthetic equities, swaps and other Liability Driven Investment were included in the LDI/Cashflow matching category with any cash collateral included in the Cash category. This year, to reflect the way that the LPFA show this in their asset allocation, the synthetic equities have been grouped with traditional equities and the swaps and other Liability Driven Investment are grouped as Cash.

Impact on the authority's cash flows

The liabilities show the underlying commitments that the Authority has in the long run to pay post- employment (retirement) benefits. The total liability of £908.972m (2019/20: £704.205m) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet resulting in an overall balance of £1.563bn (2019/20: £1.770bn). However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The objective of the scheme is to achieve 100% funding. Funding levels are monitored on an annual basis. A triennial valuation was carried out as at 31 March 2019, utilising three pools of employers within the scheme. The valuation has taken account of the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new career average re-valued earnings to pay

pensions and other benefits to certain public servants. The latest valuation as at 31 March 2019 is reflected in the 2020/21 accounts. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contribution rates for the period 1 April 2023 to 31 March 2026. The total contributions expected to be made in respect of funded defined benefits by the Authority in the year to 31 March 2021 are £30.159m. The weighted average duration of the defined benefit obligation for RBG scheme members is 19 years and LPFA scheme members 13 years.

Note 20 - Short Term Debtors

31-Mar-20 £000	Short Term Debtors	31-Mar-21 £000
5,645	Central government bodies	27,506*
3,672	Other local authorities	22,300*
6,544	NHS bodies	4,936
1,551	Council Tax Court Cost	1,131
9,252	Council Tax Arrears	10,223
7,821	Housing Benefit Overpayment Debt	6,279
3,168	Housing Rents	2,910
317	Business Rates Debt	262
34,120	Other	39,521
72,092	Total	115,069

Debtors are shown net of bad debts provision of £56.252m at 31st March 2021 and £45.680m at 31st March 2020.

*Due to the COVID-19 pandemic, the government granted 12-month business rates relief to retail, hospitality and leisure services. However, the Collection Fund was still required to pay the original business rate shares for the year to preceptors. This means that in 2020/21 the Collection Fund paid out far more income than it received, which is reflected in the debtors position for the Collection Fund shown to MHCLG (£15.0m) and GLA (£16.9m). This money will be recovered from the preceptors in 2021/22.

Note 21 – Debtors for Local Taxation

Aged Taxation Arrears	Council Tax		Business Rates	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Not later than one year	3,669	4,272	174	80
Later than one year and not later than five years	4,059	4,139	125	177
Later than five years	1,524	1,812	18	5
Total	9,252	10,223	317	262

Council Tax debtors are shown net of bad debts provision of £20.235m at 31st March 2021 and Business Rates debtors are shown net of bad debts provision of £2.491m at 31st March 2021

Note 22 - Short Term Creditors

31-Mar-20	Short Term Creditors	31-Mar-21
£000		£000
(14,228)	Central government bodies	(43,548)*
(13,542)	Other local authorities	(23,724)*
(779)	NHS bodies	(1,337)
(5,861)	HRA	(6,340)
(6,712)	Council Tax	(6,910)
(2,230)	Business Rates	(822)
(54,033)	Other entities and individuals	(52,498)
(97,386)	Total	(135,178)

*In order for the Council to facilitate cash payments to the Collection Fund preceptors, where reliefs had been granted to businesses, MHCLG paid the Council a Section 31 grant. This grant is repayable to MHCLG and GLA in 2021/22 and is included within the 'Central government bodies' figure above (£18.9m at 31 March 2021) and the 'Other local authorities' figure (£21.2m at 31 March 2021). The Central Government bodies figure contains the balance of Business Rates Grants where the Authority acts as an Agent (£13.3m), see Note 24.

Note 23 – Provisions

Provisions	1 April 2020	Amounts Used/Reversed	Additional Provisions	31 March 2021
	£000	£000	£000	£000
Accumulated Absence	(7,964)	7,964	(12,916)	(12,916)
Total (Short Term)	(7,964)	7,964	(12,916)	(12,916)
Insurance	(5,666)	0	(334)	(6,000)
Business Rates Appeals	(7,561)	3,894	0	(3,667)
Thames Water Provision	0	0	(5,505)	(5,505)
Total (Long Term)	(13,227)	3,894	(5,839)	(15,172)

Accumulated Absence

The Accumulated Absences provision represents the accrual for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Due to the coronavirus pandemic and increased workloads required to deliver services, the number of leave days outstanding is higher than usual.

Insurance

The Authority's internal insurance fund account is used to cover the cost of insurance. The fund is used to meet the insurance premiums, meet the cost of the insurance claims beneath the insurance excess and provide for insurance claims that have yet to be settled. Through the fund a wide range of insurance risks are covered. These include public liability, employer's liability, vehicles and fire. The timing of any outstanding claims is dependent upon third party solicitors and the courts and it is therefore impossible to state clearly, when the resultant economic benefit transfer will occur. There is also uncertainty around existing claims so no assumptions have been made in respect of future events, and reimbursements. The costs within the Authority's internal insurance fund are met through contributions from departmental services towards the cost of insurance, through central support charges. The Authority previously used Municipal Mutual Insurance Limited to provide insurance cover, until its demise in the 1990s. MMI has continued to meet claims covering the period up until it ceased providing further cover. However, under the administration arrangements, there was provision for scheme creditors (of which the Authority is one) to be called upon to contribute to future scheme liability.

Business Rates Appeals

The Business Rates Appeals provision represents the Authority's share of contributions made to the Collection Fund Income and Expenditure Account for a provision in relation to business rate appeals. Following a high court ruling in 2019 that NHS properties would not receive charitable status and the subsequent petition to the court of appeal being dropped in March 2021 the council has been able to release some funds from its provision to the collection fund.

Thames Water

Under the terms of agreements made in 2002 and 2006 between Thames Water Utilities and a number of Councils including RBG, the Council acted as the collector of water rates on behalf of Thames Water. The water rates were collected by the council as part of the rent in return for a discount from the standard water charge. In 2006 the government implemented the Water Resale Order 2006 which provided that water resellers may only recover from tenants the same sum for water charges as they pay to the water provider (plus a nominal administration fee).

In 2016 the High Court in the case of Kim Jones v Southwark LB ordered London Borough of Southwark to reimburse all their tenants the difference between the annual sum charged to tenants as water rates and the annual sum Southwark paid to Thames Water.

The terms used in the agreements between RBG and Thames Water were identical in all material respects to those agreed between Southwark LB and Thames Water. In the circumstances RBG were considered to be a Water reseller within the meaning of the Water Reseller Order 2006. This makes RBG liable to reimburse all affected tenants in the same way that Southwark LB was ordered to refund. That liability continued to accrue with each weekly rent period. The liability has been estimated at £5,504,747.

Note 24 - Agency Services

Mayoral CIL

The Authority acts as an Agent for Transport for London in respect of Mayoral (CIL) raised to support strategic infrastructure projects across the Capital and is able to retain up to 4% for administration and collection purposes. During 2020/21 £0.065m was retained and as at 31 March 2021 £1.650m was held on behalf of Transport for London.

Mayoral (CIL)		
	2019/20	2020/21
	£000	£000
Balance at start of the year	2,138	1,276
Contributions	2,436	1,015
Recognised administration fee	(121)	(65)
Transfers to TfL	(3,177)	(576)

Balance at end of the year	1,276	1,650
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Business Rates Grants

The Authority acts as an Agent for Central Government in respect of the majority of Business Rates Grants that are used to support business during the current Covid pandemic.

During 2020/21 RBG was allocated £0.170m for administration purposes, with the remaining £13.342m as at 31 March 2021 held on behalf of the Government, to be deployed as this support continues into 2021/22.

Business Rates Grants	2020/21
Contributions from the Government	(64,832)
Payments to Businesses	51,320
Recognised administration fee	170
Balance at end of the year	(13,342)

Council Tax and NDR

The collection of Council Tax and Business Rates income is in substance also an agency arrangement.

Note 25 - Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2021. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21:

Dedicated Schools Grant	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2020/21 before academy and high needs recoupment			314,979
Academy and high needs figure recouped for 2020/21			(99,649)
Total DSG after academy and high needs recoupment for 2020/21			215,330
Plus: Brought Forward from 2019/20			10,921
Less: Carry-forward to 2020/21 agreed in advance			-
Agreed initial budgeted distribution in 2020/21	36,749	189,502	226,251
In year adjustments	-	-	-
Final Budget distribution for 2020/21	36,749	189,502	226,251
Less: Actual central expenditure	(32,975)		(32,975)
Less: Actual ISB deployed to schools		(186,182)	(186,182)
In year Carry-forward to 2021/22	3,774	3,320	7,094
Plus: Local authority contribution for 2020/21	-	-	-
Carry-forward to 2021/22	3,774	3,320	7,094

The total amount of reserves held by schools at 31 March 2021 was £15.427m (£9.405m at 31 March 2020).

Note 26 - Pooled Budgets

Under the terms of a Section 75 Agreement (National Health Service Act 2006), a partnership arrangement exists between the Authority and Oxleas National Health Service Foundation Trust in respect of mental health. The pooled budgets meet the cost of providing all services for people from this client group.

Greenwich Integrated Mental Health Service	2019/20	2020/21
	£000	£000
<u>Funding provided to the pooled budget by</u>		
the Authority	(2,215)	(2,215)
the Trust	(27,340)	(29,192)
Sub Total	(29,555)	(31,407)
<u>Expenditure met from the pooled budget by</u>		
the Authority	2,419	2,616
the Trust	30,273	31,691
Sub Total	32,692	34,307
Net (surplus) / deficit arising on the pooled budget during the year	3,137	2,900

As it is the lead partner, all detailed transactions are shown in Oxleas Trust accounts.

From 2015/16, there was a national requirement to operate the Better Care Fund as a pooled budget. Resources would be transferred to individual Clinical Commissioning Groups (CCG's) from NHS England, and from the CCG's to the pooled budgets. The Authority and Greenwich CCG have entered into such an arrangement, and an agreed level has been entered into a single pot that has then been used to commission and/or deliver health and social care services. The total BCF pot for Greenwich in 2020/21 (CCG & Authority), was £24.204m (inc DFG).

Better Care Fund	2019/20	2020/21
	£000	£000
<u>Pooled Budget Funding</u>		
the Authority	(13,452)	(14,412)
the Greenwich CCG	(9,266)	(9,792)
Sub Total	(22,718)	(24,204)
<u>Expenditure incurred from pooled budget</u>		
the Authority	13,294	13,551
the Greenwich CCG	6,866	9,867

Sub Total	20,160	23,418
Net (surplus) / deficit arising on the pooled budget during the year	(2,558)	(786)

Note 27 - External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Authority's external auditors:

External Audit Costs	2019/20 £000	2020/21 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	185	228
Fees payable to external auditors for the certification of grant claims and returns for the year.	15	15
Fees payable to external auditors in respect of CFO Insights	0	10
Total	200	253

Note 28 - Related Parties

The Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. The UK Government exerts significant control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many transactions that the Authority has with other parties (e.g. housing benefits). Grants received from government departments are set out in Note 5 Taxation and Grant Income.

Officers

- J Carswell, an employee of the Authority, is married to the Executive Director of London & Quadrant Group. An amount of £19,691 was paid to the organisation from the Authority during the year.
- T Dorling, an employee of the Authority, is a Managing Director of D G Cities Limited. See note below.
- K Scotford, an employee of the Authority, is a Director on the Board of Greenwich Service Plus. See note below.
- M Armstrong, an employee of the Authority, is seconded to support the senior management and financial strategies of Greenwich Service Plus and Greenwich Service Solutions Ltd. Please see note below.

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 29.

- Councillor M Hartley, acting in a personal capacity, is a Director of Greenwich and Bexley Credit Union. Payments for investments on behalf of members were paid over from the Authority to the amount of £1,650,764 during the year.
- Councillor A Khaireh, employed at the Greenwich Islamic Centre, an amount of £308,502 was paid to the organisation during the year, with an outstanding amount owing of £10,000.

Some Members of the Authority are nominated to the board of local organisations as Authority Appointed Members and have declarable transactions not listed above, as follows:

Name of Organisation	Councillor(s)	Value of Transactions £	Outstanding Balances £
Charlton Triangle Homes	Councillor L Fletcher Councillor L Perks (Member)	14,592	0
Visit Greenwich	Councillor A Khaireh (Member) Councillor M Williams (Member)	See note below	See note below
DG Cities Limited	Councillor S Brain Councillor D Scott-McDonald (Member)	See note below	See note below
Eltham Crematorium Joint Committee	Councillor S James (Member) Councillor M Williams (Member) Councillor A Khaireh (Deputy) Councillor S Merrill (Deputy) Councillor M Morrow (Deputy) Councillor A Okereke (Deputy) Councillor D Scott McDonald (Deputy) Councillor J Smith (Deputy) Councillor D Thorpe (Deputy)	See note below	See note below
Greenwich Co-operative Development Agency	Councillor J Fahy	617,568	19,411
Greenwich Dance Agency	Councillor N Adams	101,500	22,500
Greenwich & Docklands International Festival	Councillor M Williams	175,000	0
Greenwich Housing Rights	Councillor G Dillon (Committee Member)	59,257	0
Greenwich Leisure Ltd	Councillor P Brooks (Committee Member) Councillor D Hyland Councillor A Khaireh (Member)	12,662,749	317,933

	Councillor L Perks (Member) Councillor A Smith (Member) Councillor M Williams (Member)		
Greenwich Services Plus	Councillor G Dillon	See note below	See note below
Greenwich Service Solutions	Councillor S Brain	See note below	See note below
Greenwich Theatre Board	Councillor L Fletcher (Committee Member) Councillor D Stanley (Committee Member)	50,000	12,500
Greenwich Wildlife Advisory Group	Councillor G Dillon (Committee Member)	0	3,647
Greenwich Young People's Theatre	Councillor J Smith (Member)	110,970	20,000
LGA General Assembly	Councillor A Cousins (Committee Member) Councillor D Gardner Councillor D Scott-McDonald (Member) Councillor D Thorpe (Committee Member)	61,197	0
Local Government Information Unit	Councillor A Smith (Member)	22,550	0
London Councils (Grants Committee)	Councillor A Khaireh (Member) Councillor M Williams (Deputy)		
London Councils (Greater London Employment Forum)			
London Councils (Leaders Committee)	Councillor S James Councillor D Scott-McDonald (Deputy) Councillor D Thorpe (Committee Member)		
London Councils (Pensions Collective Investment Vehicle)	Councillor O Babatola (Deputy) Councillor P Brooks (Committee Member)	23,300	0
London Councils (Transport & Environment Committee)	Councillor S James (Deputy) Councillor D Scott-McDonald (Deputy)		
Long Lane Football Club	Councillor D Stanley (Committee Member)	3,764	0
Meridian Home Start Ltd	Councillor A Okereke (Observer)	10,507,307	0
Middle Park Community Centre	Councillor M James Councillor C May	32,845	9,938
Oxleas Foundation Trust	Councillor M Williams (Member)	7,615,407	563,897
Royal Greenwich Heritage Trust	Councillor G Parker (Member) Councillor A Khaireh	See note below	See note below
South East Enterprise	Councillor D Scott McDonald (Member)	148,164	0
South East London Combined Heat and Power Company (SELCHP)	Councillor S James	5,741,494	530,416

Trinity Laban	Councillor I Hawking (Member)	906	0
Woolwich Creative District Trust	Councillor P Brooks (Trustee) Councillor D Hyland (Trustee)	676,210	0

Other Public Bodies

The Authority has entered into a pooled budget agreement with Oxleas NHS Foundation Trust as outlined in Note 26.

Eltham Crematorium

The Authority runs the Eltham Crematorium under a joint committee arrangement with the London Borough of Bexley and Dartford Borough Council.

2019/20 £000	Eltham Crematorium Transactions	2020/21 £000
848	Amounts held in Royal Borough of Greenwich bank account	667
295	Annual Support Service Cost	264
248	Surplus Distribution	345

Pension Fund

The Royal Borough of Greenwich is the Administering Authority for the Royal Borough of Greenwich Pension Fund.

2019/20 £000	Pension Fund Transactions	2020/21 £000
1,123	Annual Support Service Cost	1,121
30,233	Employer Contributions into the Fund	30,750

Entities Controlled or Significantly Influenced by the Authority

Greenwich Service Solutions Limited (GSS) – subsidiary

Established in 2008 with a share capital of one hundred £1 shares, GSS activities include:

- Catering
- Cleaning
- Facilities Management.

Greenwich Service Plus Limited (GSP) – subsidiary

Established in 2009, limited by guarantee, GSP is a Teckal company undertaking activities including:

- Catering
- Fleet Management and Maintenance
- Passenger Services
- Building Cleaning
- Facilities Management.

