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Havering
LONDON BOROUGH

AUDIT COMMITTEE AGENDA

7.00 pm	**Tuesday 3 December 2024**	**Appointment Centre Room 7 & 8 Town Hall, Romford**

Members 6: Quorum 3

COUNCILLORS:

Conservative Group (2)	**Havering Residents' Group (3)**	**Residents' Association Independent Group (1)**
Keith Prince David Taylor	Julie Wilkes (Chairman) Jacqueline Williams (Vice-Chair) John Crowder	Phil Ruck

For information about the meeting please contact:
Taiwo Adeoye 01708 433079
taiwo.adeoye@OneSource.co.uk

Under the Committee Procedure Rules within the Council's Constitution the Chairman of the meeting may exercise the powers conferred upon the Mayor in relation to the conduct of full Council meetings. As such, should any member of the public interrupt proceedings, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room and may adjourn the meeting while this takes place.

Excessive noise and talking should also be kept to a minimum whilst the meeting is in progress in order that the scheduled business may proceed as planned.

Protocol for members of the public wishing to report on meetings of the London Borough of Havering

Members of the public are entitled to report on meetings of Council, Committees and Cabinet, except in circumstances where the public have been excluded as permitted by law.

Reporting means:-

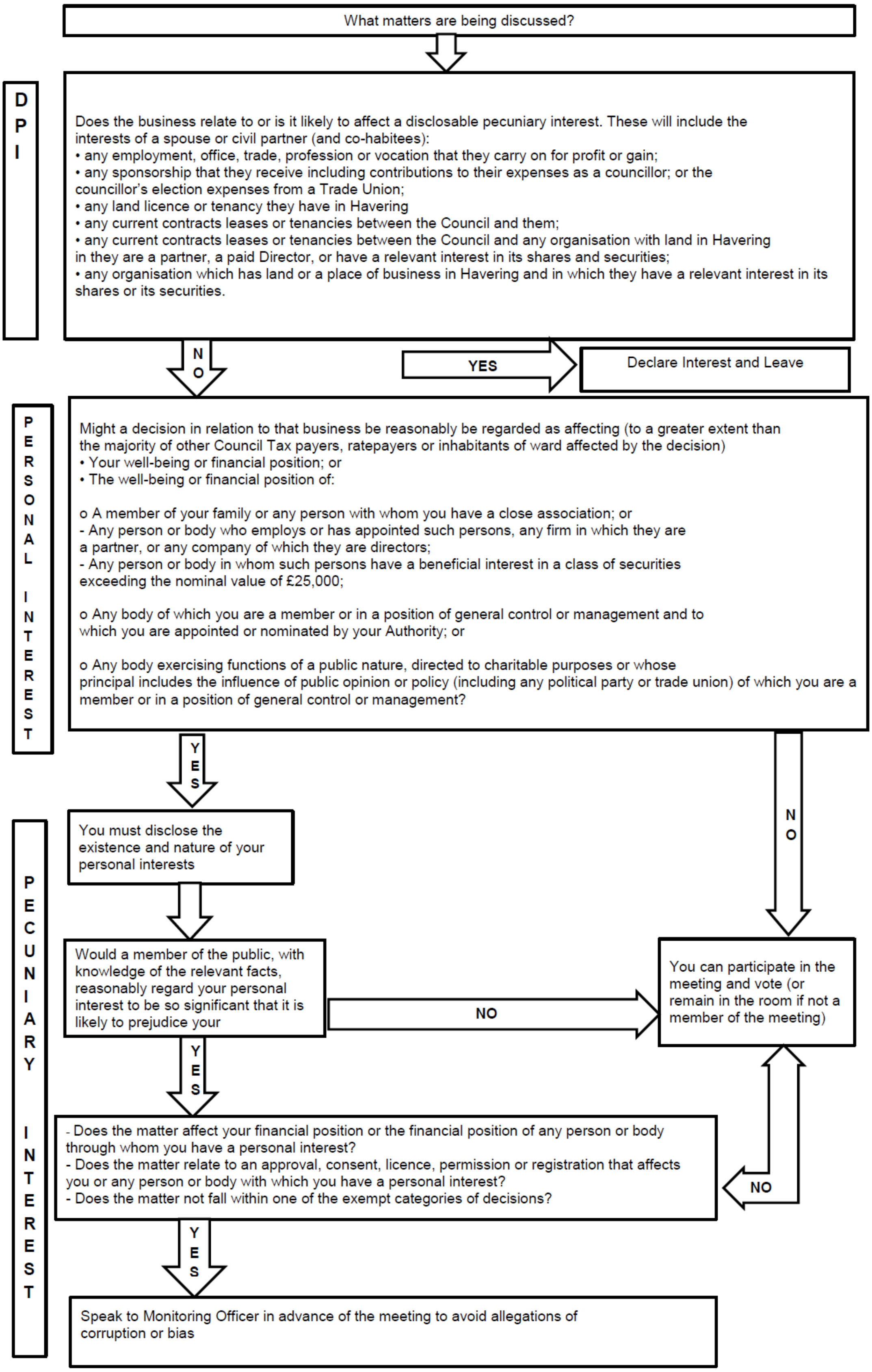
- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later if the person is not present.

Anyone present at a meeting as it takes place is not permitted to carry out an oral commentary or report. This is to prevent the business of the meeting being disrupted.

Anyone attending a meeting is asked to advise Democratic Services staff on 01708 433076 that they wish to report on the meeting and how they wish to do so. This is to enable employees to guide anyone choosing to report on proceedings to an appropriate place from which to be able to report effectively.

Members of the public are asked to remain seated throughout the meeting as standing up and walking around could distract from the business in hand.

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



AGENDA ITEMS

1 CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) – received.

3 DISCLOSURE OF INTERESTS

Members are invited to declare any interest in any of the items on the agenda at this point of the meeting.

Members may still disclose any interest in any item at any time prior to the consideration of the matter.

4 MINUTES OF THE MEETING (Pages 5 - 8)

To approve as correct the minutes of the meeting held on 25 July 2024 and authorise the Chairman to sign them.

5 STATEMENTS OF ACCOUNTS 2021/22 & 2022/23 AND EXTERNAL AUDIT REPORTS TO THOSE CHARGED WITH GOVERNANCE (Pages 9 - 568)

6 HEAD OF ASSURANCE PROGRESS REPORT 2024/25 (Pages 569 - 594)

7 MID-YEAR TREASURY MANAGEMENT REPORT 2024/25 (Pages 595 - 616)

8 URGENT BUSINESS

To consider any other item in respect of which the Chairman is of the opinion, by reason of special circumstances which shall be specific in the minutes that the item should be considered at the meeting as a matter of urgency.

Zena Smith
Head of Committee and
Election Services

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Appointment Centre Room 10 & 11, Town Hall, Romford
25 July 2024 (7.00 - 8.30 pm)

Present:

COUNCILLORS:

Conservative Group	Keith Prince
Residents' Group	Julie Wilkes and John Crowder
Labour Group	Jane Keane

Apologies were received for the absence of Councillors Williams and Osman Dervish.

Unless otherwise indicated all decisions were agreed with no vote against.

Through the Chairman, announcements were made regarding emergency evacuation arrangements and the decision making process followed by the Committee.

125 **MINUTES OF THE MEETING**

The meeting minutes of the Committee held on 14 May 2024 were agreed as a correct record and signed by the Chairman.

126 **EXTERNAL AUDIT PLANS 2023/24**

Heather Salmon, Head of Finance introduced the Council's external auditor, Ernst and Young (EY), who presented its 2023/24 audit plans for both the Council and the Pension Fund to the Committee.

Each year the council's external auditor presented their audit plan for the financial accounts to the Audit Committee. The audit plan outlined the scope of the audit, any significant risks inherent in the audit, materiality and value for money arrangements.

In summary at its meeting on Wednesday 22 March 2022 the Council approved the decision of Audit Committee to procure an external audit contract through Public Sector Audit Appointments Ltd (PSAA) for both the London Borough of Havering and the Havering Pension Fund.

At the time it was anticipated that audit scale fees for 2023/24 would likely increase by 150% compared to the previous year. Under the Local Audit (Appointing Person) Regulations, the 2023/24 fee scale must be published before 1 December 2023. Following a period of consultation, the PSAA published the scale fees for 2023/24 for each audited body in November 2023. The scale fees for 2023/24 accounts were: LB Havering Council - £421,745 and Pension Fund - £ 85,945.

Any subsequent changes that may affect audit fees, such as in national requirements or local circumstances, would be the subject of fee variations.

EY provided the key highlights and expanded on specific areas of the report and in particular highlighted the risks.

Members asked questions around level three investments and why one would invest in them. It was explained that level three investments were not investments that were held or valued on a sort of standard Stock Exchange and therefore was a hard to value stock. The reason for investing in these type of investments was to ensure diversification in funds. The Council received both independent and professional advice to support their decision making and the pension funds fast and foremost objective and responsibility was to ensure a financial return.