D G Cities Limited. – subsidiary

Formed in 2015 with a share capital of one hundred £1 shares, DG Cities Ltd is a wholly owned Council company. The company was established to advance the Council's work on the digital economy, smart city innovation, and secure innovation funding for the Borough.

Transactions during the year included payments to DG Cities Ltd from RBG for reimbursement of costs in delivery of the Gateway Driverless Car Project. The cost to RBG will be negated with funding provided by Innovate UK.

Royal Borough of Visit Greenwich – associate

Established in 2013, Visit Greenwich is a community interest company, which was formed between six parties:

- Royal Borough of Greenwich
- Greenwich Hospital
- AnSCO Arena Limited
- Enderby Wharf Limited
- Greenwich Trading Company Limited
- National Maritime Museum.

The Board has capacity for thirteen directors, with the authority appointing two, each other member appointing one and six to be appointed by those seven directors.

Its main objectives are to promote tourism and investment into the Royal Borough, and contribute to enhancing perceptions of the Royal Borough of Greenwich as a place to visit, live, work and study.

Royal Greenwich Heritage Trust (RGHT) - associate

Established in 2014, RGHT is a Charitable Incorporated Organisation. The Board has capacity for thirteen trustees, with the authority appointing two. A formal Transfer Agreement between the authority and RGHT included Charlton House, the Greenwich Heritage Centre & the Tudor Barn in Eltham.

RGHT will act in the role of custodian for certain borough memorials and includes as its key charitable objectives:

- Care and conservation of assets
- Education concerning the history of the Royal Borough.

Related Party Transactions of Entities Controlled or Significantly Influenced by the Authority

2019/20				Transactions	2020/21			
Payable £000	Creditor £000	Receivable £000	Debtor £000		Payable £000	Creditor £000	Receivable £000	Debtor £000
(0)	0	0	0	GSS	(0)	0	0	0
(27,888)	(1,831)	840	3,505	GSP	(20,203)	(4,008)	866	4,422
(81)	(26)	50	*1,500	D G CITIES	(65)	(15)	67	0
(274)	(122)	5	0	Visit Greenwich	(273)	0	3	0
(555)	(49)	47	14	RGHT	(616)	(465)	37	0

*Includes a short-term treasury loan of £1,500,000.

Note 29 - Members' Allowances

The Authority paid the following amounts to members of the Authority during the year.

Members Allowances	2019/20	2020/21
	£	£
Allowances	980,317	957,182

Note 30 - Officers' Remuneration

Senior Employees

The remuneration paid to the Authority's senior employees is as follows:

Post Title	Note	Name	Year	Salary, Fees and Allowances £	Compensation for loss of office £	Pension Contributions £	Totals £
Chief Executive		D Warren	2020/21	203,923		37,726	241,649
		D Warren	2019/20	198,466		36,716	235,182
Director of Communities & Environment (Deputy Chief Exec)		K Delaney	2020/21	185,385		34,296	219,681
		K Delaney	2019/20	180,423		33,378	213,801
Director of Health and Adult's Services		S McClinton	2020/21	169,028		31,270	200,298
	I	S McClinton	2019/20	67,172		12,427	79,599
Director of Children's Services		F Kroll	2020/21	159,407		29,490	188,897
		F Kroll	2019/20	137,971		25,525	163,496
Director of Regeneration, Enterprise and Skills		P Hack	2020/21	158,123		29,253	187,376
		P Hack	2019/20	153,891		28,470	182,361
Director of Housing & Safer Communities			2020/21	147,218		27,235	174,453
			2019/20	143,278		26,506	169,784
Director of Improvement			2020/21	141,765		26,226	167,991
			2019/20	137,941		25,519	163,460
Director of Legal (Monitoring Officer)			2020/21	141,765		26,226	167,991

	2019/20	137,814	25,492	163,306
Director of Finance (Section 151 Officer)	2020/21	141,765	26,226	167,991
	2019/20	137,722	25,478	163,200

1. Post holder commenced service on 04.11.2019

Officer Bandings

The Authority's employees receiving more than £50,000 remuneration for the year, excluding the senior officers listed above (but excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2019/20 No of employees	2020/21 No of employees
£50,000 - £54,999	283*	300*
£55,000 - £59,999	180*	211*
£60,000 - £64,999	110*	137*
£65,000 - £69,999	52*	56*
£70,000 - £74,999	34	34*
£75,000 - £79,999	26*	49*
£80,000 - £84,999	22*	19*
£85,000 - £89,999	10*	11
£90,000 - £94,999	16*	11
£95,000 - £99,999	4	12
£100,000 - £104,999	7	2
£105,000 - £109,999	5	9
£110,000 - £114,999	2	4
£115,000 - £119,999	2	2
£120,000 - £124,999	1	1
£125,000 - £129,999	2*	2
£130,000 - £134,999	1*	0
£135,000 - £139,999	0	0
£140,000 - £144,999	1	1*
£145,000 - £149,999	0	1
£150,000 +	0	1*

* includes amounts payable in respect of compensation for loss of office

Termination Benefits

A number of employee contracts have been terminated. Amounts contained within the Accounts relating to their remuneration by way of redundancy / other payments made are shown below. An element relating to pension fund strain is also recorded within the figures. The strain is calculated under IAS19, but the amounts actually payable by the Authority to the relevant pension fund are calculated separately and are on a different basis. The vast majority of the strain is taken into account at each triennial valuation - totals within the bandings below for the year include £1.875m relating to pension strain (£1.371m in 2019/20). The numbers of exit packages with total value per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	No	No	No	No	No	No	£	£
£0 - £20,000	1	5	21	17	22	22	£249,512	£168,577
£20,001 - £40,000	1	0	13	11	14	11	£405,066	£297,868
£40,001 - £60,000	0	0	3	5	3	5	£150,486	£246,175
£60,001 - £80,000	1	0	1	4	2	4	£142,952	£271,360
£80,001 - £100,000	0	0	0	4	0	4	0	£377,236
£100,001 - £150,000	0	0	1	7	1	6	£108,028	£741,416
£150,001 - £200,000	0	0	1	4	1	5	£179,745	£807,336
£200,001 - £420,000	0	0	4	2	4	2	£1,076,070	£421,424
Total	3	5	44	54	47	59	£2,311,859	£3,331,392
Creditors							£52,163	0
Cost Charged to the Comprehensive I&E Statement							£2,364,022	£3,331,392

Note 31 - Contingent Liabilities

As at 31 March 2021, the Authority had no material contingent liabilities.

Note 32 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The accounts contain estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty,

actual results could be materially different from the assumptions and estimates. The items in the Authority's balance sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if actual results differ from assumptions											
Current Value Estimations	Assets included in the Balance Sheet at current value are re-valued regularly, and at intervals of not less than 5 years, to ensure that their carrying amount is not materially different from their current value.												
	Where assets are not revalued in-year there is a risk that the carrying value may be materially misstated. A desktop review is undertaken to apply percentage uplifts to these asset values to assess the likely movement in values and whether these are material.	At the balance sheet date the carrying value of assets held at Current Value was £384.708m (£349.568m 2019/20).											
	On 11 May 2021, the RICS Material Valuation Uncertainty Leaders Forum (UK) recommended the removal of 'Material Uncertainty' decelerations for all asset valuations with respect to the Covid-19 Global Pandemic.	The impact of a 1% change on the valuation of assets held at current value would be £3.847m.											
Fair Value Estimations	When the fair values of surplus assets, investment properties and assets held for sale cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets.	The Authority primarily uses evidence of property transactions and market interest in properties not yet transacted to measure the fair value of its surplus assets, investment properties and assets held for sale. The significant unobservable inputs used in the fair value measurement include judgements made by valuers on how to apply such evidence.											
	Where Level 1 inputs are not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.	Significant changes in any of the unobservable inputs would result in a lower or higher fair value measurement. The impact of a 1% change in valuations is set out below:											
	Material Uncertainty is no longer considered a risk at the reporting date in accordance with the RICS Leaders Forum recommendations.	<table> <tr> <th>Category</th><th>Carrying Value £000</th><th>1% Change £000</th></tr> <tr> <td>Assets Held for Sale</td><td>107</td><td>1</td></tr> <tr> <td>Investment Properties</td><td>7,000</td><td>70</td></tr> <tr> <td>Surplus Assets</td><td>21,988</td><td>220</td></tr> </table>	Category	Carrying Value £000	1% Change £000	Assets Held for Sale	107	1	Investment Properties	7,000	70	Surplus Assets	21,988
Category	Carrying Value £000	1% Change £000											
Assets Held for Sale	107	1											
Investment Properties	7,000	70											
Surplus Assets	21,988	220											
HRA Dwelling Valuations	<p>Council dwellings held within the HRA are valued using the beacon methodology every 5 years. These valuations are adjusted annually using a local, market-based indexation factor.</p> <p>The beacon methodology relies on similar movements in individual asset values between beacon years and comparable maintenance and management.</p>												

	<p>The beacon valuation exercise scheduled to be undertaken for 2020/21 has been deferred by 1 year due to the impact of the Covid-19 Global Pandemic.</p> <p>Material Uncertainty is no longer considered a risk at the reporting date in accordance with the RICS Leaders Forum recommendations</p>	<p>At the balance sheet date the carrying value of dwellings was £1,495.246m (£1,473.626m 2019/20).</p> <p>The impact of a 1% change on the valuation of dwellings would be £14.952m.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements, including those relating to:</p> <ul style="list-style-type: none"> • the discount rate used • the rate at which salaries are projected to increase • the rate at which pensions are projected to increase • longevity rates. <p>In December 2018, the Court of Appeal ruled that the transitional protection offered to some members in both the Judges Pension Scheme (McCloud) and the Firefighters Pension Scheme (Sargeant) amounted to unlawful discrimination. As a result, the Government announced that the judgements would apply to all public-sector pension schemes, including the LGPS. The Government Actuaries Department (GAD) was then asked to carry out an analysis on the possible impact of the judgement on LGPS liabilities</p> <p>An allowance was made for the potential impact of the McCloud & Sargeant judgement in the results provided to the Fund at the last accounting date. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.</p> <p>The COVID-19 pandemic has caused significant investment volatility throughout 2020 and created uncertainty surrounding illiquid asset values. However, as at 31 March 2021 the investment market return to a steady state and valuation therefore do not carry the material uncertainty that exist in last year statement of account.</p>	<p>The effect upon the net pensions liability of changes in individual assumptions can be measured and these are disclosed within note 19. If their longevity was actually more representative of someone that was one year older, liabilities would increase by £128m (decrease by £121m if one year younger). If discount rates decrease by 0.1%, then the net pensions liability would have increased by £45m compared to that calculated herein. However, the assumptions interact in complex ways and during 2020/21, the actuaries advised that, overall, the net pensions liability had increased by £205m as a result of updating estimates to reflect current market conditions.</p>
PFI / Finance Leases	<p>These arrangements have an implied finance lease within the agreement which (on a constant basis) has been used to calculate future payments disclosed within the accounts.</p> <p>Financial modelling for the Councils two PFI contracts assumes a base inflation rate of 2.5% for the indexed elements of the Unitary Charge.</p>	<p>The PFI arrangements are inherently long term in nature. Fluctuations in the inflation indexation could result in future payments being higher than presented. At the balance sheet date the carrying value of PFI contracts was £93,356, with a forecast service cost of £246,592 over the unexpired life of the contracts.</p>

		A 1% increase in RPIx would increase the service operational cost by £0.189m in 2021/22 and £20.882m over the remaining life of the contracts.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic environment makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £2m for every year that useful lives had to be reduced.

Note 33 - Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2021/22 Code. New or amended standards contained in the 2021/22 code that will apply from 1st April 2021 are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform –Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (further information below).

IFRS 16 Leases - Supersedes IFRS 17 and no longer distinguishes between financing and operating leases, requiring that a right-of-use asset be recognised for all leases (there are exemptions for short-term and low value leases). In light of the outbreak of Covid-19 CIPFA/LASAAC announced a further deferral to the adoption of IFRS 16 to accounting periods commencing on or after 1 April 2021.

- Recognition of future cash flows for contingent rental elements on existing finance leases will be reviewed in due course.
- Rental Income derived from sub-leased properties will be recognised as a capital receipt and not revenue. The impact of this change arising from the new leasing standard on leases in place at 31 March 2021 will be reviewed in due course.
- A review of the Councils Contract Register has been undertaken to identify any embedded lease liabilities. No non-exempt leases have been identified to date.

Note 34 - Critical Judgements in Applying Accounting Policies

Significant judgements are made by management in applying accounting policies, which could have a material effect upon the accounts.

Group Boundaries

The group boundaries have been estimated using the criteria associated with the Code. In line with this, the Authority has identified three subsidiaries and two associates. The authority has deemed that the activities of these entities are not sufficient to produce full group accounts.

PFI and Similar Contracts

The authority is deemed to control the services provided under the outsourcing agreement for the social care provision at three residential homes and also to controls the residual value of the assets at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the assets (valued at £21.6m) are recognised as property, plant and equipment on the authority's Balance Sheet.

The authority is also deemed to control the services provided under the outsourcing agreement for the facilities management of two schools. Since entering into the PFI contract one school, Stationers' Crown Woods Academy, converted to academy status, the Council therefore controls the residual value of one school, Thomas Tallis, at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the asset (valued at £89.6m) is recognised as property, plant and equipment on the authority's Balance Sheet.

Asset Classifications

The Authority has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the Authority is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Authority it is deemed to be a Property, Plant and Equipment asset. If there were no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used.

Schools

There are several types of school within the borough. The Code in relation to their recognition on the balance sheet is an area that has been supplemented by Technical Guidance and the authority has undertaken a review of schools on a case by case basis. The Authority recognises schools' assets on the balance sheet where future economic benefits or service potential associated with the school will flow to the authority. Control over service potential is based on control

over use of assets over their useful life. The table outlines the types of school within the borough and whether they appear on the authority's balance sheet. Furthermore, schools held on the balance sheet are disposed for nil consideration when they transfer to Academy status.

School Type	On Balance Sheet
Community	✓
Voluntary Controlled (VC)	✓
Voluntary Aided (VA)	✗
Trust	✗
Foundation	✗
Academies	✗
Independent	✗
Free schools	✗

Note 35 - Material Items of Income and Expense

The Council received various COVID-19 related income streams from Central Government to 'passport' to local taxpayers, in an agent capacity. This income is not reflected in the Council's CIES as it does not belong to the Council. Further information is shown in the Narrative Report.

Note 36 - Events after the Reporting Period

The Statement of Accounts was authorised for issue by the S151 Officer on 30 September 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There were no adjusting events taking place between the reporting period end and the authorised for issue date.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2021 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

Schools Transferring to Academy Status

Wingfield Primary School converted to Academy on 1st April 2021. The associated asset is classed as Other Land & Buildings within Property, Plant and Equipment at a value of £18.2m.

Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statements show the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

Income and Expenditure Account	Note	Council Tax £000	Business Rates £000	Total 31/03/20 £000	Council Tax £000	Business Rates £000	Total 31/03/21 £000
Income							
Council Tax Income	4	(130,143)	0	(130,143)	(134,363)	0	(134,363)
Business Rates Receivable	5	0	(98,704)	(98,704)	0	(39,117)	(39,117)
Business Rates Supplement	6	0	(2,972)	(2,972)	0	(1,053)	(1,053)
Business Rates Transitional Payments		0	1,370	1,370	0	152	152
Total Income		(130,143)	(100,306)	(230,449)	(134,363)	(40,018)	(174,381)
Expenditure							
<u>Precepts and Demands</u>							
<u>Council Tax</u>							
Royal Borough of Greenwich		96,863	0	96,863	101,721	0	101,721
Greater London Authority		26,553	0	26,553	27,783	0	27,783
<u>Business Rates</u>							
Royal Borough of Greenwich		0	41,715	41,715	0	29,267	29,267
Greater London Authority		0	23,465	23,465	0	36,096	36,096
Central Government		0	21,727	21,727	0	32,193	32,193
Business Rates Supplement	6	0	2,966	2,966	0	1,047	1,047
Previous Year's Surplus/(Deficit)							
Council Tax	7	4,871	0	4,871	7,894	0	7,894
Business Rates	7	0	11,766	11,766	0	10,539	10,539
Collection Fund Charges							
Council Tax bad debts	8	2,586	0	2,586	4,742	0	4,742
Business Rates bad debts	9	0	2,197	2,197	0	4,369	4,369
Business Rates appeals	10	0	301	301	0	(3,529)	(3,529)
Business Rates cost of collection		0	292	292	0	299	299
Business Rates Supplement cost of collection	6	0	6	6	0	6	6
Business Rates transitional payments		0	(1,370)	(1,370)	0	(152)	(152)
Total Expenditure		130,873	103,063	233,936	142,140	110,135	252,274

(Surplus) / Deficit for Year	730	2,757	3,487	7,777	70,117	77,894
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Fund Statement (£000)	Note	Council Tax £	Business Rates £	Total 31/03/20 £	Council Tax £	Business Rates £	Total 31/03/21 £
Fund Balance B/F		(12,766)	(13,109)	(25,875)	(12,036)	(10,352)	(22,388)
(Surplus) / Deficit for Year		730	2,757	3,487	7,777	70,117	77,894
Fund Balance C/F	11	(12,036)	(10,352)	(22,388)	(4,259)	59,765	55,507

Note 1 - The Council Tax System

The council tax is the means of raising income from local residents to pay for services within the Royal Borough. The council tax is levied on domestic properties and the charge is based on the valuation band assessed for each dwelling. The Valuation Office has appointed a Listing Officer for the Royal Borough who is responsible for property valuations, valuation registers and appeals. Council tax collected in the Borough is split between relevant preceptors, the Borough (79%) and the GLA (21%).

Note 2 - The Business Rates System

The business rate is the means of raising income from local businesses to pay for services within the Royal Borough. The business rate is levied on non-domestic properties and the charge is based on the valuation band assessed for each premises. The Valuation Office has appointed a Listing Officer for the Royal Borough who is responsible for property valuations, valuation registers and appeals. From 2018/19 the Royal Borough agreed to participate in the London Business Rates Pool with all the other London Boroughs. Business rates collected across the Borough are therefore split between the relevant parties within the pool, who are the London Boroughs, the GLA and Central Government.

Note 3 - Accounting Policies

The Collection Fund Income and Expenditure Account is prepared on an accruals basis and complies with appropriate regulations and the Code of Practice on Local Authority Accounting. The transactions of the Collection Fund are wholly prescribed by legislation. The year-end surplus or deficit on the Collection Fund is apportioned between the relevant interested parties.

Note 4 - Council Tax Income

In 2020/21 the Royal Borough set a band D tax of £1,547.75 (£1,489.55 in 2019/20). These charges are before any appropriate discounts. The charge for each band is a ratio of band D. The 2020/21 charges were:

Band	Ratio to Band D	Council Tax	
		2019/20 £	2020/21 £
A	6/9	993.03	1,031.83
B	7/9	1,158.54	1,203.81
C	8/9	1,324.05	1,375.77
D	1	1,489.55	1,547.75
E	11/9	1,820.56	1,891.69
F	13/9	2,151.57	2,235.64
G	15/9	2,482.58	2,579.58
H	18/9	2,979.10	3,095.50

The Royal Borough's taxbase, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes and appeals. The taxbase estimate for 2020/21 was 83,665 (82,848 in 2019/20) as calculated below.

2019/20		2020/21				
Band D Equivalent	Band	Dwellings Per Valuation List	Adjustment For Disabled Banding Appeals, Discounts and Exemptions	Revised Dwellings	Ratio to Band D	Band D Equivalent
3	A (Disabled)	0	3	3	5/9	2
4,847	A	11,237	(4,744)	6,493	6/9	4,329
10,999	B	21,928	(7,595)	14,333	7/9	11,148
30,007	C	43,337	(9,592)	33,745	8/9	29,995
20,342	D	24,727	(4,000)	20,727	1	20,727
12,895	E	12,060	(1,190)	10,870	11/9	13,286

4,765	F	3,642	(218)	3,424	13/9	4,945
3,398	G	2,185	(105)	2,080	15/9	3,467
602	H	348	(45)	303	18/9	607
87,858	Total	119,464	(27,485)	91,979		88,506
(5,271)	less Allowance for Non Collection					(5,089)
261	plus Adjustment for Armed Forces Dwellings					248
82,848	Royal Borough Tax Base					83,665

Based on the estimated tax base of 83,665 an income yield for 2020/21 of £129.5m (£123.4m in 2019/20) was anticipated. The actual taxbase was equivalent to 86,812 (87,371 in 2019/20) including backdated transactions and the equivalent yield was £134.4m (£130.1m in 2019/20).

Note 5 - Business Rate Income

Business Rate Income	2019/20 £000	2020/21 £000
Debits Raised	124,704	124,824
Relief and Exemption granted	(24,398)	(84,806)
Total Collectable	100,306	40,018

The Business Rate Multiplier is set nationally and for 2020/21 was 51.2p (50.4p in 2019/20). The total rateable value for non-domestic rated property in the Royal Borough for 2020/21 was £246.9m (£246.1m in 2019/20). The 2020/21 relief includes £57.8m granted to the retail and hospitality industry to offer support to businesses in response to the COVID-19 pandemic. This relief is fully funded by Central Government.

Note 6 - Business Rates Supplement

In April 2010, a levy of 2p on non-domestic properties with a rateable value of over £55,000 in London was introduced. From April 2017, the threshold applicable to the levy was increased to properties with a rateable value of over £70,000. This is paid to the GLA and helps to finance Crossrail.

Note 7 - Collection Fund apportionment of surplus

A council tax surplus of £7.894m was distributed in 2020/21 to the Royal Borough (£6.195m) and the GLA (£1.699m). There was a business rate surplus of £10.539m distributed in 2020/21 (Central Government £2.299m / RBG £5.274m / GLA £2.966m).

Note 8 - Provision for Irrecoverable Council Tax Debts

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for bad debts. During 2020/21, £4.742m (£2.586m in 2019/20) was contributed to the council tax bad debt provision and £0.115m of irrecoverable debts were written off in year (£0.179m in 2019/20).

Note 9 - Provision for Irrecoverable Business Rates Debts

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for bad debts. During 2020/21 £4.369m (£2.197m in 2019/20) was contributed to the business rates bad debt provision and there were no irrecoverable debts written off (£0.394m in 2019/20).

Note 10 - Provision for Business Rates Appeals

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for business rate appeals. The provision was calculated on the basis of outstanding appeals at 31 March 2021 as supplied by the Valuation Office. The percentage of appeals that are likely to be successful and the percentage reduction in rateable value on successful appeals were estimated based on historical trends. During 2020/21 a net reduction of £3.529m (net contribution of £0.301m in 2019/20) was made to the provision.

Note 11 - Collection Fund Position

Council Tax Surplus

The balance on the Fund for council tax at 31 March 2021 is £4.259m. Of this sum, £0.915m is the GLA's share of the Collection Fund and is shown as a creditor in the Authority's Balance Sheet. The balance of £3.344m is the Royal Borough's share of the Collection Fund. A distribution from the balance on the Fund will be made in 2021/22, of which the GLA will receive £0.888m. The remaining council tax balance will be taken into account in future budget setting processes.

Business Rates Deficit

The balance on the Fund for Business Rates at 31 March 2021 is a deficit of £59.765m. Of this sum £22.094m is the GLA's share and £19.708m is the Government share. The remaining £17.963m is the balance in the Collection Fund. This deficit is primarily due to the Government introducing a business rate relief scheme in 2020/21 to support the retail and hospitality sectors in response to the COVID-19 pandemic. This deficit has been predominantly funded with Government grant received in year which is currently held on the Authority's balance sheet within Earmarked Reserves (Note 7) and will offset the deficit in 2021/22.

Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2019/20 £000	HRA Income and Expenditure Statement	2020/21 £000
	<u>Expenditure</u>	
24,151	Repairs and Maintenance	20,048
52,545	Supervision and Management	57,288
1,860	Rent, Rates, Taxes and Other Charges	1,845
52,810	Depreciation, Impairments and Revaluation Losses in relation to Non-current Assets	56,131
138	Debt Management Costs	114
825	Movement in the allowance for bad debts (not specified by code)	489
132,329	Total Expenditure	135,915
	<u>Income</u>	
(94,671)	Dwelling Rents	(95,901)
(2,705)	Non Dwelling Rents	(2,533)
(18,863)	Charges for services and facilities	(19,737)
(1,596)	Contribution towards expenditure	(3,217)
(117,835)	Total Income	(121,388)
14,494	Net (Income)/Expenditure of HRA Services	14,527
	<u>HRA share of the operating income and expenditure included in the whole Authority Comprehensive I&E Statement</u>	
(10,762)	(Gain) or Loss on sale of HRA non-current Assets	(13,748)
15,700	Interest Payable and Similar Charges	14,866
(4,150)	Capital Grants and contributions receivable	(3,680)
776	Net interest on the net defined benefit liability / (asset)	0
16,058	(Surplus) / Deficit for the Year on HRA Services	11,965

2019/20 £000	Movement on the HRA Statement	2020/21 £000
(22,197)	Balance on the HRA as at the end of the previous reporting period	(12,862)
16,058	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	11,965
(6,723)	Adjustment between accounting basis and funding basis under statute	(14,644)
9,335	(Increase) or decrease in year on the HRA	(2,679)
(12,862)	Balance on the HRA at the end of the current reporting period	(15,541)

Note 1 - Depreciation and Impairment

HRA Depreciation and Impairment	2019/20 £000	2020/21 £000
Dwellings	24,058	23,947
Other Land & Buildings	666	691
Vehicles	40	37
Surplus	5	5
Total Depreciation	24,769	24,680
Impairment and Revaluation Losses	47,908	21,817

HRA valuations were reviewed at 1 April 2020, a further reassurance exercise is undertaken to ensure that valuations are correct as at the 31 March 2021 carrying date. The valuations are based on Stock Valuation for Resource Accounting, a guide issued by CLG. This guide incorporates a factor to recognise the specific nature of valuing social housing. This factor, which reduces the assessed value, has remained at 25%.

Note 2 - Housing Stock

The Council was responsible for managing 20,950 dwellings as at 31 March 2021. The property is analysed below:

Analysis of HRA Dwellings at 31 March 2021	1 Bed	2 Beds	3 & more	Total
Low rise flats in blocks up to 2 storeys	1,322	987	340	2,649
Medium rise flats in blocks of 3-5 storeys	3,682	3,166	1,506	8,354
High rise flats in blocks of 6 or more storeys	1,503	1,647	217	3,367
Houses and bungalows	247	1,180	5,146	6,573
Multi occupied dwellings				7
Total				20,950

The movement in the stock numbers includes the loss of 89 properties through Right to Buy disposals (126 in 2019/20) in accordance with the Housing Act 1985.

The HRA valuations were undertaken as at 31 March 2021.

31 March 2020	Balance Sheet Valuation of HRA Assets	31 March 2021
£000		£000
1,473,626	Dwellings	1,473,626
47,515	Property Plant and Equipment – Other	44,119
36,022	Assets held for Sale	57
1,557,163	Total	1,517,802

The Vacant Possession Value is the Authority's estimate of the total sum that it would receive if all the assets were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the Vacant Possession Valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value.

1 April 2019	Vacant Possession Value	1 April 2020
£000		£000
5,891,969	Total	5,894,505

The Royal Borough has provided grant funding to a Registered Providers and Community Benefit Society which has resulted in the provision of 46 affordable rented homes, under the Right to Buy Retention Agreement funded from Right to Buy 1-4-1 receipts.

Note 3 - Major Repairs Reserve

2019/20 £000	Major Repairs Reserve	2020/21 £000
(9,503)	Balance as at 1 April	(9,503)
(24,769)	Depreciation for the year	(24,660)
(11,877)	Other contributions from revenue	(1,367)
36,646	Financing of Capital Expenditure for year	28,782
(9,503)	Balance as at 31 March	(6,748)

Note 4 – Capital Financing

2019/20 £000	HRA Capital Expenditure	2020/21 £000
53,812	Houses	52,276
0	Other Property	0
53,812	Total	52,276
	Financed By:	
16,299	Capital Receipts	17,933
36,646	Major Repairs Reserve	28,782
400	Other Grants	2,434
467	Revenue	3,127
53,812	Total	52,276

Note 5 - Rent and Service Charge Arrears

HRA rent and service charge arrears at 31 March 2021 totalled £11.535m. These arrears are charges due from tenants i.e. rent, service charges, heating and other charges. The HRA has been setting aside funds to meet irrecoverable debts in respect of such arrears. At 31st March 2021 the provision totalled £8.310m.

2019/20	Arrears	2020/21
£000		£000
6,720	Due from Current Tenants	7,051
4,385	Due from Former Tenants	4,484
11,105	Total	11,535

Note 6 – Tenants Service Charges

From February 2017 the Authority agreed to introduce service charges for tenant's services and facilities that were previously pooled in the HRA.

Independent auditor's report to the members of Royal Borough of Greenwich on the pension fund financial statements of Royal Borough of Greenwich Pension Fund

Opinion

We have audited the financial statements of Royal Borough of Greenwich Pension Fund (the 'Pension Fund') administered by Royal Borough of Greenwich (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's 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 are responsible for concluding on the appropriateness of the Section 151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the

inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Section 151 Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's 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's 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's financial statements or our knowledge of the Pension Fund 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 the 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 (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Section 151 Officer 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 there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit and Risk Management Panel is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit and Risk Management Panel, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Risk Management Panel, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that altered the Fund's financial performance for the year;
 - potential management bias in determining accounting estimates, especially in relation to the calculation of the valuation of the Funds Investment Assets
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Section 151 Officer has in place to prevent and detect fraud;
 - journal entry testing, using data analytics to consider all journal entries against specific criteria to identify entries we considered to be of higher risk of fraud. Such criteria included journals with unusual values, journals posted after the year end, journals with a material impact on the Fund's financial position for the year and journals created by senior managers;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and IAS 26 pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government pensions sector
 - understanding of the legal and regulatory requirements specific to the Pension Fund including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Iain Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

30 September 2021

Royal Borough of Greenwich Pension Fund

2019/20 £000	Fund Account	Notes	2020/21 £000
	<u>Dealings with Members, Employers and Others directly involved in the Scheme</u>		
	Contributions Receivable:		
(37,730)	Employer Contributions	6	(38,986)
(13,995)	Member Contributions	6	(14,217)
(3,470)	Transfers in from Other Pension Funds	7	(3,863)
	Benefits:		
46,013	Pensions	8	47,466
11,485	Lump Sum & Death Benefits	8	10,435
3,726	Payments to and on account of Leavers	9	1,609
6,029	Subtotal: Net (additions) / withdrawals from Dealings with Members		2,444
7,776	Management Expenses	10a	7,916
13,805	Subtotal: Net (additions)/withdrawals including fund management expenses		10,360
	<u>Returns on Investment</u>		
(7,708)	Investment Income	11	(4,420)
87,961	(Profit) and Losses on disposal of Investments and Changes in Value of Investments		(300,507)
80,253	Net Returns on Investment		(304,927)
94,058	Net (increase) / decrease in the Net Assets available for Benefits during the year		(294,567)

31 March 2020 £000	Net Asset Statement	Notes	31 March 2021 £000
3	<u>Investment assets</u>		0
	Equities		
	Pooled Investment Vehicles:		
235,092	Fixed Interest	14	256,479
136,556	Property Unit Trusts	14	134,010
460,567	Unitised Insurance Policies	14	598,805
270,636	Other Unit Trusts	14	381,444
2,490	Property – Freehold	3&14	3,100
4,900	Private Equity	14&22	2,975
108,422	Diversified Alternative	14	138,922
144	Cash Deposits	19	58
7,628	Cash Equivalents	19	9,631
46	Other Investment Balances	18	254
	<u>Investment Liabilities</u>		
(1,209)	Other Investment Balances	18	(3,355)
1,225,275	Net Investment Assets / (Liabilities)		1,522,323
	<u>Current Assets</u>		
575	Contributions Due	18	571
450	Other Current Assets	18	476
13,350	Cash Balances	19	10,709
	<u>Current Liabilities</u>		
(210)	Unpaid Benefits	18	(384)
(1,029)	Other Current Liabilities	18	(717)
13,136	Net Current Assets / (Liabilities)		10,655
1,238,411	Net Assets of the Scheme available to fund Benefits at the Period End		1,532,978

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2021. The actuarial present value of promised retirement benefits is disclosed in note 17.

Note 1 – Description of The Fund

The following description of the Fund is a summary only. For more detail, reference should be made to the Royal Borough of Greenwich Pension Fund Annual Report 2020/21 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations.