RESOLVED that the Committee:

1. Noted the contents of the audit plans (Appendices A and B), in particular the significant risks, materiality and reporting levels.

2. Noted the scale fees for the external audit of £421,745 and £85,945 for the Council and Pension Fund respectively, for the year ending 31 March 2024.

127 **ANNUAL TREASURY MANAGEMENT REPORT 2023/24**

Kathy Freeman, Strategic Director presented the report that outlined the performance of the treasury management function that was approved by Full Council on 1 March 2024. The report covered the delivery of the TMSS in 2023/24, activity on treasury managed investments and borrowings and the associated monitoring and control.

The CIPFA TM Code required that authorities report on the performance of the treasury management function to Full Council at least twice per year (mid-year and at year-end). The Authority's Treasury Management Strategy Statement (TMSS) 2024/25 was approved by Full Council on the 1 March 2024.

It was explained that the Authority had borrowed and invested substantial sums of money and was potentially exposed to financial risk from loss of invested funds and the revenue impact from changing interest rates.

The Council provided an annual report and a Treasury Management Strategy every year as part of the budget setting process. A mid-year report was also provided to look at the formants against that strategy, in terms of how the Council was doing in that year. The final of the three reports was a backward look of the performance of the prior year and to demonstrate that the Authority had acted in accordance with the policy that they set out for themselves.
In terms of the key highlights section on page 115, there were a number of indicators, the debt position, what the yield was, what the investment income was and also the interest payable.

The report broadly set out a number of key sections including the economic outlook and looking backwards for the last financial year, notably the increase in the Bank of England base rate and the PWB rate and how that increased in line with the base rates, which could be seen on graph one of the report on page 117. It was also noted that the report set out how the Council's borrowing strategy was adhered to and section three of the report further set out the detail of the debts and the amount of interest paid. Page 119 set out details of the compliance with the Council investment strategy. Appendix A displayed how the Council set out the maturity of the borrowing profile and the terms of the investment and the security rating of who the money was invested with. Lastly, the report illustrated that the Council operated within the operational and authorized limits in terms of borrowing which was vital that there was no breach in the operational or the authorized limits in borrowing terms.

Members asked various questions around the Lender Option Borrower Option (LOBO) and Kathy explained that assessment was made as and when offered a buyout option to determine whether or not it was cheaper to keep the LOBO or whether to buy out of it, consideration was relative to the interest rate and if the Council would be able to borrow for that equivalent sum.

It was also explained that the Council budgets as if all of the capital program was going to be fully spent. They then had to budget for interest costs and debt repayment costs on the assumption that they were going to fully spend the capital program and what's contributed towards the reduction and overspend last year was because they haven't fully spent the capital program.

The budget was then brought down by the overspend quite significantly because of the slippage in the capital program and thereby it had reduced the capital financing costs and the cost that had been set aside for the repayment of the debt which had helped to contribute to the overspending. It was not great for the delivery of the capital programming perspective; however, from a financial perspective, it had supported the Council's overall situation.

RESOLVED that the Committee:

1. Noted the content of treasury management activities and performance against targets for the financial year 2023-24 as detailed in the report.

128 **RISK MANAGEMENT UPDATE**

Jeremy Welburn, Head of Assurance provided an update on the Strategic Risk Register, the updated and revised Risk Management Toolkit and Strategy.

It was to be noted that the Strategic Risk Register was subject to regular review and risks were discussed at Governance and Assurance Board meetings, chaired by the Section 151 officer during the first half of 2023/24 and subsequently at the Executive Leadership Group since December 2023.

As part of the ongoing review, new risks may be added and existing risks amended or removed at any time as changes were identified. A summary version of the current Strategic Risk Register was provided in Appendix 1. It included the current likelihood and impact scoring of the risks based on assessment by the risk owner (using the risk matrix from the Council's Risk Management Strategy and Toolkit). The Risk Management Strategy and Toolkit provided a comprehensive framework and process designed to support managers in ensuring that the Council was able to discharge its risk management responsibilities fully. The strategy outlined the objectives and benefits of managing risk, described the responsibilities for risk management, and provided an overview of the process that was in place to manage risk successfully.

Havering used a 5 x 5 scoring matrix to assess the likelihood of a risk event occurring and the potential impact on the Council if it were to happen. The green shaded area on the matrix contained in the report showed the risks where there was good control and the Council was comfortable with the level of risk. Risks in the amber and red zones were those over which closer control and further management action may be required.

Work continued by the Internal Audit & Risk Team to further embed the risk management strategy at a Directorate level, including risk workshops and further training where required. This phase of work would ensure Directorate level risks were aligned to the strategic risks to ensure mitigating actions were managed consistently.

There would also be a wider rollout of access to JCAD, the Risk Management system, to make the process more efficient and effective; providing links to strategic objectives; easier monitoring and reporting, and demonstration of compliance with good risk management practices.

Members asked various questions and queried various risks to which Officers provided responses.

RESOLVED that the Committee:

1. Noted and reviewed the Council's Strategic Risk Register as attached;
2. and consider, with the assistance of Officers, the current level of risk to which the Council is exposed.

129 **ASSURANCE PROGRESS REPORT**

Jeremy Welburn, Head of Assurance introduced the report that provided a summary of the outcomes of the Internal Audit and Counter Fraud work that was completed during Quarter 1 of 2024/25.

The report brought together all aspects of audit, assurance and counter fraud work undertaken in Quarter 1 of the 2024/25 financial year, including actions taken by management in response to audit and counter fraud activity, which supported the governance framework of the authority. Limited assurance reports issued since the last Audit Committee were included in Appendix 1.

Member asked questions around the risks in relation to the IT transition and contract procedure rules. Officers explained that procurement was underway for various software packages etc. and an up-to-date contract procedure rules document was being worked on.

RESOLVED that the Committee:

1. Noted the contents of the report.

2. Raised any issues of concern and asked specific questions of Officers where required.

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Chairman

AUDIT COMMITTEE **3rd December 2024**

Subject Heading:	Statements of Accounts 2021/22 & 2022/23 and External Audit Reports to those charged with Governance
ELT Lead:	Kathy Freeman, Strategic Director of Resources
Report Author and contact details:	Heather Salmon, Head of Finance Telephone: 01708 432151 E-mail: heather.salmon@havering.gov.uk
Policy context:	Audit Committee responsible for approving accounts
Financial summary:	There are no financial implications arising directly from this report

The subject matter of this report deals with the following Council Objectives

People - Supporting our residents to stay safe and well [ ]

Place - A great place to live, work and enjoy [ ]

Resources - Enabling a resident-focused and resilient Council [X]

SUMMARY

This report presents the Audit Completion Report from Ernst and Young LLP on the 2021/22 and 2022/23 Statement of Accounts, together with the 2021/22 and 2022/23 Financial Statements for approval.

RECOMMENDATIONS

The Committee is asked to:

1. Consider the following External Auditor’s reports in relation to the financial years 2021/22 and 2022/23:
    - Value for Money, Interim Report September 2024 (Appendix A)
    - Pension Fund Audit Results Report 2021/22 (Appendix B)
    - Pension Fund Audit Results Report 2022/23 (Appendix C)
    - Audit Completion Report for the years ending 31 March 2022 and 31 March 2023 (Appendix D)

2. **Approve** the Statement of Accounts for the financial year ended 31st March 2022 and to delegate authority to the Section 151 Officer and the Chair of the Audit Committee to sign the Accounts on behalf of the Council following any further audit adjustments that might be required before release of the audit opinion (Appendix E).

3. **Approve** the Statement of Accounts for the financial year ended 31st March 2023 and to delegate authority to the Section 151 Officer and the Chair of the Audit Committee to sign the Accounts on behalf of the Council following any further audit adjustments that might be required before release of the audit opinion (Appendix F).

4. **Approve** the draft Letters of Representations for Havering Council and Havering Pension Fund and delegate authority to the Section 151 Officer and Chair of the Audit Committee to update and sign on behalf of the Council once the audit opinions are provided (Appendix G and Appendix H).

5. **Approve** the 2021/22 and 2022/23 Annual Governance Statements, signed by the Leader and the Chief Executive, confirming the governance arrangements that were in place during both years (Appendix I and Appendix J).

REPORT DETAIL

1. Introduction

1.1. The Council is required to prepare annual financial accounts covering the period from 1 April to 31 March. These accounts are required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

1.2. The Accounts and Audit Regulations 2015 require that the authority prepares and publishes its unaudited accounts by 31 May however, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 revised the statutory publication date for 2021/22 to 31 July 2022. This reverted back to 31 May for 2022/23.

1.3. Regulation 9(2) requires members to approve the Statement of Accounts that is to be published, either by meeting as a whole or through a committee.