General

The Royal Borough of Greenwich Pension Fund (the “Fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Greenwich. It is a defined benefit pension scheme providing pensions and other benefits for employees of the Royal Borough of Greenwich and those organisations with admitted or scheduled body status within the Fund. The Fund is overseen by the Royal Borough of Greenwich Pension Investment and Administration Panel. The Fund is governed and administered in accordance with the Public Service Pensions Act 2013 and the following Local Government Pension Scheme Regulations:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds and Amendment) Regulations 2016

Membership

All employees are able to join the pension scheme (except teachers). Those with a contract of employment of at least 3 months are contractually enrolled into the pension scheme on commencement of employment. Membership of the Fund 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:

- Administering Authority: This is the Royal Borough of Greenwich (the “Authority”)
- Scheduled Bodies: which are Local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted Bodies: Other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. These include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There were 56 active employer organisations within the Fund as at 31 March 2021 (54 as at 31 March 2020). The following table summarises the composition of the registered membership of the Fund as at 31 March 2021.

Membership	Administering Authority		Admitted Bodies		Scheduled Bodies	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
Employees contributing into Fund	6,545	6,376	341	326	1,979	1,974
Pensioners / Dependents	6,775	6,955	234	251	332	396
Former Members entitled to Deferred Benefits	8,027	7,615	296	309	1,249	1,280
Totals	21,347	20,946	871	886	3,560	3,650

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year end 31 March 2021. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, 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 updated annually in line with the Consumer Prices Index. There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits.

Governance

The Royal Borough of Greenwich has delegated management of the Fund to the Pension Investment and Administration Panel. The Panel is made up of four committee members, each with voting rights. The Panel is responsible for agreeing an appropriate investment strategy, review and scrutiny of investment manager performance, quarterly account review and policy statement review. The Panel receives guidance, where appropriate, from the Fund's investment advisors, actuary and Fund managers. The Panel receives regular training in line with CIPFA's Knowledge and Skills Framework.

It is a requirement under the Public Service Pensions Act 2013 for LGPS funds to set up a Local Pension Board. The Royal Greenwich Pension Board is made up of two member representatives and two employer representatives who act in an overview and scrutiny role to ensure strong governance of the Fund. The Board also receives regular training under the CIPFA Knowledge and Skills Framework. The role and responsibilities of Board Members is set out in the 'Pension Board of the Royal Borough of Greenwich Terms of Reference', which is available on the Royal Borough of Greenwich website.

Investment Principles

Regulation 7(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires administering authorities to prepare an Investment Strategy Statement (ISS). The latest ISS was agreed by the Pension Fund Investment and Administration Panel on 07 December 2020 and is available on the Royal Borough of Greenwich website.

The Panel has delegated the day-to-day management of investments to external Investment Managers in line with their relevant mandates. The performance of the Investment Managers is reported on a quarterly basis by the Fund's Investment Advisors.

Note 2 – Basis of Preparation

The Statement of Accounts (the “Accounts”) summarise the Fund’s transactions for the 2020/21 financial year and its position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the “Code”) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits, which fall due after the end of the financial year. The 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 17 of these accounts. The most recent actuarial valuation was carried out 31 March 2019 and determines the contribution rates for the next three years from 1 April 2020 with an aim to maintain the solvency of the fund. Therefore, these accounts have been produced on a going concern basis.

Many values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

Note 3 – Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

Contributions

Both employer and member normal contributions are accounted for on an accruals basis. Member contributions rates are set in accordance with LGPS regulations using common percentage rate bandings, which rise in line with pensionable pay. Employer contributions are set at a percentage rate advised by the Fund's actuary as necessary to maintain the Funds solvency.

Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

Transfers to and from other schemes

Individual transfers to and from other schemes are accounted for on a cash basis at which point the related member liability transfers to the fund. Bulk transfers to/from the scheme are accounted for in accordance with the terms of the transfer agreement.

Investment Income

- a) 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 reflected within the net assets statement as "Other Investment Balances" and disclosed within the note on Debtors and Creditors.
- b) Some pooled investment vehicles within the portfolio are accumulation funds and as such, the change in market value also includes income, which is re-invested in the Fund. The market price for those units reflects this re-invested income. Non-accumulating units give rise to dividends.
- c) Other than unitised holdings (above), freehold property gives rise to rental income. These amounts are recognised on a straight-line basis over the life of the operating lease.
- d) Private Equity distributions are split between their constituent elements i.e. dividend, interest, gain/loss or return of capital, as advised by the Fund manager.
- e) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments.

Fund Account – Expense Items

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 asset statement as current liabilities.

Taxation

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. Any recoverable amounts outstanding at the reporting period end will be classified as a debtor.

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.

Lifetime Allowance

The Fund may be asked by members to pay tax liabilities in relation to annual allowance and lifetime allowance direct to HMRC in exchange for a reduction in pension. These payments are treated as an in-year expense.

Management Expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016).' These expenses are charged to the Fund on an accruals basis under the headings below:

Administrative Expenses – Staff costs pertaining to the pensions administration team are charged direct to the Fund. Associated management, IT, rents and rates and other overheads are apportioned to financial administration and charged as expenses to the Fund on an annual basis.

Oversight and Governance – These costs include the selection, appointment, performance management and monitoring of external fund managers, investment advisory service costs, operation and support of the Pensions Panel and Board and other governance related costs.

Investment Management Expenses – Expenses incurred in relation to the management of pension fund assets and includes transaction costs, management fees, performance fees and custody fees. Investment management fees are calculated by reference to the market value of portfolio assets under management at the

end of each quarter. The exceptions to this are Fidelity, where market value based fees are charged on a daily basis and Private Equity fees, which are based upon amounts committed to each manager.

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

Net Asset Statement

Investment Valuations and their effects

Investments are shown in the Net Asset Statement at either their market or fair value, which has been determined as follows:

- a) Listed securities are shown by reference to bid-market price at the close of business on 31 March 2021.
- b) Unit trusts are priced as follows:
 - i. Unit trust and managed fund investments are stated at bid price quoted by their respective managers prior to the close of business on 31 March 2021.
 - ii. Single priced funds, closed ended property funds, and fixed interest Open Ended Investment Companies (OEICs) which are valued on a Net Asset Value basis.
- c) Unitised insurance policies are valued at bid-price.
- d) Property unit trusts and other similar property funds valuations are based upon the underlying investments within each portfolio, the majority of which are based upon the latest available valuations (ranging from February 2021 to March 2021).
- e) Private Equity valuations are based upon the underlying investments within each portfolio, some of which may be based on prior quarter valuations, reflecting the nature of valuing those investments. The cash flows are adjusted up to 31 March 2021 using the same accounting policies. It is less easy to trade

private equity than it is for quoted investments. Therefore, when the assets are realised the amount received may not necessarily be the amount that they are valued at and any differences could be significant.

- f) The Diversified Alternative Portfolio is made up of Private Equity, Private Debt, Private Real Estate and Private Infrastructure valued as follows:
- Private Equity - a market approach is applied (mainly EV/EBITDA multiples) where appropriate, in some cases an alternative method can be applied (e.g. DCF approach). Securities traded on an active market are valued based on their respective market price at the end of the reporting period, adjusted for potential restrictions on the transfer or sale of such securities.
 - Private Debt - Debt instruments for which market quotations are readily available are typically valued based on such quotations, Quotes are validated considering different factors such as depth and nature of the quotation or implied discount rate versus comparable loans (or bonds), Debt instruments for which no market quotations are available are typically valued applying an instrument discounted cash flow approach or a recovery method.
 - Private Real Estate - Real estate valuations are valued considering third party appraisals, which are updated (at least) on an annual basis. Intra-year valuations from these third party appraisals are adjusted for recent developments (e.g. exit of an underlying property, operational cash generation, etc.)
 - Private Infrastructure - Early stage infrastructure investments are usually valued using the replacement cost method. Once construction reaches a certain stage, and as cash flows become more visible, the valuation method is normally switched to a discounted cash flow analysis. For stable and operating infrastructure assets, a market approach (i.e. multiple method) is used.
- g) Multi-Asset Credit - valuations of financial instruments whose principal markets are actively traded exchange markets are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the program is the bid price, which is considered most representative of fair value at the end of the reporting period. For Non-traded financial instruments, the program uses a variety of market and income methods.

Property

The Fund owns the freehold of one investment property – New Lydenburg Industrial Estate. The property was revalued as at 31 March 2021 at a value of £3.1m by a valuer, RICS member and member of the Fund employed by the Royal Borough of Greenwich. The property was valued utilising the Royal Institute of Chartered Surveyors' Valuation- Global standards 2017 and relevant UK supplement. The valuation was based on the open market value of the freehold interest, having regard to the actual lease terms and evidence of current levels of rent and yields for the class of property, adjusted to reflect age, condition and characteristics of the particular locality. Any surplus / deficit on valuation is reflected in the Fund Account and is shown as a change in market value of investments. The Fund receives £0.115m rental income per year in respect of this property.

Foreign Currency

Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into Sterling at the rate ruling on 31 March 2021.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than a three-month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 asset 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 value of the asset are recognised in the Fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14). 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).

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.

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 International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial value of promised retirement benefits by way of a note to the net asset statement (note 17).

Additional Voluntary Contributions

There are currently two additional voluntary contribution (AVC) schemes for the members of the Royal Borough of Greenwich Pension Fund. These schemes are separate to the fund with assets, which are invested separately. AVCs are not included in the accounts in accordance with Section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016. Note 20 provides details of the Funds AVC schemes.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Asset Statement but are disclosed in a note to the Accounts. The limit for contingent liabilities is reflective of the Funds perception of materiality and is currently set at £250,000.

Other Accounting Policies

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue. Events taking place after the date of authorisation for issue are not reflected in the Accounts. Two types of events can be identified:

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

Note 4 - Critical Judgements in Applying Accounting Policies

The Accounts contain critical judgements in applying accounting policies and estimated figures based on assumptions made by the Authority about the future or that are otherwise uncertain. The following items have a significant risk of material adjustment in the forthcoming financial year:

Pension Fund Liability

It is a statutory requirement that the funding level is calculated every three years by the appointed actuary in order to determine employer contribution rates for the forthcoming three years. However, the methodology used within the accounts is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 16. These estimates are subject to significant variances based upon changes to the underlying assumptions.

Note 5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary and pension increase estimates and life expectancy. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions used.	For example: A 0.1% increase in the discount rate would result in a decrease in the pension liability of £48.8m. A 0.1% decrease in assumed earnings would decrease the pension liability by £3.9m and a 1-year increase in assumed life expectancy would increase the Fund liability by £132.7m.

Private Equity & diversified alternative	Private equity investments are valued using a variety of methods and makes assumptions that are not always supported by observable market prices or rates. These investments are not publicly listed and as such, there is a degree of estimate involved in the valuation.	The total value of the level 3 investment within Private equity & diversified alternative is £142m. There is a risk that the investment may be under or overstated in the accounts. The Fund's performance management advisors report a tolerance of 6.7% in respect of the net asset values. This equates to a tolerance of +/- £9.5m
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Pooled Property (CBRE)	The Fund is valued at the fair values provided by the administrators of the underlying funds. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation.	The total value of the level 3 investment in CBRE is £134m. There a risk that the investment may be under or overstated in the accounts. The Fund's performance management advisors report a tolerance of 2.8% in respect of the net asset values the fund valuation is based upon. This equates to a tolerance of +/- £3.8m
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There are a number of uncertainties regarding the scheme benefits and hence liabilities. Information is provided below on the two most prominent; the guaranteed minimum pension (GMP) equalisation and the impact of the McCloud & Sargeant judgements.

GMP Equalisation

On 22nd January 2018, the outcome to the 'Indexation and equalisation of GMP in public service pension scheme' consultation was published by the Government. This confirmed that public service pension schemes would need to extend the requirement to fully price protect the GMP element of the individuals public service pension to those individuals reaching State Pension Age before 06 April 2021.

On 23rd March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021

Our actuaries' valuation assumption for GMP is that the Fund will pay limited increases for members that have reached state pension age by 06 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, they have assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the assumption is consistent with the consultation outcome.

McCloud & Sargeant Judgements

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members in both the Judges Pension Scheme (McCloud) and the Firefighters Pension Scheme (Sargeant) amounted to unlawful discrimination. As a result, the Government announced that the judgements would apply to all public-sector pension schemes, including the LGPS. The Government Actuaries Department (GAD) was then asked to carry out an analysis on the possible impact of the judgement on LGPS liabilities.

An allowance was made for the potential impact of the McCloud & Sargeant judgement in the results provided to the Fund at the last accounting date. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities

Estimation Uncertainty – COVID-19

The COVID-19 pandemic caused significant investment volatility throughout 2020 and created uncertainty surrounding illiquid asset values. However, as at 31 March 2021 the investment market returned to pre COVID-19 level of activity and valuations therefore do not carry the material uncertainty that existed in last years statement of accounts.

Note 6 – Contributions Receivable

Contributions represent the total amounts receivable from employers within the scheme in respect of their own contributions and any of their employees who are members of the scheme. The employer's contributions are made at a rate determined by the Fund's Actuary as necessary to maintain the Fund in a state of solvency, having regard to existing and future liabilities. The Primary Contribution Rate used during 2020/21 was 18.5%. Member contribution rates are determined by a banding mechanism linked to pensionable pay. Contributions shown in the revenue statement can be broken down as follows:

2019/20	By Category	2020/21
£000		£000
(13,995)	Employee's Contributions	(14,217)
(13,995)	Total Employees' Contributions	(14,217)

Employer's Contributions:

(30,416)	Normal Contributions	(34,900)
(7,160)	Deficit Recovery Contributions	(3,795)
(154)	Augmentation Contributions	(291)
(37,730)	Total Employers' Contributions	(38,986)
(51,725)		(53,203)

2019/20	By Authority	2020/21
£000		£000
(41,388)	Administering Authority	(42,095)
(7,483)	Scheduled Bodies	(8,065)
(2,854)	Admitted Bodies	(3,043)
(51,725)		(53,203)

Note 7 - Transfers in from Other Pension Funds

2019/20	Transfers in from other Pension Funds	2020/21
£000		£000
(3,470)	Individual Transfers	(3,863)

Note 8 - Benefits

Benefits payable are made up of pension payments and lump sums payable upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.

2019/20	Benefits	2020/21
£000		£000
<u>Pensions</u>		
43,874	Administering Authority	45,043
1,115	Admitted Bodies	1,219
1,024	Scheduled Bodies	1,204
46,013	Total Pensions Payable	47,466
<u>Lump Sums</u>		
8,382	Administering Authority	7,634
523	Admitted Bodies	454
957	Scheduled Bodies	1,242
9,862	Total Lump Sums and Commutation	9,330
<u>Death Benefits:</u>		
1,423	Administering Authority	895
56	Admitted Bodies	40
144	Scheduled Bodies	170
1,623	Total Death Benefits	1,105
57,498	Total Benefits Payable	57,900

Note 9 - Payments to and on Account of Leavers

2019/20	Payments to and on Account	2020/21
£000	Of Leavers	£000
214	Refunds to Members leaving Service	160
7	Payments for Members joining State Scheme	(2)
3,505	Individual Transfers	1,451
3,726	Total Payments to and on Account of Leavers	1,609

Note 10a – Management Expenses

2019/20	Management Expenses	2020/21
£000		£000
1,133	Administration Expenses	1,133
216	Oversight and Governance	95
6,427	Investment management Expenses	6,688
7,776	Total Administration Expenses	7,916

Investment management expenses are further analysed below in line with the CIPFA Guidance on Accounting for Management Costs in the LGPS.

Note 10b Investment Management Expenses

2019/20 £000	Management Expenses	2020/21 £000
4,785	Management Expenses	4,667
1,597	Performance Fees	1,941
45	Custody Fees	80
0	Transaction Costs	0
6,427	Total Management Expenses	6,688

Note 11 - Investment Income

2019/20 £000	Investment Income	2020/21 £000
(115)	Rental Income from Property	(115)
(127)	Dividends from Equities	(4)
(18)	Dividend from Unit Trusts	(1)
	Income from Pooled Investment Vehicles:	
(7,388)	Property Unit Trusts	(4,278)
(4)	Withholding Tax Reclaimed	0
(56)	Interest	(19)
0	Other Income	(3)
(7,708)	Total Investment Income	(4,420)

Note 12 - External Audit Costs

2019/20		2020/21
£000		£000
25	Payable in respect of external audit*	33
(2)	PSAA Refund	0
23	Total External Audit Costs	33

£33k was paid to the external auditors of the Pension Fund, Grant Thornton UK LLP (25k in 2019/20).

Note 13 - Investments

The investment managers and their mandates are as follows:

Manager	Mandate
Blackrock	Passive Global Equity
CBRE Global Investors	Property
Fidelity International	Bond/GMAC/GEME
LGT Capital Partners	Private Equity
Wilshire	Private Equity
Partners Group	Diversified Alternative
Invesco	Multi Asset Strategy

The market value and proportion of investments managed by each fund manager at 31 March 2021 was as follows:

	2019/20	2019/20	2020/21	2020/21
	Market	Market	Market	Market
	Value	Value	Value	Value
	£000	%	£000	%
Blackrock	501,003	40	688,628	45
CBRE Global Investors	143,601	12	142,449	9
Fidelity	135,566	11	139,356	9
Fidelity GMAC	99,403	8	116,997	8
LGT Capital Partners	36	0	0	0
Royal Borough of Greenwich	16,203	1	13,950	1
Wilshire	4,863	0	2,975	0
London CIV	150	0	150	0
Partners Group	107,893	9	137,389	9
Fidelity GEME	105,746	9	168,621	11
Invesco	123,947	10	122,463	8
Total	1,238,411	100	1,532,978	100

The change in market value of the Fund during the year is represented as follows:

Manager	Market Value 31-Mar 2020	Purchases	Sales	Change in Market Value Of Investments	Change in Working Capital	Market Value 31-Mar 2021
	£000	£000	£000	£000	£000	£000
Blackrock	501,003	1	(170)	187,794	0	688,628
CBRE Global Investors	143,601	6,118	(3,342)	(5,323)	1,395	142,449
Fidelity AGG	135,566	(190) ^a	0	3,980	0	139,356
LGT ^{bc}	36	6793	(6,829)	0	0	0
Royal Borough of Greenwich	16,203	0	(6)	610	(2,857)	13,950
Wilshire ^b	4,863	0	(1,382)	(506)	0	2,975
Fidelity GMAC	99,403	(307) ^a	0	17,904	(3)	116,997
London CIV	150	0	0	0	0	150
Partners Group	107,893	0	(3,066)	33,566	(1,004)	137,389
Fidelity GEME	105,746	(773) ^a	0	63,724	(76)	168,621
Invesco	123,947	0	(288)	(1,243)	47	122,463
Total	1,238,411	11,642	(15,083)	300,506	(2,498)	1,532,978

The prior year comparator is as follows:

Manager	Market Value			Change in	Change in	Market Value
	31-Mar	Purchases	Sales	Market Value	Working	31-Mar
	2019			Of	Capital	2020
	£000	£000	£000	Investments	£000	£000
Blackrock	583,013	43	(11,125)	(70,928)	0	501,003
CBRE Global Investors	144,717	22,336	(15,204)	(8,440)	192	143,601
Fidelity AGG	127,640	(185) ^a	0	8,083	28	135,566
LGT ^b	2,351	(11) ^a	(1,910)	(394)	0	36
Royal Borough of Greenwich	8,784	0	49	247	7,123	16,203
Wilshire ^b	6,247	0	(2,679)	1,295	0	4,863
Fidelity GMAC	106,542	(302) ^a	0	(6,831)	(6)	99,403
London CIV	150	0	0	0	0	150
Partners Group	114,027	0	(3,745)	(2,397)	8	107,893
Fidelity GEME	117,446	(730) ^a	0	(10,983)	13	105,746
Invesco	121,552	0	0	2,387	8	123,947
Total	1,332,469	21,151	(34,614)	(87,961)	7,366	1,238,411

a. The negative Fidelity and LGT purchase relates to management fees which are charged by reducing the market value of the holdings by the amount of the fee.

b. Distributions have been split into income (dividends, interest and gains) and distributions of capital reducing the book cost.

c. Shares in LGT were fully redeemed in the year to 31 March 2021

The change in market value of investments during the year is comprised of new money invested and the realised and unrealised profits or losses for the year:

2019/20 £000	Change Market Value	2020/21 £000
1,332,469	Opening Market Value	1,238,411
(6,097)	Net Revenue Cash in / (out) flow	(5,940)
5,939	Realised profit / (loss)	4,673
(93,900)	Unrealised profit / (loss)	295,834
1,238,411	Closing Market Value	1,532,978

Individual investment assets with a market value of greater than 5% of the total fund value are as follows:

Investment Assets	Manager	2020/21 £000	2020/21 %
Aquila Life MGM World EX UK Equity	Blackrock	300,240	20%
Blackrock ISHARES UK Equity	Blackrock	212,432	14%
Aquila Life	Blackrock	175,956	11%
Fidelity Institutional Funds Emerging Markets ACC	Fidelity	168,854	11%
Fidelity UK Aggregate Bond	Fidelity	139,403	9%
Partners IC RBG LTD	Partners	138,922	9%
Invesco Perpetual Mutual Fund	Invesco	122,608	8%
Fidelity Global Multi Asset Credit	Fidelity	117,076	8%

The prior year comparator is as follows:

Investment Assets	Manager	2019/20 £000	2019/20 %
Aquila Life MGM World EX UK Equity	Blackrock	214,127	17%
Blackrock ISHARES UK Equity	Blackrock	164,406	13%
Fidelity UK Aggregate Bond	Fidelity	135,613	11%
Invesco Perpetual Mutual Fund	Invesco	124,139	10%
Aquila Life	Blackrock	122,302	10%
Partners IC RBG LTD	Partners	108,422	9%
Fidelity Institutional Funds Emerging Markets ACC	Fidelity	105,902	9%
Fidelity Global Multi Asset Credit	Fidelity	99,479	8%

Stock Lending / Derivatives

The Fund has a policy of not entering into stock lending arrangements - there were no stock lending arrangements in place during 2020/21 or 2019/20. The following investment products are classed as derivatives and may be used by the Fund managers (none held on 31 March 2021):

- Stock index futures – used for the purposes of efficient portfolio management.
- Short currency forwards – used for defensively hedging non-UK exposure back to sterling.
- Local access products – used to gain exposure to stocks where the manager is unable to purchase them directly.

Property Holdings

The Fund has a directly owned property, which is leased commercially to various tenants. Details of this are as follows:

2019/20		2020/21
£000		£000
2,200	Opening balance	2,490
290	Net increase in market value	610
2,490	Closing balance	3,100

2019/20		2020/21
£000		£000
115	Within one year	115
460	Between one and five years	460
575	Total future lease payments due under existing contracts	575

Note 14 – Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2020			31 March 2021		
Fair Value through Profit and Loss £000	Assets at Amortised Cost £000	Financial Liabilities at Amortised Cost £000	Fair Value through Profit and Loss £000	Assets at Amortised Cost £000	Financial Liabilities at Amortised Cost £000
3			Financial Assets		
			Equities		
			Pooled Investment Vehicles:		
235,092			Fixed Interest OEIC	256,479	
136,556			Property Unit Trusts	134,010	
460,567			Unitised Insurance Policies	598,805	
270,636			Other Unit Trusts	381,444	
4,900			Private Equity	2,975	
108,422			Diversified Alternative	138,922	
	144		Cash Deposits		58
	7,628		Cash Equivalents		9,631
	46		Other investment balances		254
	575		Contributions Due		571
	204		Other Current Assets		474
	13,350		Cash Balances	10,709	
1,216,176	21,947	0	Total Financial Assets	1,512,635	0
			Financial Liabilities		
		(1,209)	Other Investment Balances		(3,355)
		(210)	Unpaid Benefits		(384)
		(559)	Other Current Liabilities		(212)

		(1,978)	Total Financial Liabilities		(3,951)
1,216,176	21,947	(1,978)	Net Financial Assets	1,512,635	21,697
					(3,951)

The net gains and losses on financial instruments are as follows:

2019/20 £000	Gains and Losses	2020/21 £000
	Financial Assets	
(87,671)	Fair Value Through Profit and Loss	299,896
	Financial Liabilities	
0	Fair Value Through Profit and Loss	
(87,671)	Total	299,896

The interest revenue and expense for financial assets measured at amortised cost is as follows:

2019/20 £000	Interest Revenue and Expense	2020/21 £000
	Assets at amortised cost	
56	Interest Revenue	19
0	Interest Expense	0
56	Total	19

Valuation of Financial Instruments carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values:

Level 1 – 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 and unit trusts.

Level 2 – 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 and where these techniques use inputs that are based significantly on observable market data.

Level 3 – Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Included in this level are the Fund's private equity investments, the valuations of which are provided by the private equity managers. A breakdown of the opening market value to closing market value for Private Equity investments can be found in Note 13. This shows Private Equity movements in year for Wilshire and LGT.

Reconciliation of Fair Value Measurement within Level 3

Asset	Market Value at 31/03/2020	Transfer into Level 3	Transfer out of Level 3	Purchases at cost	Sales	Unrealised Gain/(Loss)	Realised Gains/(Loss)	Market Value At 31/03/2021
	£000	£000	£000	£000	£000	£000	£000	£000
UT - Property UK	90,278	0	0	3,994	(3,195)	(3,027)	(879)	87,171
Freehold Property	2,490	0	0	0	0	610	0	3,100
Diversified Alternative	108,422	0	0	0	(3,066)	33,566	0	138,922
Private Equity	4,899	0	0	6,793	(8,211)	(8,405)	7,899	2,975
Total	206,089	0	0	10,787	(14,472)	(22,744)	7,020	232,168

The prior year comparator is as follows:

Asset	Market Value at 31/03/2019	Transfer into Level 3	Transfer out of Level 3	Purchases at cost	Sales	Unrealised Gain/(Loss)	Realised Gains/(Loss)	Market Value At 31/03/2020
	£000	£000	£000	£000	£000	£000	£000	£000
UT - Property UK	92,033	0	0	6,764	0	(8,519)	0	90,278
Freehold Property	2,200	0	0	0	0	290	0	2,490
Diversified Alternative	114,564	0	0	0	(3,745)	(2,397)	0	108,422
Private Equity	8,598	0	0	(11)	(4,589)	(2,158)	3,059	4,899
Total	217,395	0	0	6,753	(8,334)	(12,784)	3,059	206,089

Sensitivity of assets value at level 3

Having analysed historical data and current market trends, and consulted with the Funds' performance management advisors, the Fund has determined that valuation methods described above are likely to be accurate to within the following ranges and set out below the consequent potential impact on the closing value of investment as at 31 March 2021.

Asset	Value as at 31 March 2021 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UT - Property UK	87,171	2.8	89,597	84,744
Freehold Property	3,100	2.8	3,186	3,014
Private Equity	2,975	6.7	3,175	2,775
Diversified Alternative	138,922	6.7	148,270	129,574
Total Assets available to Pay Benefits	232,168		244,228	220,107

The prior year comparator is as follows:

Asset	Value as at 31 March 2020 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UT - Property UK	90,278	2.6	92,599	87,958
Freehold Property	2,490	2.6	2,554	2,426
Private Equity	4,899	5.2	5,155	4,644
Diversified Alternative	108,422	5.2	114,074	102,769
Total Assets available to Pay Benefits	206,089		214,382	197,797

The following table provides an analysis of the Financial Assets and Liabilities of the Fund and are grouped, based upon the level at which the fair value is observable.

Values as at 31 March 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<u>Financial Assets</u>				
Financial Assets at Fair Value through profit and loss	0	1,283,567	229,068	1,512,635
Non-Financial assets at Fair Value through profit and loss	0		3,100	3,100
	0	1,283,566	232,168	1,515,735

The prior year comparator is as follows:

Values as at 31 March 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<u>Financial Assets</u>				
Financial Assets at Fair Value through profit and loss	3	1,012,573	203,600	1,216,176
Non-Financial assets at Fair Value through profit and loss	0		2,490	2,490
	3	1,012,573	206,090	1,218,666

Fair Value – Basis of Valuation

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Input	Key Sensitivities affecting the valuations provided
Pooled Investments – Bonds (Fixed Interest OEIC)	Level 2	NAV basis where the markets of financial instruments are actively traded exchange markets, valuations are based on quoted market prices, which is the price within the Bid Price. For non-traded financial instruments, the programme uses a variety of market and income methods.	Evaluated price feeds	Not Required

Pooled Investments – Equities (Unitised Insurance Policies & Other Unit Trusts)	Level 2	Bid price	Evaluated price feeds	Not Required
Pooled Investments - Multi Asset (Unitised Insurance Policies)	Level 2	Bid price	Evaluated price feeds	Not Required
Property Unit Trusts	Level 2	Based upon the underlying investments within each portfolio, which are based upon the latest available valuations (ranging from February 2021 to March 2021)	Latest available trading NAV (Bid Price)	Not Required
Property Unit Trusts	Level 3	Based upon the underlying investments within each portfolio, which are based upon the latest available valuations (ranging from February 2021 to March 2021)	INREV NAV	Return of capital, investment contributions, capital calls and accruals of liquidation expenses.
Private Equity	Level 3	Based upon the underlying investments within each portfolio.	Valuations of underlying limited partnerships	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Diversified Alternative	Level 3	Private Equity - A market approach is applied (mainly EV/EBITDA multiples) where appropriate. In some cases, an alternative method can be applied (e.g. DCF approach).	-EV/EBITDA multiples -Discounted cash flows -Third party appraisals	Valuations could be affected by material events occurring between the date of the financial statements

		<p>Private Debt - Where market quotations are readily available, the valuation is based on these. Where no market quotations are available, valuations are based on a discounted cash flow approach or recovery method.</p> <p>Private Real Estate - Valued considering third party appraisals which are updated at least on an annual basis. Intra-year valuations from these third party appraisals are adjusted for recent developments</p> <p>Private Infrastructure - Early stage investments are valued using the replacement cost method. Once construction reaches a certain stage, where cash flows are more visible, the valuation method is normally switched to a discounted cash for analysis. For stable and operating infrastructure assets, a market approach (i.e. multiple method) is used.</p>		provided and the Fund's own reporting date, and by any differences between audited and unaudited accounts.
Freehold Property	Level 3	<p>Valued by a valuer and RICS member, employed by the Royal Borough of Greenwich. The property was revalued utilising the "RICS Valuation - Global Standards 2017 and relevant UK supplement". The valuation was based on the open market value of the freehold interest, having regard to the actual lease terms and</p>	Income from tenants	Significant changes in rental growth, vacancy levels or the discount rates could affect valuations as could more general changes to market prices

		evidence of current levels of rent and yields for the class of property, adjusted to reflect age, condition and characteristics of the particular locality.		
Shares in London CIV Asset Pool (Other Unit Trusts)	Level 3	Based on the capital invested within the London CIV	Registration capital with the London CIV	N/A

Note 15 - Nature and Extent of Risks arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will 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 Fund manages these investment risks as part of its overall risk management programme. Responsibility for the Fund's risk management strategy rests with the Pension Fund Investment and Administration Panel. Risk management policies are established to identify and analyse the risks faced by the Fund. Policies are reviewed regularly to reflect changes in activity and market conditions.

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 risk. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst 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 Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages these risks in two ways:

- The exposure of the Fund to market risk is monitored through risk analysis, to ensure that risk remains within tolerable levels

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

Other Price Risk – Sensitivity Analysis

Having analysed historical data and expected investment return movement during the financial year, and consultation with the Fund's performance management advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the reporting period.

Asset	Potential Market Movements (+/-)
UK Equities	15.40%
Overseas Equities	15.40%
Bonds	6.00%
Property	2.80%
Cash	1.90%
Private Equity	6.70%
Diversified Alternative	6.70%
Multi Asset	4.50%

This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments moved in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Asset	Value as at 31 March 2021 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	20,406	1.90	20,785	20,027
UK Equities	212,432	15.40	245,064	179,800
Overseas Equities	645,050	15.40	744,137	545,963
Bonds	256,479	6.00	271,836	241,122
Property	137,110	2.80	140,927	133,293
Private Equity	2,975	6.70	3,175	2,775
Diversified Alternative	138,922	6.70	148,270	129,574
Multi Asset	122,608	4.50	128,069	117,147
Other Investment Balances	(2,951)	0	(2,951)	(2,951)
Total Assets available to Pay Benefits	1,533,031		1,699,312	1,366,750

The prior year comparator is as follows:

Asset	Value as at 31 March 2020 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
Cash and Cash Equivalents	21,300	3.00	21,939	20,661
UK Equities	164,406	13.00	185,732	143,080
Overseas Equities	442,334	13.00	499,713	384,955
Bonds	235,092	5.60	248,310	221,874
Property	139,046	2.60	142,620	135,472
Private Equity	4,900	5.20	5,155	4,645
Diversified Alternative	108,422	5.20	114,074	102,770
Multi Asset	124,139	3.80	128,809	119,469
Other Investment Balances	(1,013)	0	(1,013)	(1,013)
Total Assets available to Pay Benefits	1,238,626		1,345,341	1,131,911

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 direct exposure to interest rate movements is through its cash and fixed interest security holdings.

Interest Rate Risk - Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. It is currently felt that interest rates are unlikely to move up or down by more than 25 basis points (bps) over the course of the next year. 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 +/- 25 bps change in interest rates.