1.4. After members have approved the Statement of Accounts, regulation 10 sets out the requirements for publication of an authority's accountability statements. These comprise of the Statement of Accounts together with the opinion and any certificate, the Annual Governance Statement approved by members and the Narrative Statement.

1.5. Over recent years Havering, like many local authorities, has experienced significant delays with the audit of its accounts. In England, the backlog of unaudited accounts reached unacceptable levels, with the number of outstanding opinions peaking at 918. At 30 September 2023 outstanding opinions were as follows:

- Pre-2018/19 3 bodies (<1%)
- 2018/19 at 10 bodies (2%)
- 2019/20 at 34 bodies (7%)
- 2020/21 at 106 bodies (22%)
- 2021/22 at 303 bodies (65%)
- 2022/23 at 462 bodies (99%)

1.6. To address the backlog, and following a period of consultation, the system leaders developed a solution involving 'backstop dates'. As a result, a large number of financial statements will be published with modified opinions. To mitigate any potential reputational risk and so that local bodies are not unfairly judged due to disclaimed or modified opinions, auditors will be expected to provide clear reasons for the issuing of such opinions.

2. Local Audit Backstop Arrangements

2.1. The local audit backstop arrangements have been established to set dates by which an authority must publish a final version of its statement of accounts for a particular year, irrespective of the progress that has been made by the auditor.

2.2. There are three components which together provide a framework for the backstop arrangements for local authority financial statements:

- amendments to the Accounts and Audit Regulations 2015
- a new Code of Audit Practice, developed by the Comptroller and Auditor General

- the National Audit Office's Local Audit Reset and Recovery Implementation Guidance (LARRIGs)

2.3. The Financial Reporting Council (FRC) has issued an accessible guide explaining what the recovery process may look like in practice. This document can be found at Appendix K.

2.4. The Accounts and Audit (Amendment) Regulations 2024 were laid before parliament on 9 September 2024 and came into force on 30 September 2024. Regulation 9A establishes backstop dates for each financial year up to 2027/28:

Financial Year	Statutory Backstop Date
2022/23 and earlier	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

2.5. The regulations also amended the publication date of unaudited accounts to 30 June for financial years 2024/25 to 2027/28.

3. Statement of Accounts 2021/22 and 2022/23

3.1. The Council published its draft 2021/22 Accounts on 29 July 2022 and published its draft 2022/23 Accounts on 31 May 2023, thereby adhering to the statutory deadlines for both years.

3.2. In accordance with the regulations, the accounts and supporting documentation were made available for public inspection from 1 August to 12 September 2022 and from 1 June to 12 July 2023, for the financial years 2021/22 and 2022/23 respectively. The relevant statutory public notices were published on the Council's website.

3.3. The audit did not commence following the inspection period for either of the two financial years. This was due to several factors including, but not limited to, the delay in concluding the 2020/21 audit, ongoing pressures following the COVID-19 pandemic and resource constraints in both the audit and finance teams. This has resulted in unaudited financial statements for 31 March 2022 and 31 March 2023.

3.4. As it has not been possible for the Auditor to complete the audit of the Council's accounts before the backstop date of 13th December 2024 they will be issuing a disclaimed opinion in respect of 2021/22 and 2022/23. Further details can be found in the Auditor's Completion Report for Those Charged with Governance, at appendix D.

3.5. The 2021/22 and 2022/23 Statements of Accounts for the Council, appended to this report, are unchanged from the draft versions previously published on the Council's website.

3.6. The Strategic Director for Resources (section 151 officer), although not at Havering Council during the two years of account, is satisfied that the accounts represent a 'true and fair' view of the financial position of the authority.

3.7. Should there be any audit adjustments required prior to the audit opinion, approval will be sought from the Section 151 Officer in consultation with the Chair of the Committee.

3.8. It is a requirement of International Auditing Standards for the Auditor to request a letter from the Council that sets out management representations for the main accounts and for the Pension Fund. Appendix G and appendix H include drafts of these letters that will be signed on behalf of the authority, by the Council's Section 151 Officer and the Chair of the Audit Committee.

4. Value for Money Assessment

4.1. Despite the backlog in local audits the requirement for auditors to report any significant weaknesses they identify in value for money (VfM) arrangements remains. This is to ensure that, even where the financial audit opinion is disclaimed, the audit still provides useful information to audit committees and other stakeholders about the financial management and financial sustainability of local bodies.

4.2. The auditor considered VfM for the two-year period 1 April 2021 to 31 March 2023 and their report is included as Appendix A.

5. Pension Fund Accounts 2021/22 and 2022/23

5.1. The audits of the Pension Fund Accounts for the financial years 2021/22 and 2022/23 have been completed and the audited Pension Fund Accounts have been included in the Financial Statements for each year, Appendices E and F.

5.2. The corresponding Audit Results Reports can be found at Appendix B and Appendix C and the Auditor will attend the Audit Committee meeting to present their findings and update the Committee on any matters that may have arisen since the publication of their Audit Results reports.

6. Annual Governance Statements

6.1. The Annual Governance Statement 2021/22 is attached at appendix I. It was approved by the Leader and Chief Executive of the Council in March 2023.

6.2. The Annual Governance Statement 2021/22 is attached at appendix J. It was approved by the Leader and Chief Executive of the Council in January 2024.

6.3. Under the Accounts and Audit Regulations 2015, publication of the annual governance statement follows the same timetable as the financial statements. In February 2024, recognising that many authorities had at least one set of unaudited financial statements relating to prior years, CIPFA issued guidance to affected local authorities in England on the publication of the annual governance statement.

6.4. The Annual Governance Statements for 2021/22 and 2022/23 have been reviewed and the committee are asked to approve them in accordance with the regulations.

IMPLICATIONS AND RISKS

Financial implications and risks:
There are no direct financial implications arising from this report.

Legal implications and risks:
There are no legal implications arising from this report other than those referenced within the body of the report.

Human Resources implications and risks:
There are no direct human resources implications in this report.

Equalities implications and risks:
There are no direct equalities implications in this report.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:
(i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) Foster good relations between those who have protected characteristics and those who do not.
Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.
The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS
None arising directly from this report.

Appendices:

Appendix A - Value for Money, Interim Report September 2024
Appendix B - Pension Fund Audit Results Report 2021/22
Appendix C - Pension Fund Audit Results Report 2022/23
Appendix D - Audit Completion Report for years ending 31 March 2022 and 2023
Appendix E - Statement of Accounts for the financial year ended 31st March 2022
Appendix F - Statement of Accounts for the financial year ended 31st March 2023
Appendix G - Draft Letters of Representations for Havering Council, 2021/22 (i) and 2022/23 (ii)
Appendix H - Draft Letters of Representations for Havering Pension Fund, 2021/22 (i) and 2022/23 (ii)
Appendix I - Annual Governance Statement 2021/22
Appendix J - Annual Governance Statements 2022/23
Appendix K - Financial Reporting Council's (FRC) Accessible Guide: Local Audit Backlog Rebuilding Assurance

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London Borough of Havering

Value for Money Interim Report

Years ended 31 March 2022 and 31 March 2023

24 September 2024

Audit Committee
London Borough of Havering
Town Hall
Main Road
Romford RM1 3BB

24 September 2024

Dear Audit Committee Members

2021/22 and 2022/23 Interim Value for Money Arrangements Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for London Borough of Havering for the financial years 2021/22 and 2022/23.

The new Minister of State responsible for Local Government and English Devolution made a statement to parliament on Tuesday 30 July 2024, setting out the Government's policy proposal for addressing the local government audit backlog. This statement outlines immediate actions the Government – together with the Financial Reporting Council (FRC), the National Audit Office (NAO) and organisations in the wider system – is taking, which are designed to address the backlog and put local audit on a sustainable footing. These now provide helpful clarity on the government's policy intentions and recognise the commitment of finance teams and auditors and the important role that we will all play to restore timely financial reporting.

This report explains the work we have undertaken in respect of our responsibilities for reporting on the Council's Value for Money Arrangements in the two financial years of 2021/22 and 2022/23 and highlights any significant weaknesses that we have identified along with recommendations for improvement. The commentary covers our interim findings for the audit years of 2021/22 and 2022/23.

This report is intended solely for the information and use of the Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 28 November 2024.