Asset	Carrying Amount as at 31 March 2021	Change in Year in the Net Assets available to Pay Benefits	
		+ 25 bps	-25 bps
	£000	£000	£000
Cash Balances	10,709	10,736	10,682
Cash on Deposit	58	58	58
Cash Equivalents	9,631	9,655	9,607
Blackrock Institutional Series	8	8	8
Total Interest Rate Risk Assets	20,406	20,457	20,355

Asset	Carrying Amount as at 31 March 2021	Change in Year in the Net Assets available to Pay Benefits	
		+ 25 bps	-25 bps
	£000	£000	£000
Fidelity GMAC	117,076	116,380	117,773
Fidelity UK Aggregate Bond Fund	139,403	136,057	142,748
Total Interest Rate Risk Assets	256,479	252,437	260,521

The prior year comparator is as follows:

Asset	Carrying Amount as at 31 March 2020	Change in Year in the Net Assets available to Pay Benefits	
		+ 25 bps	-25 bps
	£000	£000	£000
Cash Balances	13,350	13,383	13,316
Cash on Deposit	144	145	144
Cash Equivalents	7,628	7,647	7,609
Blackrock Institutional Series	178	178	177
Total Interest Rate Risk Assets	21,300	21,353	21,246

Asset	Carrying Amount as at 31 March 2020	Change in Year in the Net Assets available to Pay Benefits	
		+ 25 bps	-25 bps
	£000	£000	£000
Fidelity GMAC	99,479	98,534	100,424
Fidelity UK Aggregate Bond Fund	135,613	131,986	139,241
Total Interest Rate Risk Assets	235,092	230,520	239,665

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 Sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than Sterling.

Currency Risk – Sensitivity Analysis

Following consultation with the Fund's performance management advisors, the following table shows the potential impact of foreign exchange rate movements on the overseas holdings within the Fund (the analysis assumes that all other variables, in particular interest rates, remain constant):

Asset	Asset Value as at 31 March 2021	Potential Change in Foreign Exchange Rate	Value on Increase	Value on Decrease
	£000	%	£000	£000
Private Equity	2,975	7.5	3,199	2,751
Overseas Unitised Insurance Policies	552,653	7.1	592,159	513,148
Overseas Unit Trust Other	168,854	6.2	179,369	158,338
Overseas Equities	0	6.3	0	0
Cash held in Foreign Currencies	2	6.5	2	2
Total Currency Risk Assets	724,484		774,729	674,239

The prior year comparator is as follows:

Asset	Asset Value as at 31 March 2020	Potential Change in Foreign Exchange Rate	Value on Increase	Value on Decrease
	£000	%	£000	£000
Private Equity	4,900	7.9	5,285	4,514
Overseas Unitised Insurance Policies	415,124	7.1	444,753	385,495
Overseas Unit Trust Other	105,902	6.2	112,498	99,307

Overseas Equities	3	6.3	3	2
Cash held in Foreign Currencies	80	8.1	86	74
Total Currency Risk Assets	526,009		562,625	489,392

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 held in year 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. The Fund has a private equity portfolio where there is a higher credit risk. At the reporting date 0.19% of the Fund was in private equity thereby capping exposure to this asset class. Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £10.7m (£13.4m at 31 March 2020). This was held as follows:

Counterparty Type	31 March 2020 £000	31 March 2021 £000
UK Banks	13,350	10,709

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The cash position of the Fund is monitored to ensure that the Fund has adequate cash resources to meet its commitments. The Fund has immediate access to monies held in its current account. Monies on deposit are also highly liquid and are available to the Fund if needed. If the Fund found itself in a position where it did not have the monies to meet its immediate commitments, then liquid assets could be sold to provide additional cash. The fund defines liquid assets as assets that can be converted to cash within three months. As at 31 March 2021, the value of liquid assets represented 82% of the Fund (79% at 31 March 2020). Financial liabilities of £4.456m are all due to be settled within 12 months of the net asset statement date.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Note 16 – Funding Arrangements

In accordance with The Local Government Pension Scheme Regulations 2013, the adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Fund. This actuarial valuation also assesses the contribution rate required to meet the future liabilities of the Fund by considering the benefits that accrue over the course of the three years to the next full valuation.

In line with the regulations that funds should be re-valued every three years, the latest triennial valuation was carried out as at 31 March 2019 (effective from 1 April 2020) by the funds actuary, Barnett Waddingham. The results were published in the 31 March 2019 actuarial valuation which is available on the Royal Borough of Greenwich website.

The method of calculating the employer's contribution rate is derived from the cost of the benefits building up over the year following the valuation date. This method is known as the 'Projected Unit Method'. It is a method considered appropriate by the Actuary for a fund open to new members. As the Fund remains open to new members, its age profile is not currently rising significantly. If the age profile began to rise significantly, the projected unit method would calculate an increase in current service cost as scheme members approached retirement.

The market value of the Fund at the 2019 review date was £1,332m (£1,052m in 2016) and results showed that assets represented 97% of the liabilities (91% in 2016). The Fund deficit arising from the valuation was £45m as at 31 March 2019 (£105m as at 31 March 2016), which is to be spread and recovered over a 17-year period. The reconciliation of the primary contribution rate is as shown below:

Contribution Rate Analysis	Mar-19
	%
Future Service Total	16.6
Deficit Contribution	1.9
Total Employer Contribution Rate	18.5

The triennial valuation determines the contribution rate for each employer in the Fund using statistical information specific to each employer. The agreed contribution rates in accordance with the results of the actuarial valuation are as follows:

Year	Royal Borough of Greenwich	Other Bodies
2020/21	18.50%	16.3% - 18.6%
2021/22	18.50%	16.3% - 18.6%
2022/23	18.50%	16.3% - 18.6%

Details of each employer's individual rates are detailed in the Rates and Adjustment Certificate, which can be found in the triennial valuation report. New employers admitted after 31 March 2019 are actuarially assessed to determine their individual employer contribution rates.

The actuarial valuation using the 'Projected Unit Method' is based on economic assumptions. Assets have been valued at a 6 month smoothed market value straddling the valuation date. The assumptions used in the calculation and applied during the inter-valuation period are summarised as follows:

Future Assumed Returns as at March 2019	Assumed Returns % p.a.
Investment Return	
Equities	6.7
Gilts	1.7
Bonds	2.6
Property	6.1

Financial Assumptions	2019	2016
	% p.a.	% p.a.
Discount Rate	5.0	5.5
Short Term Pay Increases	n/a	CPI to 31 March 2020
Long Term Pay Increases	3.6	3.9
Consumer Price Inflation (CPI)	2.6	2.4
Pension Increases	2.6	2.4

The assumed life expectations from age 65 are as follows:

Demographic assumptions – Life expectancy from age 65	31-Mar 2020	31-Mar 2021^a
<u>Retiring Today</u>		
Males	20.8	20.5
Females	23.5	23.3
<u>Retiring in 20 years</u>		
Males	22.3	21.9
Females	25.1	24.9

^aCalculated using CMI_2020 model which introduces a “2020 weight parameter” for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results.

The actuary has also assumed that:

- Members will exchange half of their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Note 17 - Actuarial Present Value of Promised Retirement Benefits (IAS 19 basis)

To assess the value of the Fund's liabilities at 31 March 2021, the values calculated for the funding valuation as at 31 March 2020 have been rolled forward, using financial assumptions that comply with IAS19. The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits is:

Net Present Value	31-Mar 2020 £000	31-Mar 2021 £000
<u>Present Value of Funded Obligation</u>		
Vested Obligation	(1,960,095)	(2,502,770)
Non-Vested Obligation	(28,879)	(38,151)
Total Present Value of Funded Obligation	(1,988,974)	(2,540,921)
Fair Value of Scheme Assets	1,238,411	1,533,439
Net Liability	(750,563)	(1,007,482)

The financial assumptions used to assess the total net liability as at 31 March 2021 are:

Financial Assumptions	Mar-20	Mar-21
	% p.a.	% p.a.
Discount Rate	2.4	2.0
Pay Increases	2.9	3.8
Pension Increases	1.9	2.8

Note 18 – Debtors and Creditors

The following material amounts were due to, or payable from, the Fund as at 31 March 2021:

2019/20 £000	Debtors	2020/21 £000
	<u>Investment Debtors</u>	
35	Tax Refunds Due	23
11	Dividends Due	16
0	Sale of Investments	215
46	Total Investment Debtors	254
	<u>Member Debtors</u>	
575	Contributions	571
450	Other	476
1,025	Total Member Debtors	1,047
1,071	Total Debtors	1,301
	<u>Analysed By</u>	
825	Other Entities and Individuals	1,299
246	Central Government Bodies	2
1,071	Total Debtors	1,301
2019/20 £000	Creditors	2020/21 £000
	<u>Investment Creditors</u>	
(1,079)	Management Fees	(2,113)
0	Purchase of Investments	(1,205)
(41)	Custody Fees	(20)
(89)	Other	(17)
(1,209)	Total Investment Creditors	(3,355)
	<u>Member Creditors</u>	
(210)	Benefits Unpaid	(384)
(1,029)	Other	(717)

(1,239)	Total Member Creditors	(1,101)
(2,448)	Total Creditors	(4,456)

<u>Analysed By</u>		
(470)	Central Government Bodies	(505)
(442)	Local Authorities	(109)
(1,536)	Other entities and individuals	(3,842)
(2,448)	Total Creditors	(4,456)

Note 19 – Cash and Cash Equivalents

The cash balance can be further analysed as follows:

Cash	2019/20	2020/21
	£000	£000
Royal Borough of Greenwich Pension Fund (UK Banks)	13,350	10,709
Royal Borough of Greenwich Pension Fund (Held at Custodian)	8	2
CBRE Cash at Hand	64	55
Blackrock	0	1
State Street Global Markets	72	0
Total Cash	13,494	10,767

Cash Equivalents	2019/20	2020/21
	£000	£000
Royal Borough of Greenwich Pension Fund	589	206
Blackrock	3	3
CBRE	7,036	9,422
Total Cash Equivalents	7,628	9,631

Note 20 - Additional Voluntary Contributions

Contributing members have the right to make Additional Voluntary Contributions (AVCs) to enhance their pension. The Authority made such a scheme available to staff through Equitable Life. During 2000/01, Equitable Life announced itself closed to new business. On 23 December 2010, the Government passed an Equitable Life Bill to enable it to compensate Equitable Life policyholders who lost money due to the near collapse of the insurer in 2000. Since then, employees have had the option to pay current contributions into a Clerical Medical Fund. During 2019-20 policies held with Equitable Life were transferred to Utmost Life and Pensions. In accordance with section 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, AVCs are prohibited from being credited to the Local Government Pension Scheme and are thus not consolidated within the Fund accounts. However, a summary of the contributions made by members during the year and the total value of the AVC funds, at 31 March 2021, are shown below:

2019/20 £000	AVC Contributions	2020/21 £000
54	AVC Contributions to Clerical Medical	55
54	Total Contributions	55

31 March 2020 £000	AVC Market Values	31 March 2021 £000
874	Clerical Medical Market Value	953
363	Utmost Life and Pensions Market Value*	402
1,237	Total Market Value	1,355

*During 2019-20 AVC's previously held with Equitable Life transferred to Utmost Life and Pensions

Note 21a - Related Party Transactions

The UK Government exerts a significant influence over the Fund through enacting the various Regulations (mentioned herein). It is a major source of funding for the Royal Borough of Greenwich (the Administering Authority and largest employer within the Fund). During the year, no trustees or Key Management Personnel of the Authority with direct responsibility for pension fund issues have undertaken any material transactions with the Pension Fund, other than the following:

- a) Administrative services were undertaken by the Authority on behalf of the Fund, under the service level agreement, valued at £1.121m in 2020/21 (2019/20: £1.123m).
- b) The Royal Borough of Greenwich is the single largest employer of members of the pension fund and contributed £30.750m to the Fund in 2020/21 (2019/20: £30.233m).
- c) With respect to other Scheduled Bodies, an amount of £0.571m was owed to the Fund by Academies at year-end for contributions due.
- d) The Royal Borough of Greenwich Pension Fund is a Member of the London Councils Collective Investment Vehicle. Councillor Peter Brooks was the Fund's representative on the Board, along with Councillor Sizwe James as deputy. In 2020/21, an administration fee of £0.110m was paid to this organisation.

Note 21b – Key Management Personnel

Key Management Personnel Remuneration

The Key Management personnel of the Fund are the Director of Finance, the Chair of the Pension Fund Investment and Administration Panel and the Pension Investment Manager. The total remuneration payable to key management personnel is set out below:

2019/20		2020/21
£000		£000
64	Short-term benefits	65
80	Post-employment benefits	28
144		93

*2019/20 figures restated from £503k

Note 22 – Commitments

The Fund has commitments in relation to its private equity holdings. These commitments are drawn down in tranches over time, as and when the private equity managers request them. As at 31 March 2021, the Fund had £549k of private equity commitments outstanding (31 March 2020: £1.882m). These are not required to be included in the Accounts.

Note 23 – Events after reporting period

For a pension scheme, a non-adjusting event could be a change in asset allocation or investment manager. On 07th September 2020, the Pension Fund Investment and Administration Panel approved a revised investment strategy to switch 10% growth assets into diversifying assets. As a result of this asset allocation change, as at 25/06/2021, the fund has invested £98.7m into the LCIV Real Return Fund and £98.7m in LCIV Absolute Return Fund. This was funded from fully divesting the Invesco mandate and £75m divestment from Blackrock passive equity.

The Panel has also approved commitments of £42.5m (on 20/05/2021) into the LCIV Renewable Infrastructure Fund and £85m (on 13/09/2021) into the LCIV Private Debt Fund. These will be funded from distributions from Partners Group Diversified Alternative Fund.

Accounting Policies

General

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which states that the Accounts are to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the “Code”) based upon International Financial Reporting Standards (IFRS). The Statement of Accounts has been prepared on a going concern basis. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Many values throughout the accounts are rounded to the nearest £000, as such tables and notes may not appear to cross-cast or exactly match the sum of the individual items.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of contracts and services is recognised in-line with the consumption of performance obligations.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Revenue for the provision of contracts and services is recognised in line with IFRS15.

Acquired Operations

Acquired operations are those that the Authority has acquired during the reporting period as a result of the reorganisation of local government, or the transfer of services acquired as a consequence of legislation. The Authority will account for these in accordance with IAS 1 if material, and disclose any comparative amounts, if applicable.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than a three month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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

Change in Accounting Policy

Policies are the principles used to prepare the financial statements. A change in policy generally originates from the accounting standards although it could come from being able to provide more relevant and reliable information. These are normally processed retrospectively, although in some cases can be prospective, where stated.

Change in Accounting Estimate

This is an adjustment of the carrying amount of an asset or liability resulting from new information. These are processed prospectively in the current and future reporting periods.

Prior Period Adjustment

This is a material omission or misstatement that could reasonably have been accounted for in the preparation of the accounts for the previous reporting period. This is processed through retrospective restatement of the accounts by amending the opening balances and comparative amounts for the prior period. A note to the accounts will be included for prior period adjustments where necessary.

Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue (the Minimum Revenue Provision) towards the reduction in its overall borrowing requirement equal to an amount calculated

on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are, therefore, replaced by the contribution from the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Statements at the earlier of the following dates:

- when the Authority can no longer withdraw the offer of those benefits
- when the Authority recognises costs of a restructuring and involves the payment of termination benefits.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post-Employment Benefits

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

- The NHS Pension Scheme
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by the Royal Borough of Greenwich or the London Pension Fund Authority (LPFA).

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the arrangements for the NHS and Teachers Schemes' means that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The relevant cost of services line in the Statements is charged with the employer's contributions payable to the NHS and Teachers' Pensions schemes in the year.

The Local Government Pension Scheme

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

- The liabilities of the Royal Borough of Greenwich and LPFA pension funds attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices based on the Single equivalent discount rate (SEDR). Under this approach, rather than discount future cashflows with a single discount rate equal to the spot rate on the yield curve, this approach estimates the single equivalent rate that would produce the same liability as discounting each individual projected cashflow using a yield curve for AA rated bonds.
- The assets of the Royal Borough of Greenwich and LPFA pension funds attributable to the Authority are included in the Balance Sheet at their fair value:
 - for quoted securities – current bid price
 - for unquoted securities – professional estimate
 - for unitised securities – current bid price, except where only a single price is available in which case, net asset value
 - for property – market value.
- The Authority have opted to restrict the LPFA funded surplus to its total future service cost and take account of the asset ceiling, over the remaining lifetime of the active membership of the LPFA fund (on the accounting basis at the accounting date).