Yours faithfully

Mark Hodgson
Partner
For and on behalf of Ernst & Young LLP
Encl

APPENDIX A

Contents

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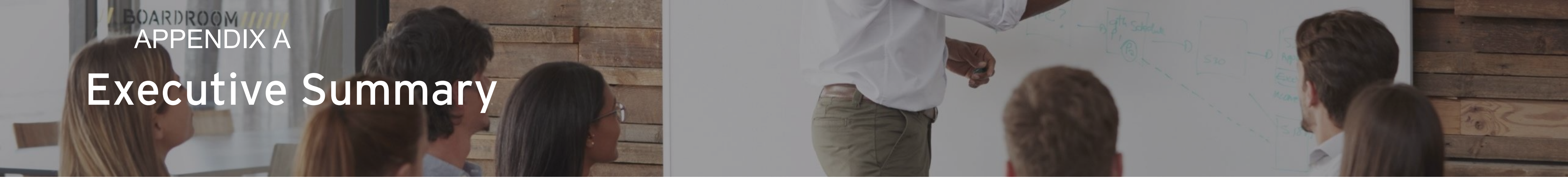
Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/auditquality/statement-of-responsibilities/)).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Audit Committee and management of London Borough of Havering in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of London Borough of Havering those matters we are required to state to them in this 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 Audit Committee and management of London Borough of Havering for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary



APPENDIX A

Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

Appendix C sets out the Council responsibilities for value for money, and the Auditor's responsibilities.

The purpose of this interim commentary is to explain the work we have undertaken during the period 1 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. As we have previously reported significant weaknesses in arrangements to you, this report also includes our views as to the status of the recommendations made and whether they have been satisfactorily implemented, see Appendix B. The commentary covers our interim findings for audit years 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The new Minister of State responsible for Local Government and English Devolution made a statement to parliament on Tuesday 30 July 2024, setting out the Government's policy proposal for addressing the local government audit backlog. This statement outlines immediate actions the Government – together with the Financial Reporting Council (FRC), the National Audit Office (NAO) and organisations in the wider system – is taking, which are designed to address the backlog and put local audit on a sustainable footing. These now provide helpful clarity on the government's policy intentions and recognise the commitment of finance teams and auditors and the important role that we will all play to restore timely financial reporting.

We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2021/22 and 2022/23.

APPENDIX A

Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and as a result, we identified a significant risk of weakness related to Financial Sustainability. This risk impacts both 2021/22 and 2022/23 audit years. We set out our planned response to address this risk in the table below.

Description of risk identified	Audit Year Impacted	Work planned to address the risk of significant weakness
Criteria: Financial Sustainability We have identified a risk around the Council's budget setting and budget monitoring processes as a result of identified overspends in each of the 2021/22, 2022/23 financial years and in relation to the 2023/24 budget (as this was set in the 2022/23 financial year).	2021/22 2022/23	1. Review of Council's Medium-Term Financial Strategy 2021/22 to 2023/24 and approach to savings plans, linked to Exceptional Financial Support granted in 2023/24 2. Review of the Outturn reports for both 2021/22 and 2022/23 3. Review of Council's Medium-Term Financial Strategy 2022/23 to 2024/25 4. Review the Council's approach to budget setting, linked to the Medium-Term Financial Strategy 5. Review the Council's approach to in-year budget monitoring.

APPENDIX A

Executive Summary (continued)

Reporting

Our interim commentary for 2021/22 and 2022/23 is set out over pages 10 to 13. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We include within the VFM commentary below the associated recommendations we have agreed with the Council.

Appendix A (Page 15) includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	One significant risk identified - as per page 6.	Significant weaknesses identified for both 2021/22 and 2022/23.
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified.	No significant risks identified.
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified.	No significant risks identified.

APPENDIX A

Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

EY UK 2023 Transparency Report | EY UK

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02 Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

One significant weaknesses identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code of Audit Practice, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment identified one risk of significant weakness in arrangements in respect of securing financial sustainability.

The Council set balanced budgets in the 2021/22 and 2022/23 financial year but have also reflected on the challenges in doing so and the significant budget gaps in future periods, given the continuing demand led pressures facing the Council in the key service areas of Adult and Children's social care. These budgets have also been produced in the context of the global pandemic, inflationary pressures, a cost-of-living crisis and economic uncertainty, all of which has been felt by the Council and residents alike.

The Council's established planned savings targets for each financial year and achieved savings were as follows:

- 2021/22 budget included savings proposals of £17.133 million, of which £11.855 million were achieved with £5.278 million being undelivered; and
- 2022/23 budget included savings proposals of £13.028 million, of which £11.371 million were achieved with £1.657 million was undelivered.

The final outturn position were:

- In 2021/22 there was a £7.994 million overspend on the Council's revenue budget. This overspend led to the additional use of reserves to fund the additional cost pressures and non-delivery of the identified saving requirement.
- In 2022/23 there was a £7.788 million overspend on the Council's revenue budget. This overspend led to the additional use of reserves to fund the additional cost pressures and non-delivery of the identified saving requirement.

Social Care demand pressures in both Adult and Childrens services and the associated significant rising cost of that care together with inflationary pressures in those service areas have been a key driver in the total overspend across both these financial years. Whilst the Council did budget for increasing costs, these assumptions did not fully recognise the pressure that these areas would come under due to the changing demographic and the inflationary pressure experienced in these financial years. These overspends were managed throughout the financial year, mitigating to some extent the earlier in-year budget projections of a higher year-end overspend.

As a result of these overspends and the need to call upon reserves, reserve balance have fallen significantly during this period. Earmarked Reserve balances have fallen from £78.8 million at the start of the 2021/22 financial year to £49.834 million at the end of the 2022/23 financial year. The General Fund balance has fallen from £10.9 million to £8.2 million in the same period. The Council have continued to hold the General Fund Reserve above the minimum level set by the Section 151 Officer, however planned contributions to the General Fund have not been achieved due to the cost pressures experienced across the two financial years.

The Medium-Term Financial Strategy (MTFS) for each financial year has been developed and updated by Officers, being cognisant of the financial challenges facing the Council. The overspends incurred are due to a combination of factors, significant pressures in respect of Social Care have had a significant impact on future budgeting, as well as the impacts of the pandemic on savings achievements. The final MTFS for 2022/23 was approved by Full Council in March 2022. This set a balanced budget for the 2022/23 financial year but demonstrated the significant gap going forward (£26.4 million as part of the 4-year plan to 2025/26), whilst also needing to achieve savings of £27.7 million during the same period.

APPENDIX A

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

One significant weaknesses identified

The 2023/24 Medium Term Financial Strategy (MTFS) was approved at Full Council in February 2023. The papers for that meeting reflect on the significant challenges experienced during the budget process for that year, based on increasing costs driven by demographic pressures locally, as well as macroeconomics. Ultimately a balanced budget was set based on a maximal 4.99% increase to Council Tax, savings proposals of £9.626 million and through additional Government Settlement Funding.

During the 2023/24 year the financial pressures increased, as demand pressures for Adult and Children's and the associated increases in costs for that demand escalated beyond plan. As a result of the significant challenges facing the Council during 2023/24, it sought Exceptional Financial Support from the Government, through a capitalisation direction for £53.7 million (£21.2 million for 2023/24 and £32.5 million for 2024/25, which was granted in February 2024.

Whilst savings plans have been identified to deliver the required £9.626 million of savings in 2023/24, there is still significant challenge for the Council in both setting, and achieving, a balanced budget for future financial years without calling for further exceptional financial support from Central Government.

Conclusion: Based on the work performed, we have identified a significant weakness in the arrangements will be reported by exception in relation to the robustness of the budget setting process which ultimately has led to the extent of overspends incurred in 2021/22, 2022/23 and 2023/24 (for which the budget was set in the 2022/23 financial year). The Council did not have proper arrangements in place during this period to plan and manage its resources to ensure it can continue to deliver its services without the need for exceptional governmental support in 2023/24.

Recommendation: We recommend that Management continue to demonstrate transparency of the Council's financial planning and monitoring, identify early the need for any future exceptional financial support in each future financial year whilst maintaining the minimum level of General Fund reserves indicated by the Section 151 Officer.

Specifically:

- Both Members and Senior Management should continue take the transparent approach to discussing and addressing the challenging financial position that the Council faces with Central Government.
- The Council needs to continue to identify and address the future budget gaps as part of their working with MHCLG, highlighting the need for Exceptional Financial Support, to enable the continued provision of core services.
- The financial impact of the additional Exceptional Financial Support costs needs to be incorporated into the Council's Medium Term Financial Plans.

APPENDIX A

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weaknesses identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements in respect to Governance.

During 2021/22 and early 2022/23, several Cabinet meetings were cancelled due to the Covid pandemic. However, Cabinet did meet to discuss updates to the Medium-Term Financial Strategy in October 2021, which set out how increased demand had impacted the position in that financial year, as well as the pressure on balancing the 2022/23 budget. Further financial reviews were taken to Cabinet in the latter half of 2022/23, and regular Budget Monitoring Reports resumed as Cabinet meetings recommenced. Throughout the period, given the prioritisation of Covid response as well as the need to rearrange meetings, Cabinet have received updates on financial performance, and the outturn reports for each year show that action was taken throughout the year to take necessary steps towards minimising in year overspend pressures. Whilst ultimately there was an overspend in each year, these were less than forecast at various points in the year. The s151 Officer continued to monitor the budget monthly throughout this period, and where overruns have arisen, steps were taken to look to address these and ensure overspends do not continue to grow.