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

Discretionary Benefits

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

Events after the Reporting Period

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

Adjusting

Those events that provide evidence of conditions that existed at the end of the reporting period. Where material, the financial statements and notes are amended to reflect the impact of the events.

Non-Adjusting

Those events that are indicative of conditions that arose after the reporting period. The financial statements are not amended to reflect the events, but additional explanatory notes are provided.

Income from Taxation and Social Housing Rents

Revenue relating to social Housing Rents, Council Tax and Business Rates is measured at the full amount receivable (net of any impairment losses). Council Tax and Business Rates are accounted for in accordance with IPSAS 23 (i.e. non-contractual, non-exchange transactions). Housing rental income is shown within the Statements but local taxes collected as part of an agency arrangement (Council Tax and Business Rates) are not.

Material Items of Income and Expenditure

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Statements or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Fair Value Measurement

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

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

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

Financial Instruments

Financial instruments are recognised in the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Liabilities

Financial liabilities are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Statements for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged within the Statements is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Statements in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down in the Statements are spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Statements, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Statements to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

In accordance with IFRS 9, financial assets are classified into three categories:

- Financial assets held at amortised cost. These are loans and loan arrangements where repayments of interest and principal occur on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest and the interest credited to the Comprehensive Income and Expenditure Statement (CIES) is the amount receivable as per the loan agreement.
- Fair value through profit or loss (FVPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.
- Fair value through other comprehensive income (FVOCI). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES on asset disposal.

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Expected Credit Loss Model

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

Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they occur.

The Council will recognise expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis, where material. The expected credit loss model also applies to lease receivables and contract assets.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Realised gains or losses are recognised in the Financing and Investment Income and Expenditure line.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority are not credited until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants and contributions are shown as liabilities on the Balance Sheet until outstanding conditions are satisfied. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants). Where capital grants are credited, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL), which is applied to chargeable developments with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy is used to fund infrastructure projects in accordance with the amended Community Infrastructure Levy Regulations.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement and subsequently transferred to a useable reserve until required to fund the capital projects in accordance with the accounting policy for government grants and contributions set out above.

Heritage Assets

Where an asset is primarily retained for its contribution to knowledge and culture, it is designated as a heritage asset. However, where an asset is in operational use then it is classified accordingly, rather than as a heritage asset. Heritage Assets are recognised and measured in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The collection, as a whole, is relatively static and acquisitions and donations are infrequent. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation, ascertained by the museum's staff, utilising professional valuation organisations where appropriate. Where material, these items are reported in the Balance Sheet, with items in excess of £10,000 being individually disclosed. In relation to the Authority's overall asset base, values are relatively low and, as such, revaluations are not undertaken frequently due to the high cost of the process involved in valuing a diverse set of assets and the lack of comparative values. The items themselves are enduring in nature and, therefore, are not depreciated. The carrying amounts of heritage assets are reviewed when there is evidence of impairment. Any impairment is recognised and measured in accordance with the Authority's general policy on impairment. The proceeds of any disposals are disclosed separately in the notes to the financial statements and are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. Intangible assets are measured initially at cost and are carried thereafter at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s). An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s). Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Interests in Companies & Collaborative / Joint Arrangements

In accordance with IFRS 10, 11 and 12 the Authority has assessed the level of control it exerts with those organisations deemed to be within the group boundaries and categorised them accordingly and where appropriate, interests shown at book cost. This process has led to the conclusion that entries in relation to the preparation of Group Accounts are not material and therefore not required. Details of the categorisation of entities, with further description

relating to their composition and activities, are provided in note 28. Those activities in relation to joint committee activities are deemed to be outside of joint arrangement accounting.

Inventories

Inventories are included in the Balance Sheet at cost.

Investment Properties

Investment Properties are held solely for rental income and capital appreciation and are initially measured at cost. Investment Properties are not depreciated but subsequently revalued at the reporting date and held at the highest fair value achievable via an arm's length transaction. Gains and losses arising from revaluations or disposals are posted to the Financing and Investment Income and Expenditure Line in the Comprehensive Income and Expenditure Statement along with rental incomes.

Gains and losses arising from the revaluations and disposals are not permitted by statutory arrangements to have an impact on the General Fund Balance, and are therefore reversed out in the Movement in Reserves Statement and posted to the Capital Adjustment Account and Capital Receipts Reserve (where proceeds are greater than £10,000).

Property classifications are reviewed annually to ensure the definition of an Investment Property is met.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment will be accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability
- a finance charge (debited to the Financing and Investment Income and Expenditure line).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets. The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, unless another systematic basis is more representative of the benefits received by the Authority.

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line as part of the gain or loss on disposal. The sale proceeds, representing the Authority's net investment in the lease, are credited to the same line in the as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line).

The gain or loss presented on disposal is not permitted by statute to increase or decrease the General Fund Balance. The net investment in the lease is required to be treated as a capital receipt and the carrying value of the asset is posted to the Capital Adjustment Account. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write

down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve or the General Fund where the lease was entered into on or before 31 March 2010. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de minimis level of £10,000 has been adopted for the inclusion of Property, Plant and Equipment.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

- an estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Valuations are undertaken by a Chartered Valuation Surveyor and are made in accordance with the guidance from the Ministry of Housing, Communities and Local Government and the RICS Valuation-Professional Standards published by the Royal Institution of Chartered Surveyors. Valuations for use within the Accounts are sought by the Director of Finance from the Director of Regeneration, Enterprise and Skills. The relevant staff work in separate directorates, are professionally qualified and abide by their respective institute's ethical and other requirements. HRA and Non HRA assets were revalued at 31 March 2021. If the Valuer advises that there has been significant movement in the value of assets during the year, then a further revaluation may take place to ensure that their carrying amounts are not materially different from their values. Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH).
- The council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets and assets held for sale – fair value, determined by the measurement of the highest and best use value of the asset.
- all other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value. Assets included in the Balance Sheet at current value are revalued to ensure that their carrying amount is not materially different from their current value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains (exceptionally, gains might be credited where they arise from the reversal of a loss previously charged to a service). Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s).

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

Depreciation

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

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line allocation over the useful life as estimated by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years. Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Impairment

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

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

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

Disposals and Non-current Assets Held for Sale

Assets held for sale are assets:

- immediately available for sale;
- where the sale is highly probable;
- actively marketed;
- expected to be sold within 12 months.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Schools held on the balance sheet are disposed for nil consideration when they transfer to Academy status. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts related to disposal of dwellings are subject to the pooling requirements and the RTB Retention Agreement. Receipts from non dwelling HRA disposals are retained by the Council for the purposes of affordable housing. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Private Finance Initiative and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The Authority has two PFI schemes (the provision of three Neighbourhood Resource Centres and two schools) where the assets are carried in its Balance Sheet (excluding one school which converted to academy status 2014/15). The original

recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority. The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service
- finance cost – an interest charge on the outstanding Balance Sheet liability, and debited to the Financing and Investment Income and Expenditure line
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant works are eventually carried out.

Provisions, Contingent Assets and Liabilities

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the Accounts where it is probable that there will be an inflow of economic benefits or service potential.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts.

Reserves

The Authority's reserves are reflected in the Movement in Reserves Statement. They include reserves the Authority sets aside for earmarked purposes. An analysis of earmarked reserves is contained within Note 7.

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

Revenue Expenditure Funded from Capital under Statute

Legislation allows for some expenditure incurred during the year, which does not result in the creation or enhancement of a non-current asset, to be funded from capital resources that under normal accounting practice would be charged to Surplus or Deficit on the Provision of Services. Where it has been determined to meet the cost of this expenditure, usually grants and expenditure on property not owned by the Authority, from capital resources or by borrowing this is accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance and showing as a reconciling item in the Movement in Reserves Statement; such that there is no impact on the level of council tax. During 2019/20 the Council utilised the temporary Flexible Use of Capital Receipts directive, which permits the funding of one-off service transformation costs, that will result in on-going savings, from capital receipts.

VAT

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

Annual Governance Statement

Executive Summary

The Royal Borough of Greenwich acknowledges its responsibility for governance and is committed to the principles of good governance as identified in *Delivering Good Governance in Local Government: Framework (2016)*.

The Council is committed to addressing the governance issues raised in this statement and keep under review the arrangements to address these issues. It will report progress to the Audit and Risk Management Panel.

The Council remains of the opinion that it has arrangements in place to manage the governance issues and is fit for purpose. As an organisation it continues to progress key strategies and developments while managing the pressures and the adverse impact of the governance issues identified and the recent pandemic.

We have considered these governance issues raised in the 2019/20 Annual Governance Statement (AGS) and we have agreed that these issues should remain in the AGS, to continue to be subject to close regular review during 2021/22.

The Council's IT Disaster Recovery / Business Continuity system – The risk, which has been on the AGS for a number of years, had been mitigated, but as more systems move to the cloud the risks associated with loss of access and hacking were identified as the new strategic risk. The associated risks have increased with the substantial increase in remote working in response to the Covid-19 pandemic.

No Recourse to Public Funds (NRPF) – this remained as a significant governance control issue going forward and the position is under regular review. Expenditure in this area steadily increases but the Royal Borough receives no funding to support this work and it represents a significant budget pressure as families and individuals may have a right to financial support and there are increasing legal costs incurred by the Council that are associated with some cases.

The General Data Protection Regulation (GDPR) – this exposes the Council to the risk of a significant fine from any breach. Data breaches in recent years they have been minor. The associated risks have increased in line with the substantial increase in remote working in response to the Covid-19 Pandemic. Further measures are being taken to mitigate the risks.

The Medium Term Financial Strategy (MTFS) – the planning process is an essential part of the Council's strategic planning framework. This governance issue was included and highlights the continued pressure and significant uncertainty around the Local Government Finance Settlement which was a one year only settlement. The Covid-19 Pandemic has significantly increased the pressure on the Council's strategic planning and the MTFS will be revised to reflect this uncertainty into future years.

No new key governance issues have been identified to include in the AGS in the current year.

Cllr Danny Thorpe
Leader of the Council

Dated: 30 September 2021

Debbie Warren
Chief Executive

Dated: 30 September 2021

Key Governance Arrangements

Scope of responsibility

The Royal Borough has approved and adopted a code of corporate governance based on the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government: Framework (2016)*. A copy of the code can be obtained from the Director of Finance. In accordance with this framework the Royal Borough has to undertake a review of its systems of internal control at least annually. This statement explains how the Royal Borough has complied with the code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the effectiveness of its system of internal control.

CIPFA and SOLACE reviewed the Framework in 2015 to ensure it remains 'fit for purpose' and published a revised edition in April 2016.

CIPFA issued a guidance bulletin in February 2021 setting out how the organisation should take account of the impact of Covid-19 pandemic on the governance arrangements as part of its annual review. The guidance has been taken into account as part of this review.

What is Governance?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

The governance framework

The core principles of good governance are set out in the CIPFA/SOLACE Framework and the first two are expected to permeate the other core principles:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Royal Borough's governance framework is summarised in its Local Code of Corporate Governance. The following paragraphs outline the key elements of the systems and processes that comprise the Royal Borough's governance framework and arrangements, in place in 2020/21 and summarises how the principles of good governance have been met.

What is the purpose of a Governance Framework?

The governance framework is set out in the Code of Corporate Governance, which is reviewed annually and updated. The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, the Council:

- operates in a lawful, open, inclusive and honest manner;
- makes sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud, properly accounted for and used economically, efficiently and effectively;
- has effective arrangements for the management of risk;
- secures continuous improvement in the way that it operates;
- enables human, financial, environmental and other resources to be managed efficiently and effectively;
- properly maintains records and information; and
- ensures its values and ethical standards are met.

The governance framework has been in place during the year ended 31 March 2021.

Annual Governance Statement

The AGS is an annual assessment of the governance assurance processes in place to meet the governance framework. This includes Cabinet Member overview and oversight and robust challenge by the Council's Statutory Officers i.e. the Chief Executive, Monitoring Officer and Chief Financial Officer.

In addition, 'an assurance model' is in place which helps Members and Senior Management to understand where assurances are being obtained from, what level of reliance they are able to place on that assurance and what potential gaps are identified in that assurance.

Effective risk management and control assurance can come from many sources within the Council:-

- functions that own and manage risks e.g. management and supervisory controls;
- functions that oversee risks e.g. Governance structures and processes such as Audit and Risk Management (ARM) Panel, Scrutiny, and Boards; and
- functions that provide independent assurance on the management of risks e.g. OFSTED and Internal/External Audit.

These help the Council understand how each contributes to the overall level of assurance and how best they can be integrated and supported. This summarises the Council's governance assurance framework.

How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance arrangements that have been in place during the preceding financial year. The key sources of assurance that inform this review are outlined below:

- The continued development and implementation of a Member / Management governance assurance framework, which enables the Council to gain assurance that good governance actions and behaviours are operating within the Council;
- Internal Audit's independent review of the effectiveness of the Local Government Pension Scheme's governance arrangements, which includes the administration of the pension fund;
- The Head of Internal Audit's annual report 2020/2021, which provides the independent assurance that key risks (financial and non-financial) are being adequately controlled and provides an opinion on the effectiveness of these arrangements;
- The outcome of risk management activity during 2020/2021 and any critical risks identified; and
- Any comments made by the Council's External Auditors and any other review agencies and inspectorates.

A Corporate Assurance Checklist is prepared which sets out in detail the arrangements in place and how the Council believes that its arrangements have meet the CIPFA Principles of Good Governance.

Application of the Financial Management Code

The CIPFA Financial Management Code 2019 (FM Code) was introduced from 2020/21 with 2020/21 as a shadow year, ahead of full implementation from 2021/22. A key goal of the FM Code is 'to improve financial resilience by embedding enhanced standards of financial management.'

The Director of Finance is able to demonstrate that the key principles of the FM Code are already in place; these are set out within the Council's Local Code of Governance and embedded in the Governance Framework:

- **Leadership** – The leadership of the Council receive reports on alternative applications of available resources, assesses the relative benefits of proposals and develop its Medium Term Financial Strategy to support the Corporate Plan.
- **Accountability** – The Council applies the Delivering Good Governance in Local Government Framework 2016; the AGS is produced annually with the statement of accounts by the Council, while the budgetary process is used to produce a budget annually and budget monitoring is presented to enable the Council's leadership team to make the necessary strategic financial decisions and keep those decisions under review during the financial year.
- **Transparency** – The Council engages with stakeholders and partners to help to develop the long-term financial strategy of the Council, its MTFS and its annual budget.
- **Standards** – The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities, and fulfils its statutory obligation to set a budget annually with a statement by the Director of Finance on the robustness of the estimates and the adequacy of reserves.
- **Assurance** – Cabinet, Overview and Scrutiny Committees and the ARM Panel provide the key member led review bodies that oversee governance and internal control, receiving reports from the Director of Finance to enable members and chief officers to identify emerging risks and take corrective action.
- **Sustainability** – The Council has a Medium Term Financial plan for 2021/22, agreed by Cabinet is based on the best information available. The Plan assesses the pressures the Council is facing, and the proposals to address those pressures. It will remain subject to review, if the Government plans and timescales are not met and a further pandemic wave occurs.

The Director of Finance and the Council believes that arrangements are in place to comply with the FM Code, but will keep arrangements under review as part of its overall Governance Framework.

Review of effectiveness

The Royal Borough has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, i.e. the Head of Internal Audit's annual report, and by comments made by external auditors.

The Local Code of Governance is the Royal Borough's governance framework; there are various levels of assurance, in particular the level of internal control exerted by the management of the Royal Borough summarised in the Corporate Assurance Checklist for 2020/21.

In reviewing the Royal Borough's governance arrangements in this year it has considered the arrangements in place and operating for the majority of the financial year ended 31 March 2021 and it has also considered the arrangements in response to the on-going Covid-19 Pandemic.

Pandemic Governance arrangements

The review has considered the evidence of how governance operated during the year when there were two national lockdowns and periods of restriction in place in response to the pandemic. The review has considered the effectiveness in the response to pandemic and how the operations of the Royal Borough have adapted to the rapidly changing situation.

The normal governance process included reviewing-;

- The Council's constitution which has been updated to reflect the roles and responsibilities of members in the current municipal year;
- Arrangements for communicating with the citizens of Royal Greenwich and other stakeholders which include providing information, online consultations and meetings;
- Performance management arrangements to ensure the delivery of objectives within the corporate plan within the planned resources;
- Roles, responsibilities and training of members and officers responsible for governance;
- The process for making financially and legally prudent risk assessed decisions and reviewing decisions through the Overview and Scrutiny process;
- Overall risk management arrangements and the process for reporting concerns and complaints;
- Activities of the relevant member committees and panels;
- Activities of the departmental management teams in the delivery of their services plans and the respective contributions to the corporate plan;
- The Head of Internal Audit report on the Royal Borough's internal control arrangements based on internal audit's work programme during the year to ensure compliance with policies and procedures;
- Arrangements for following up actions identified from the previous Annual Governance Review process; and
- The findings of the Royal Borough's external auditors on the work undertaken on the governance of the Royal Borough which previously gave an unqualified opinion on the accounts.