Local elections were held on 5 May 2022 to elect Council members, with new election boundaries increasing the total number of councillors to 55. As a result of these local elections, the Council ended in a state of no overall control, and an agreement was reached between the Havering Residents Association (HRA) and Labour to form a coalition, with the leader of the HRA becoming the Leader of the Council, replacing the previous Conversative leadership of the Council.

Internal Audit concluded that they had obtained 'reasonable assurance' in both financial years, that there is generally a sound system of internal control across the Council. The Council considers the findings of Internal Audit for future actions, which has for example led to amendments to the procurement, to follow best practice governance arrangements. The Audit Committee met regularly throughout both financial years, receiving key reports such as those from Internal Audit and the Corporate Risk Register and ensuring that there were appropriate processes for the relevant directorates to keep these registers updated.

The Council published their draft financial statements for both 2021/22 and 2022/23 on a timely basis, in line with the Audit and Accounts Regulations, and advertised and held an inspection period for members of the public in line with these regulations. Therefore, appropriate arrangements for financial reporting were in place during this period.

Conclusion: Based on the work performed, we have not identified any risks of significant weakness in the arrangements of the Council to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weaknesses identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements in respect to Improving economy, efficiency and effectiveness.

The Leadership Team reviews the financial and performance information of the Council monthly. Benchmarking reports are completed internally and externally and included periodically as a line of enquiry to identify where improvements can be made to operational performance or financial performance. Through this work performance indicators for subsequent years are developed and enhanced to continually improve.

The Council have been transparent in acknowledging the increasing difficulties in setting a balanced budget each financial year, which have formed part of the discussions at Full Council on budget setting, and the subsequent warnings (in 2023/24) from the Council Leader and Director of Resources & Section 151 Officer on the worsening financial position, which has ultimately led to Exceptional Financial Support. Budget monitoring reports were evaluated throughout the years to determine areas where overspends are occurring and how these can be addressed in year and future years to reduce these.

During 2021/22, the Council was subject to Ofsted inspection which set out the challenging context of the financial year linked to Covid and the impact this had on the local community. This also set out that some of the pandemic impacts were mitigated by strong, timely corporate and political support, and reflects positively on the Council's awareness of the impact. Identified improvement areas have been recognised by the Council, and an action plan has been implemented which is being actively monitored. These findings are considered by the Council to consider how improvements can be delivered in future years.

The Council continued their close working with subsidiary and joint venture organisations and the governance of these is managed through specific Committees, as well as general oversight through Cabinet and other meetings. The Council have worked closely with London Borough of Newham & London Borough of Bexley under the 'oneSource' arrangement, however the need for bespoke and unique services for each Council has meant that the scope of this arrangement has reduced with the Council taking certain shared services back in-house.

Conclusion: Based on the work performed, we have not identified any risks of significant weakness in the arrangements of the Council to use information about its costs and performance to improve the way it manages and delivers its services.

03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Council's Medium-Term Financial Strategy (MTFS) projects financial pressures in future years and the savings that will be required to achieve a balanced budget. The Council uses relevant information to project future pressures, based on available data such as potential inflationary pressures. The MTFS is regularly monitored, including presentation to Cabinet through the year as to how the position has changed. Pressures are disaggregated within the MTFS to demonstrate the different financial pressures that the Council are under. The development of the 2021/22 & 2022/23 budgets have reflected the impact of the Covid pandemic, which increased both the level of uncertainty in identifying relevant financial pressures and the level of service provision required. The Council has a historic record of creating balanced budgets and delivering challenging savings programmes. A balance budget was set for 2021/22 and 2022/23 and approved by Council in advance of the financial year starting. However, the outturn positions for both 2021/22 and 2022/23 have demonstrated overspends due to inflationary pressures, undelivered savings and unidentified pressures that were not included in initial budgeting. These overspends have been met with use of reserves in those years. In February 2023 the 2023/24 budget was also approved as a balanced budget. The significant financial pressures that the Council continue to monitor escalated during the following financial year, leading to a request for additional support from Central Government to be able to deliver a balanced outturn position. Given the significant overspend in both 2021/22 and 2022/23 financial years, and the significant overspend that would have been incurred when compared to the 2023/24 balanced budget that was approved during the 2022/23 financial year, we have determined that there was a **significant weakness** in the financial sustainability criteria and the Council's arrangements in place to address the issues arising in 2021/22 and 2022/23. The Council have now secured a Capitalisation Direction for 2023/24 which has allowed for them to balance their outturn position in that financial year.

APPENDIX A

Appendix A - Summary of arrangements

Financial Sustainability (continued)

Reporting criteria considerations	Arrangements in place
How the body plans to bridge its funding gaps and identifies achievable savings	The MTFS for each financial year has been developed with Officers aware of the financial challenges facing the Council. This is due to a combination of factors, significant pressures in respect of Social Care have had a significant impact on future budgeting, as well as the impacts of the pandemic on savings achievements. The final MTFS for 2022/23 was approved by Full Council in March 2022. This set a balanced budget for the 2022/23 financial year but demonstrated the significant gap going forward (£26.4 million as part of the 4-year plan to 2025/26), whilst needing to achieve savings of £27.7 million during the same period. The Council have worked to develop budget saving ideas and explore ways to support the council to achieve financial sustainability. This included investigating ways to reduce spend and closely monitoring demographic trends and pressures. The Local Government Provisional Finance Settlement confirmed additional funding for Adult Social Care. The Council have also increased Council Tax by 1% to fund a Social Care precept, and a further 1.99% general increase to balance the budget. These actions enabled the Council to propose a balanced budget for 2023/24, however gaps remain in future years. The final outturn position for 2021/22 showed a £7.994 million overspend on the Council's revenue budget. This overspend meant additional use of reserves and balances were required to balance the budget. These were due to the ongoing Social Care pressures and undelivered savings. The final outturn position for 2022/23 showed a £7.788 million overspend on the Council's revenue budget. Again, Social Care, but also rising costs and inflationary pressures, have contributed to this total overspend. Previous projections for the final overspend peaked at £19.1 million, showing the ongoing work required to achieve savings. Earmarked Reserves have fallen significantly during this period, from £78.8 million at the start of the 2021/22 financial year to £49.834 million at the end of the 2022/23 financial year. This is alongside a General Fund balance that has fallen from £10.9 million to £8.2 million in the same period. The 2023/24 MTFS was approved at Full Council in February 2023. The papers for that meeting reflected on the significant challenges experienced during the budget process for that year, based on increasing costs driven by demographic pressures locally, as well as world economics. Ultimately a balanced budget was set based on maximal 4.99% increases to Council Tax, savings proposals of £9.626 million and Government Settlement Funding. During the 2023/24 year demand led financial pressures increased, to such an extent that the Council have sought Exceptional Financial Support, which was granted for application in that year, because of the significant challenges facing the Council's financial position. Whilst savings plans have therefore been identified, they have not always been achieved, and whilst this is linked to unprecedented pressure on finances, this has been reflected as a **significant weakness** in arrangements.

APPENDIX A

Appendix A - Summary of arrangements

Financial Sustainability (continued)