The Council used the corporate plan 2018-2022 which makes explicit statements about the Councils objectives and how it intends to achieve these.

https://www.royalgreenwich.gov.uk/downloads/file/3851/corporate_plan_2018_to_2022

Governance arrangements and the Coronavirus Pandemic

The Council began its preparations for the emerging pandemic in February 2020:

- The Director of Finance advised Audit and Risk Management Panel on 25 February 2020 that the council had begun initial preparations in relation to the growing Public Health Emergency of International Concern which was also beginning to affect global stock markets.
- A COVID-19 Taskforce was established and included officer representatives of all council services and was co-chaired by the Director of Public Health and Wellbeing and the Assistant Director, Communications and Democratic Services with the first meeting of the Taskforce on 13 March 2020.

On 16 March, the Prime Minister advised everyone in the UK against "non-essential" travel and contact with others, and to work from home if possible. By 23 March 2020 the country was in lockdown.

A range of initial actions were taken to prepare for the pandemic; internal and external communications were issued to advise staff and residents of the measures that they needed to take and to provide support and reassurance.

Measures were taken to increase remote access to the Council's network to enable more officers to work from home, particularly for those in critical roles who need access to systems not available through Office 365.

- The Council's supplies of hand sanitizer were controlled to ensure that it was prioritised for customer-facing staff while procurement of new supplies were centralised, ensuring both that stocks were prioritised and that only hand sanitizer that was effective procured.
- The Council worked with local NHS services to increase the rate of hospital discharge, in order to reduce the number of patients in hospital, increasing capacity.
- The impact of school closures on families with children in receipt of free school meals was identified and efforts between the Council, schools and GS Plus coordinated to support families.

The London Local Authority Coordination Centre (LLACC) requested that all London Boroughs activate their Borough Emergency Control Centres (BECCs) on March 17. This activation established a Gold, Silver and Bronze procedures to ensure all decision response actions are properly recorded.

Greenwich BECC was been in operation seven days a week from this date and was staffed by the Emergency Planning and Business Continuity Team and staff from across the Council. A central part of the BECC's role during the pandemic has been to coordinate information flows to and from the pan-London, regional and national response arrangements.

The COVID-19 Taskforce then became the COVID-19 Silver Group. It provides daily updates on the impact of COVID-19 on Council services and coordinates the directorates' response to the pandemic. The response is cleared by Gold ahead of submission to the LLAC.

At the height of the pandemic the emergency planning and business continuity measures were in place to keep services operating as usual:-

- Establishing an operating framework to communicate and guide the organisation;
- Identifying priority services;
- Identifying staff at risk or absent;
- Identifying and redeploying staff to cover staff shielding and-self isolating;
- Identifying and responding to changes in need and demand; and
- Introducing other measures giving staff remote access to Council systems and facilities to continue to operating despite the Government restrictions.

- Introducing new operating rules around corporate buildings to minimise the risk of an outbreak
- Running Council meetings remotely
- Introducing on site testing for staff in Council buildings
- Redeploying staff to help off-site facility and to support the community

The Government introduced measures following the March 2020 Budget to support business, through Business rates relief and Government Grants to Local Businesses. In response, the Council has responded by ensuring that control measures are in place when allocating the support funds.

Although some easing of the restrictions occurred, plans anticipated a second wave and practices and processes were introduced in anticipation of a further lockdown which was introduced in December 2020.

The impact on the financial position of the Council in 2020/21 has been assessed and reviewed throughout the year. The review regularly reported to Cabinet to take account of the changing situation. The adverse impact has recently been assessed at £56.8m.

The current Medium Term Financial Plan will need to be kept under review and will depend in part on some issues outside the Council's control - the recovery in the borough and across the South East Region, the impact upon businesses and employment, and the easing of the current restrictions into 2021/22,

Significant governance issues

The 2019/20 Annual Governance Statement included four areas that represented significant governance issues.

- IT Disaster Recovery and Business Continuity;
- No Recourse to Public Funds;
- GDPR and the risk of fines from data Breaches; and
- The Medium Term Financial Plan

It was agreed that the IT Disaster Recovery and Business Continuity issue would be removed, but IT would be introduced to reflect the risks associated with the move to remote working for a large

The IT Disaster Recovery and Business Continuity did not anticipate the need to allow a significant number of staff to work from home. Access was initially restricted to key staff. The subsequent solution introduced over the following weeks, was to provide remote access to many staff with their own equipment, while the Council ordered equipment for other staff. While the Council was able to respond to the first lockdown and rapidly deployed resources, the increase in remote working was not anticipated and system security carries risks. Some staff also continue using their own equipment to help the Council to continue to function.

In relation to no recourse to public funds this has been retained as a significant governance issue. The outturn position for Nil Recourse was £2.8m net expenditure and a variance of £1.8m overspend, this is a decrease of (£381k) from 2019/20. This remains an area of close monitoring and represents a financial pressure on the Council's financial position.

A significant fine resulting from a data breach under the General Data Protection Regulation remains a risk to the Council. Although there have been minor breaches, the risk of a material breach has increased with the arrangements to deal with the pandemic and the increase in significant remote working. Additional measures are proposed to mitigate this risk, such as compulsory cyber security training.

During 2020/21, the Medium Term Financial Strategy (MTFS) was closely monitored and the risks associated with the pandemic and the longer term uncertainty, locally and nationally, now presents a significant challenge and this should be included under the Annual Governance Statement. The MTFS will be revised building on the Council's Continuous Improvement model.

During 2021/22 Members of the Audit and Risk Management Panel will be kept abreast of on-going progress achieved in these areas with a view to removing each area as a significant governance issue in the next Annual Governance Statement.

The following items have been identified as issues of concern to be monitored:-

Governance Area	Governance Control Issue	Action Required	Responsible Officer
IT - Disaster Recovery /Business Continuity	<p>The Council's IT Disaster Recovery / Business Continuity system remains a strategic risk to the Council, due to the pivotal nature of the service to the Council's operations.</p> <p>Having completed the move to our new Data Centre in Slough, the geographical risks have been replaced with contractor failure, network linkage and a new physical location.</p> <p>The Council's user estate is now operated in a hybrid mode, with some users on the core environment, while other work with cloud services. Loss of access to the cloud services is now a new strategic risk, along with the hacking of our cloud tenancy.</p>	Having completed the upgrading of the core environment in April 2017, the primary risk around the TWC Data Centre has been mitigated.	Director of Finance

Governance Area	Governance Control Issue	Action Required	Responsible Officer
No Recourse to Public Funds (NRPF)	<p>No Recourse to Public Funds (NRPF) is an immigration condition restricting access to public funds, including many mainstream benefits such as Income Support and Housing Benefit. Families and individuals may have a right to financial support (accommodation and subsistence) from social services to avoid destitution or because of complex health needs.</p> <p>In these cases, the Royal Borough has a duty to support the accommodation and subsistence costs of residents with NRPF.</p> <p>These cases are often complex to assess and unpredictable as to how much they cost or how long they last. The Royal Borough receives no funding to support this work represents a significant budget pressure.</p> <p>There are also increasing legal costs and legal challenges. As Case Law expands there is a significant risk that the Council's duties and responsibilities also expand.</p> <p>The issue remains as a significant governance control issue going forward and the position is under regular review.</p>	<p>The NRPF Team continues to manage the council's response to people who present as requiring support, despite the fact that they have no access to public funds.</p> <p>The numbers of families supported is falling slowly, through robust gatekeeping and supported families being processed by the Home Office and determined to now have access to public funds. Applications to the Council remain high.</p> <p>The outturn position for Nil Recourse was £2.8m net expenditure and a variance of £1.8m overspend, this is a decrease of (£381k) from 2019/20.</p> <p>The team also manages the Sanctuary Project, which is the resettlement of 20 families under a Government scheme to resettle families from UNHCR camps in the Middle East. This project work in partnership with a range of voluntary organisation, including the Greenwich Islamic Centre, (GIC). The contract and details with the GIC are being revised.</p>	Director of Health and Adult Services

Governance Area	Governance Control Issue	Action Required	Responsible Officer
Data Breaches	<p>Under the UK General Data Protection Regulations (GDPR) the fine associated with a major data breach is £17.5 million.</p> <p>While the council has experienced data breaches in recent years they have been minor, and have not resulted in enforcement action by the Information Commissioner's Office (ICO).</p> <p>There is a risk that a breach, if significant, could result in a material fine.</p>	<p>The Council has recently rolled out mandatory Cyber Security training to all staff. Completion rates for this training will be monitored to ensure staff complete this training.</p> <p>An individual rights improvement plan is being developed to improve directorates' handling of individual rights requests.</p>	Director of Director of Improvement, Communities & Environment

<p>Medium Term Financial Plan</p>	<p>The medium-term financial planning process is an essential part of the Council's strategic planning framework. The Medium-Term Financial Strategy integrates strategic and financial planning over the current and subsequent four-year period. It translates the Council's priorities into a financial framework which enables the Cabinet and officers to ensure policy initiatives can be delivered within available resources and can be aligned to priority outcomes. The Council presented a refreshed Medium-Term Financial Strategy which was approved by Council on 25 February 2021. This highlighted a pressure over the medium term (up to and including 2024/25) of £23m. There continues to be significant uncertainty in the medium term for the future funding for local government. The local government finance settlement for 2021/22 is again a one year only settlement, with the deferral again of significant reform of the local government funding.</p> <p>Fair Funding and Business rates reform</p> <p>The areas of possible reform that have been deferred are:</p> <ul style="list-style-type: none"> · Fair Funding Review (including the Area cost adjustment - ACA) · Business Rate Baseline Reset · A move from 50% to 75% Business Rate Retention · The potential introduction of the Alternative Business Rate Retention System <p>No timeline was discussed when the settlement was released in December 2020, for when these reforms are now likely to take place. The Minister when questioned said he hoped "there may be an opportunity to do so next year and my Department will work with the Treasury to review that" and when pressed said he was "not able to</p>	<p>A revised medium-term financial strategy will be produced building on the Council's Continuous Improvement model.</p>	<p>Director of Finance</p>
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	<p>confirm when we will bring that forward” .</p> <p>These reforms are likely to be significant affecting the way local government resources are allocated at both the national and local level. There is a strong possibility that that these reforms mean local government resources are likely to be relocated from London to the districts and in particular to those areas in the north. The Covid-19 Pandemic has had , and will continue to have, an impact on the Council's resources over both the short and medium term as the Local and National Economy seeks to recover.</p>		
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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor the implementation and operation as part of our next annual review.

Cllr Danny Thorpe
Leader of the Council

Debbie Warren
Chief Executive

Dated: 30 September 2021

Dated: 30 September 2021

Glossary

Accounting Policies

Rules and Practices are adopted by the Authority that dictate how transactions and events are shown.

Accruals

Income and expenditure are recognised as they are earned or incurred, rather than when money is received or paid.

Actuary

An independent professional who advises on the position of the Pension Fund.

Actuarial Valuation

The Actuary reviews the assets & liabilities of the Pension Fund every three years.

Amortisation

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

Appropriation

The assignment of revenue for a specific purpose.

Balance Sheet

A statement of recorded assets, liabilities and other balances at the end of an accounting period.

Better Care Fund

A pooled budget between the Authority and the Clinical Commissioning Group.

Business Rates

A tax on non-domestic properties.

BSF

Building Schools for the Future.

Capital Expenditure

Expenditure on new assets such as land and buildings or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Receipts

Income received from the disposal of land, buildings and other capital assets.

Carrying Amount

The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

CIPFA

Chartered Institute of Public Finance and Accounting

Collection Fund Account

A fund operated by the billing authority into which all receipts of council tax and national non-domestic rates are paid.

Community Assets

Assets that the Authority intends to hold in perpetuity, which have no determinable useful life and which may have restrictions on their disposal e.g. parks and historic buildings.

Comprehensive Income and Expenditure Statement (CSIE)

Statement of net cost for the year of all the Authority's services, and how this cost is financed from government grant and local taxpayers.

Council Tax

A tax on domestic properties introduced 1st April 1993 to replace the Community Charge.

CPI

Consumer Prices Index – a measure of inflation.

Creditors

Amounts owed by the Authority for goods and services received where payment has not been made at the date of the Balance Sheet.

Debtors

Amounts owed to the Authority for goods and services provided but not received at the Balance Sheet date.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

Defined Contribution Scheme

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

Depreciation

The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Earmarked Reserves

Amounts set aside for a specific purpose or a particular service or type of expenditure.

Fair Value

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Finance Lease

A lease that transfers substantially all the risks and rewards of ownership to the lessee. Assets under such leases are recognised as the lessee's property.

Financial Instruments Adjustment Account (FIAA)

Provides a balancing mechanism between the different rates at which gains and losses are recognised under the Code and are required by statute to be met from the General Fund.

General Fund

The account that summarises the revenue costs of providing services that are met by the Authority's demand on the collection fund, specific government grants and other income.

Gross Expenditure

Total expenditure before deducting income.

Heritage Asset

An asset with, historical, artistic, scientific, technological, geophysical, environmental or cultural significance.

Highways Network Asset

A grouping of interconnected components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Components include carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

HRA

This is the Housing Revenue Account, which includes the expenditure and income for the provision of rented dwelling. Items to be included are prescribed by the Local Government and Housing Act 1989.

IAS19

IAS19 is a complex accounting standard, but is based upon a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. Following the adoption of IAS19, the net pensions asset/liability to be recognised is made up of two main elements:

- Liabilities – the retirement benefits that have been promised
- Assets – the attributable share of investments held to cover the liabilities.

IFRS

International Financial Reporting Standards.

Impairment

A reduction in the value of a fixed asset, as shown in the balance sheet, to reflect its true value.

Infrastructure Assets

Non-current assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of the asset e.g. highways and footpaths.

Investment Property

A property which is held solely to earn rentals or for capital appreciation.

Liability Driven Investment (LDI)

A form of investing in which the main goal is to gain sufficient assets to meet all liabilities, both current and future. This form of investing is most prominent with defined-benefit pension plans.

MTFS

Medium Term Financial Strategy.

Minimum Revenue Provision

Amount that the Authority has determined to set aside each year as a provision for the repayment of debt.

Net Book Value

The amount at which Property Plant and Equipment are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Expenditure

Gross expenditure less income.

Non-Current Assets

(In)tangible assets that result in benefits to the Authority and the services it provides for more than one year.

Non-Operational Assets

Non-current assets held by the Authority but not used or consumed in the delivery of services e.g. investment properties and assets that are surplus to requirements.

NRC

Neighbourhood Resource Centre.

Operating Lease

A lease other than a finance lease. Allows the Council use of the leased asset, but not ownership.

Outturn

Actual income and expenditure for a financial year.

Precept

The charge made by one authority on another to finance its net expenditure.

Private Finance Initiative (PFI)

Government initiative under which the Authority buys the services of a private sector supplier to design, build, finance and operate a public facility.

Provision

Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

PWLB

Public Works Loans Board (advances loans to local authorities).

Rateable Value

The value of a property for rating purposes set by the Valuation Office Agency, an executive agency of HM Revenue and Customs. Business rates payable are calculated by multiplying the rateable value of the property by the rate in the pound set by the government.

Reserves

The net worth of the authority (the sum of its net assets).

Revenue Expenditure

Regular day-to-day running costs incurred in providing services e.g. employee costs and purchase of materials.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation or enhancement of Authority owned assets.

Revenue Support Grant

The main grant paid by central government to the Authority towards the costs of all its services.

RPI

Retail Prices Index – a measure of inflation.

Section 151 Officer

The Chief Finance Officer as set out under Section 151 of the Local Government Act 1972.

SoDoPS

Surplus or Deficit on the Provision of Services.

Soft Loans

Funds advanced or taken on at less than market rates.

Support Services

Activities of a professional, technical and administrative nature, which support front line services.

The Code

The Accounting Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Teckal

A company that carries out the essential part of its activities and in any case, more than 80% of its work, for the Authority, whereby the local authority exercises control over it similar to that which it exercises over its own departments.

Unusable Reserves

Element of the net worth of the authority that is not generally cash backed i.e. they are not available to be used (e.g. Revaluation Reserve).

Usable Reserves

Element of the net worth of the authority that is generally cash backed and set aside for specific purposes.