Reporting criteria considerations	Arrangements in place
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council has a strategic plan that sets out its vision, aims and ambitions going forward (The Havering Vision), focusing on People, Place and Resources themes. The process of developing the MTFS takes account of these aims and objectives, and where possible, looks to include finances to support these aims. The Council has key aims and values which are to be met through decision making and prioritisation when developing the budget. Pressures on the Council's finances predominantly relate to the statutory responsibilities it has, notably in social care, and the Council has continued to show commitment to ensuring finances are committed to this area. Throughout the period, reporting to Cabinet, Full Council and Audit Committee has been clear in recognising the financial pressure that the Council face and how difficult decisions in respect of spending, and local taxation, would be needed to continue to meet statutory obligations and strategic priorities.
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	The Council's financial plans link with other strategies, with the financial implications of these strategies built into the MTFS. Decisions on workforce such as pay decisions are evaluated from a financial perspective, with the results built into the MTFS. The capital programme also forms a key part of the MTFS, with the full Capital Strategy and Programme being presented alongside the MTFS. The MTFS also steers the Capital Strategy, as it helps to determine the affordability of relevant projects. Financial planning brings together other parties, including relevant NHS commissioners, to ensure that the cost implications are built into the financial strategy and are appropriately borne by the responsible body. Financial planning also engages other key partners, such as other London authorities, to allow for collective lobbying to Central Government on shared issues such as adult social care.
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	The Council's budget setting process considers several assumptions, including inflation rates, demographic assumptions and demand led pressures. In planning for 2021/22, this also had to consider assumptions around the future impact of the COVID pandemic, and other challenging assumptions have had to be made in respect of the ability to make savings and other financial pressures faced by residents and the Council alike. Budgets are reviewed monthly by the Section 151 Officer as part of the monitoring cycle, which would identify any significant changes in demand or underlying issues with assumptions made that lead to additional financial pressures. These can then be investigated further and addressed, as demonstrated in the 22/23 year where the projected overspend was reduced by £2.5 million in the final two months of the year, with the projection of total overspend peaking in the month 3 monitoring report taken to Cabinet. The Council also set a balanced budget for 2023/24 within the 22/23 financial year, and where risk to the financial resilience of the Council arose, the Council have engaged directly with Central Government to secure Exceptional Financial Support where this is required.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council has an established risk management process including a Risk Management Strategy that is reviewed bi-annually at Governance and Assurance Board and presented to Audit Committee. Governance and Assurance Board is chaired by the S151 Officer and oversees the Risk Management process, reporting to SLT who have wider oversight. The Strategic Risk Register is reviewed quarterly or more frequently as required, for example during the period of Covid response. Risk specialists in the Internal Audit team offer training and support at Directorate level with risk workshops and challenge sessions where needed. The Strategic Risk Registers is reported every six months to Audit Committee with deep dive risk sessions also held. The Internal Audit plan is developed with input from Governance and Assurance Board, Directors, arising risks noted by the Internal Audit team during the year and key information from various reports. Audit work considers the risk of fraud during each review and quarterly reports on findings, recommendation status and progress towards the audit plan are reported to Audit Committee. There is an established Counter Fraud team that works proactively and reactively to identify and investigate fraud.
How the body approaches and carries out its annual budget setting process	The annual budget setting process in effect runs throughout the year culminating in tax setting in either February or March. The budget report to full Council contains a medium-term financial plan which sets out the pressures expected for the following year, and the savings requirements for future financial years. In the spring, these assumptions are refreshed, and Councillors are presented with an updated position and expected gap for the following year. The Council then reviews its services using the Councils main three themes (people, place and resources) to identify efficiencies and savings. These proposals are considered by Councillors and, if accepted, full business cases are developed to support the ideas. In the autumn, these proposals are included in a Cabinet report which will also set out the latest expected pressures and inflationary and demographic demand. The budget is then subject to a public consultation period to allow all stakeholders to add their views. The budget is then updated for the local government finance settlement and other corporate matters such as the taxbase, levy determination, collection fund and the cost of the freedom passes for the next year. The outcomes of the budget consultation are taken to the Overview and Scrutiny Committee to allow Councillors to make any changes following that process. Finally, Councillors will decide at Cabinet the level of Council Tax for the following year to balance the budget and Cabinet in February make a recommendation on the budget and tax level to Full Council for approval.

Appendix A - Summary of arrangements

Governance (continued)

Reporting criteria considerations	Arrangements in place
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	In a typical year, regular finance reviews are taken to Cabinet to monitor both revenue and capital financial positions throughout the financial year to monitor and manage the Council's financial performance. During 2021/22 and early 2022/23, a number of Cabinet meetings were cancelled due to the Covid pandemic. However, Cabinet did meet to discuss updates to the Medium-Term Financial Strategy in October 2021, which set out how increased demand had impacted the position in that financial year, as well as the pressure on balancing the 2022/23 budget. Further financial reviews were taken to Cabinet in the latter half of 2022/23, and regular Budget Monitoring Reports resumed as Cabinet meetings recommenced. Throughout the period, given the prioritisation of Covid response as well as the need to rearrange meetings, Cabinet have received updates on financial performance, and the outturn reports for each year show that action is taken throughout the year to take steps towards minimising overspends.
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	Decision making processes are reviewed by Internal Audit as part of their standard scope of work. Quarterly progress reports on delivery of the audit plan, findings and recommendation status are reported to the Audit Committee. The Audit Committee meets four times per year. Positions are allocated on the Committee in line with the political proportionality of the Council as a whole. Agendas and minutes of all meetings are available on the Council's website, other than any information classified as exempt from publication under Schedule 12A of the Local Government Act 1972. Training is arranged for Members on a regular basis. Meetings of the Audit Committee are also currently webcast and recordings are available for viewing on the Council's website. Information therefore reaches key decision makers in for them to make properly informed decisions. Key executive decisions are made by Full Council, with reports available in advance of the meeting for scrutiny and challenge. Members have the ability within Full Council to question decision makers on each individual decision.
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	The Internal Audit plan considers potential risks regarding legislative requirements and is included where it forms a key part of reviews for example in housing. Periodic reviews of gifts and hospitality/declarations of interest etc are factored into risk-based audit planning. There is also a Whistleblowing policy in place which is communicated to officers so concerns can be raised. Both Member and Officer Codes of Conduct are published in the Council's Constitution and can be viewed on the Council's website. All disclosures of interests are recorded in the minutes of Council meetings and can also be accessed on the Council's website. The register of gifts and hospitality is held by the Monitoring Officer and can also be searched on the Council's website.

APPENDIX A

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

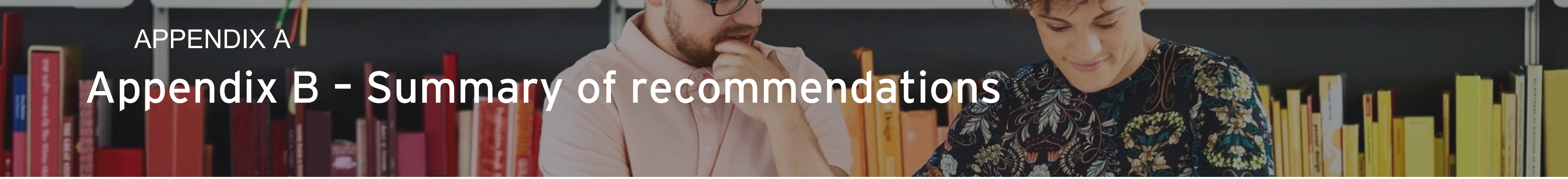
We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	The Leadership Team reviews the financial and performance information of the Council on a monthly basis. Benchmarking reports are completed internally and externally and included periodically as a line of enquiry to identify where improvements can be made to operational performance or financial performance. Through this work performance indicators for subsequent years are developed and enhanced to continually improve. The Council have recognised the increasing difficulties in setting a balanced budget each financial year, which reflects the continued pressures on the Council to identify further savings or areas for improvement. Budget monitoring reports are evaluated throughout the year to determine areas where overspends are occurring and how these can be addressed in year to reduce these.
How the body evaluates the services it provides to assess performance and identify areas for improvement	The Council has a range of ways to measure performance across all aspects of operations. These vary depending on the services being provided but are typically overseen by the relevant Overview & Scrutiny Committee applicable to the service line. Key statutory responsibilities, such as schools and social care, are subject to review by external agencies such as Ofsted and the Care Quality Commission, who provide detailed reporting on the performance of the Council and associated bodies. During 2021/22, the Council was subject to Ofsted inspection which set out the challenging context of the financial year linked to Covid and the impact this had on the local community. This also set out that some of the pandemic impacts were mitigated by strong, timely corporate and political support, and reflects positively on the Council's awareness of the impact. Improvements have been raised by Ofsted in respect of the quality of analysis within assessments, the rationale for decision-making when stepping down to early help services and the quality of supervision notes including the rationale for decisions. These findings are considered by the Council to consider how improvements can be delivered in future years.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	The Council's fully owned subsidiary, Mercury Land Holdings, facilitates construction and investment in private rental properties within the Borough. The Council also owns three joint ventures (JVs), Havering and Wates Regeneration LLP, Bridge Close Regeneration LLP and Rainham & Beam Park LLP for the development and selling of properties. The governance of these entities includes JV boards (50% council representatives and 50% private sector partner), client board (officer group consisting of S151 Officer, Monitoring Officer, Director of Neighbourhoods, Director of Asset Management and Communications Officer), Regeneration Board (has strategic oversight and reporting and to ensure a level of scrutiny before Cabinet) and the Cabinet (holds decision-making powers). Meetings are held regularly where information is presented including risks and challenges of the project to enable informed decisions. The Client Board and the Regeneration Board were created to monitor performance and to ensure the right level of scrutiny of JV matters. The performance reviews are in the form of regular dashboard presentations and detailed update reports. The Council is also operating with oneSource. This is a shared back-office support arrangement which is supported by members through a joint committee. The Joint Committee receive key reports and make strategic decisions about oneSource's operations.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	The Council has implemented a formal Gateway management process for Procurement. A new Gateway Review Group (GRG) has been initiated to ensure proper oversight of all in scope procurement activity. This group includes the deputy S151 and legal officers. This group will aim to ensure greater value for money arrangements on Council procurements. GRG will monitor each stage of a procurement to ensure compliance. The use of the Fusion system automatically creates a contract record. GRG will monitor each stage of a procurement to ensure compliance. The use of the Fusion system automatically creates a contract record. The Gateway reviews check that procurements are run in accordance with Contract Procedure Rules (CPRs) and Public Contracts Regulations (PCRs). The meetings can be observed by officers as a learning and development opportunity. The Council have developed a new Intranet site, training and guidance to support officers with the new CPR's. The site includes step by step guidance to officers. The new procurement intranet pages will give clear guidance to officers along with clarity on authorisation required within the corporate governance framework. A Contract Register Dashboard has been developed to make contract data more accessible to managers.



Appendix B - Summary of recommendations

Recommendations

The table below sets out the recommendations arising from the value for money work in the years covered in this report, 2021/22 to 2022/23.

All recommendations have been agreed by management.

Issue	Recommendation	Management response
Financial sustainability Our considerations relate to the 2021/22 and 2022/23 financial years only. For both years, a balanced budget has been set which has been followed by material overspends in both financial years. The balanced budget that was set in 2022/23 for the 2023/24 financial year also incurred significant overspends, that lead to the need for London Borough of Havering to seek Exceptional Financial Support from the government. Whilst these overspends are driven by unpredictable demand led pressures, given the level of overspend compared to budget across this period it signifies a significant weakness in the funding arrangements of the Council and the ability to continue to provide key core services without additional central government support. This issue is evidence of weaknesses in proper arrangements for: • How the body plans to bridge its funding gaps and identified achievable savings; and • How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.	We recommend that Management continue to demonstrate transparency of the Council's financial planning and monitoring, identify early the need for any future exceptional financial support in each future financial year whilst maintaining the minimum level of General Fund reserves indicated by the Section 151 Officer. Specifically: Both Members and Senior Management should continue take the transparent approach to discussing and addressing the challenging financial position that the Council faces with Central Government. The Council needs to continue to identify and address the future budget gaps as part of their working with MHCLG, highlighting the need for Exceptional Financial Support, to enable the continued provision of core services. The financial impact of the additional Exceptional Financial Support costs needs to be incorporated into the Council's Medium Term Financial Plans.	The Council continue to work with DLUHC to ensure that the terms of the Exceptional Financial Support are met, including the approval of two financial improvement plans in July 2024, and a planned assurance review by CIPFA.

APPENDIX A

Appendix C - Council and Auditor Responsibilities

Council responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

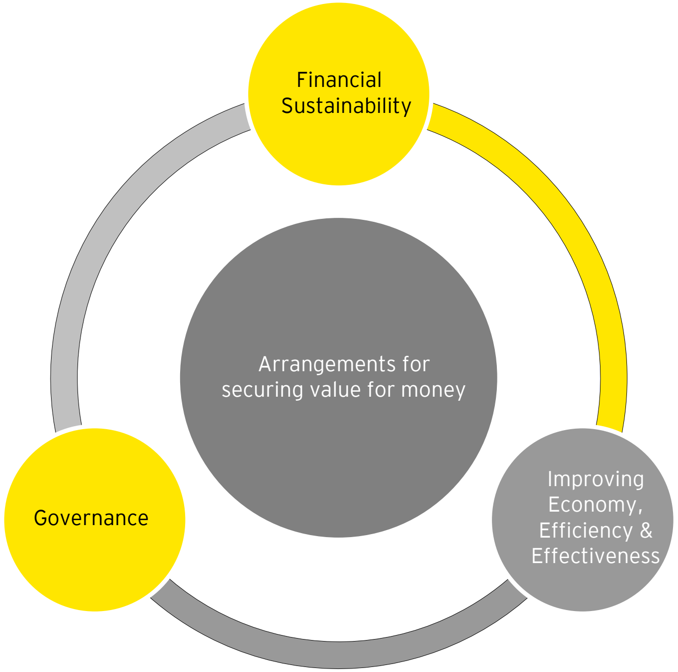
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor Responsibilities

Under the NAO Code of Audit Practice, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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



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APPENDIX B

Havering Pension Fund

Audit results report - Update

Year ended 31 March 2022

07 August 2024

EY
Building a better working world

APPENDIX B

Havering Pension Fund

07 August 2024

Dear Audit Committee/ Pension Committee Members,

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Audit Committee. Our audit is substantially complete. We will update the Committee at its meeting on further progress to that date and outline the remaining steps for the issue of our final report and opinion.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit focus, our views on Havering Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the use of the Pensions Committee, Audit Committee, and management. It is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Committee meeting on 16 October 2024.

Yours faithfully

MARK HODGSON

Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

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APPENDIX B

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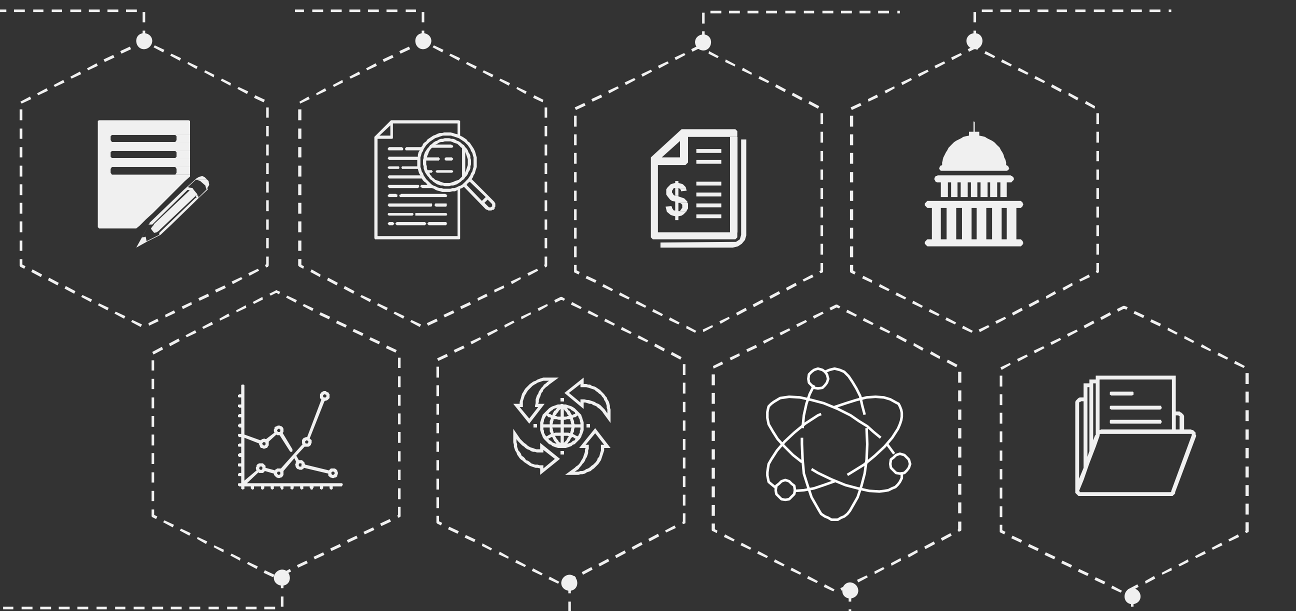

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Havering Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Havering Pension Fund those matters we are required to state to them in this 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 Audit Committee and management of Bedfordshire Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

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Executive Summary

Scope update

In our Audit Plan presented to the Audit Committee meeting on 16 April 2024, we provided you with an overview of our audit scope and approach for the audit of the Pension Fund's financial statements. We carried out our audit in accordance with this plan with the following updates.

Materiality

Planning materiality, performance materiality and audit differences presented in our Audit Plan were £9.2 million, £6.9 million and £0.46 million, respectively. These were based on draft financial statements. We have also reconsidered our risk assessment on substantial completion of the audit. We are satisfied that our materiality levels remain appropriate.

	Planning Materiality	Performance Materiality	Audit Differences
	Our planning materiality represents 1% of the Pension Fund's net assets, consistent year on year.	Performance materiality represents 75% of planning materiality and is the top of our range, consistent year on year.	We will report all uncorrected misstatements relating to the primary statements (net asset statement and fund account) greater than 5% of planning materiality.
Final	£9.2 million	£6.9 million	£0.46 million

Executive Summary

Status of the audit

Our audit work in respect of the Pension Fund 2021/22 audit is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- Going concern disclosures will need to be revisited up to the point the Pension Fund statements are authorised for issue to ensure that these remain appropriate to the Pension Fund's circumstances for the foreseeable future e.g. at least covering the next twelve months;

Closing procedures:

- Completion of the general audit conclusion procedures;
- Agreement of all final amendments to the financial statements;
- Review of the consistency check procedures on the Pension Fund's Annual Report with the Pension Fund's financial statements within London Borough of Havering's Statement of Accounts pack. This cannot be completed until we have a final set of accounts including the Pension Fund from the Council;
- Completion of subsequent event procedures up to the date of our audit report;
- Final reviews by the Engagement manager, Partner and Quality Control Reviewer;
- Receipt of a signed accounts and a signed Letter of Management Representation.

We are currently unable to issue the final audit opinion on Havering Pension Fund's financial statements until the audit report on the Administering Authority's (London Borough of Havering) statement of accounts for 2021/22 is issued. This will form part of the approach to resetting the local audit sector backlog by a backstop date, which is subject to legislation being passed.

Audit differences

We have identified differences and/or amendment during the audit which are greater than £0.46 million (audit differences threshold) that we need to bring to your attention relating to disclosures.

Our audit has also identified a number of disclosure differences which management has agreed to adjust. Further differences may be identified as our remaining procedures are concluded.

We include further details in Section 4 of this report.

Executive Summary

Areas of audit focus

Our Audit Plan identified significant risks and areas of focus for our audit of the Pension Fund financial statements. We summarise below our latest findings.

This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised in the "Areas of Audit Focus" section of this report.

Fraud risks	Findings & conclusions
Misstatements due to fraud or error (management override)	We carried out procedures to address this fraud risk as set out in our Audit Plan, including identifying risks, considering controls and their effectiveness, testing journal entries and testing estimates for evidence of management bias. We have completed our work in this area and identified an internal control deficiency relating to journals authorisation. Please refer to Section 6 for more details.
Misstatement due to fraud or error (Incorrect posting of investment valuation and investment income journals)	We carried out procedures to address this fraud risk as set out in our Audit Plan, including a reconciliation between the fund manager reports and the custodian reports and agreement of investment income to source reports to address the risk of manipulating of asset valuations and investment income, respectively. We have completed our work in this area and did not identify issues.

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Significant risk	Findings & conclusions
Valuation of complex investments (Level 3 Investments)	We undertook additional procedures, as described more fully in Section 02 of this report, to gain assurance over the material accuracy of the year-end valuation of the Pension Fund's Level 3 complex investments, which are inherently more difficult to value. We have completed our work in this area and did not identify significant issues.

Areas of audit focus/Higher inherent risk	Findings & conclusions
IAS 26 disclosures - Actuarial Present Value of Promised Retirement Benefits (high inherent risk)	We carried out procedures to address this area of audit focus as set out in our Audit Plan. We have identified disclosures adjustments as the IAS 26 disclosures in the draft accounts should be based on the latest triennial valuation report, 2022 rather than the 2019 report. Management agreed to amend for these disclosures.
Going concern disclosures (other area of focus)	Our review of the proposed disclosure on going concern has not identified any issues. However, this disclosure will need to be updated through to the point the Pension Fund statements are authorised for issue to ensure that these remain appropriate to the Pension Fund's circumstances for the foreseeable future e.g. the next twelve months.

Executive Summary

Control observations

During the audit, we identified control deficiency relating to journals authorisation. Refer to Section 06 of the report for more details.

Other reporting issues

We are required to give a consistency opinion on the consistency of the Pension Fund financial statements within the Pension Fund Annual Report with the Pension Fund financial statements in the Statement of Accounts of London Borough of Havering. We will complete our consistency checks at the point of time the full Statement of Accounts (as included in the Council Statement of Accounts) is ready for authorisation. We will update the Committee on our findings from completion of these procedures in our Auditor's Annual Report.

Independence

Please refer to Section 07 for our update on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Significant risk

Misstatements due to fraud and error

What is the risk?

There is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We have considered where this risk specifically manifests itself and this is in the posting of investment valuation and investment income journals (see following page).

What judgements are we focused on?

The risk of management override at Havering Pension Fund is mainly through the possibility that Management could override controls and manipulate financial transactions which intend to adjust the Pension Fund's Fund Account or Net Asset Statement.

This could be done through manipulation of estimates including investment valuation, or through journals amending the values in the production of the financial statements from those provided by the custodian or fund managers.

What did we do?

- We enquired of management about risks of fraud and the controls put in place to address those risks.
- We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- We reviewed accounting estimates for evidence of management bias.
- We evaluated the business rationale for any significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

What are our conclusions?

Our procedures to address this risk are complete.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied. We did not identify any evidence of management basis in relation to accounting estimates.

Our journal testing did not identify any journal entries without a valid business purpose, but we identified journals where the preparers can directly post journals without an authorisation. This has been raised as internal control deficiency. Please refer to Section 6 for more details. No evidence of management bias identified.

We did not identify any other transactions during our audit which appeared unusual or outside Havering Pension Fund's normal course of business.

Significant Risk

Areas of Audit Focus

Significant risk

Misstatements due to fraud and error: Incorrect posting of investment valuation and investment income journals

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

The Pension Fund posts year-end manual journals in relation to the valuation of its investments as well as investment income. There is a risk that, due to fraud or error, investment journals posted into the general ledger are incorrect. This could result in a misstatement of year-end investment values and in year investment income.

What judgements did we focus on?

The posting of incorrect investment valuation journals and investment income journals at year-end to the Pension Funds' general ledger. The reporting of incorrect investment valuations and income would impact the performance and funding level of the Pension Fund.

What did we do?

- Verified agreement of the Pension Fund's investment asset holdings as at 31 March 2022, including asset values, and investment income for 2021/22 to source reports from the Pension Fund's custodian and individual fund managers;
- Agreed the reconciliation of holdings included in the Net Assets Statement to the source reports from the Pension Fund's Custodian and Investment Fund Managers.

What are our conclusions?

We did not identify material differences between investment asset valuations as reported in the Pension Fund's Net Asset Statement and direct confirmations received through independent third-party valuation reports.

We have also not identified issue in relation to the investment income journals.

Significant Risk

APPENDIX B

Areas of Audit Focus

Significant risk

Valuation of complex investments (Level 3 investments)

What is the risk?

The Fund's investments include complex investments, such as private debt, infrastructure and pooled property funds investments. We have identified the valuation of investments, particularly complex investments, as an area of specific risk.

Judgements are taken by the Fund Managers to value those investments whose prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

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What judgements are we focused on?

Level 3 investment asset valuations, including the net asset values of each of the individual underlying investments funds. We also considered the potential changes in values where the date of valuation information where is not coterminous with the Pension Fund's year end date of 31 March 2022.

What did we do and what judgements did we focus on?

For a sample of Level 3 investments:

- Reviewed the basis of valuation for property investments and other unquoted investments and assessed the appropriateness of valuation methods used;
- Compared the investment value included in the Pension Fund's financial statements to direct confirmations from the Fund Managers;
- Obtained and reviewed internal control reports for fund managers to identify any internal control issues which could impact on valuations and assessed whether this would have an impact on the valuations provided by the fund managers;
- Where available, reviewed the latest audited financial statements for the relevant fund managers and ensured there are no matters arising that highlight material differences in the reported funds valuation within the financial statements;
- Performed analytical procedures and checking the valuation output for reasonableness against our own expectations;
- Reviewed investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 investments have been appropriately made in the Pension Fund's financial statements.

What are our conclusions?

We did not identify difference in Level 3 investments which is material to the Pension Fund.

We did not identify any weaknesses in fund manager controls related to investment asset valuation reporting of Level 3 assets.

The Pension Fund's financial statement disclosures of significant judgements surrounding the valuation of Level 3 investments were appropriate.

Significant Risk

Areas of Audit Focus

What is the risk/area of focus?	What did we do?
<u>IAS 26 disclosures – Actuarial present value of promised retirement benefits</u> *<u>(Inherent Risk)</u>* The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amounts to £579 million as at 31 March 2022 (£683 million as at 31 March 2021). The figure is material and subject to complex estimation techniques and judgements by the actuary, Hymans Robertson. The estimate is based on the membership data as of 31 March 2022 following the triennial valuation in 2021/22, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability. There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2022.	We have: • Evaluated whether the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary. • Assessed the competence of management experts, Hymans Robertson We have not identified any issues from these procedures. We have also completed our procedures to gain assurance over the material accuracy of the Net Pension Liability, leveraging the EY Pensions work over the IAS 19 reports for the Fund's main admitted body, London Borough of Havering. This has not identified issues. We note however that Management have agreed to amend their accounts for the revised IAS 26 disclosures as a result of the completion of the 2022 triennial valuation exercise in 2023.
<u>Going concern disclosure</u> (other area of focus) There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is still required to carry out a going concern assessment that is proportionate to the risks it faces. The unpredictability of the current economic environment and also the volatility of the capital markets due to the ongoing impact of Covid as well as the Ukraine-Russia conflict give rise to a risk that the Pension Fund may not appropriately disclose the impact of these issues on their going concern assessment. The disclosure should be underpinned by management's assessment based on the Pension Fund's actual year-end financial position and projected performance and cashflows for the going concern period of 12 months from the auditor's report date.	We are in the process of completing our updated procedures related to this area of focus now that we are close to issuing our audit report. In terms of the work completed to date, we have: • Obtained management's initial going concern assessment and reviewed for any evidence of bias and consistency with the accounts; • Challenged management's identification of events or conditions impacting going concern; • Reviewed the cashflow forecasts prepared by the Pension Fund; • Assessed the adequacy of going concern disclosures in the Pension Fund's draft financial statements. Our review of the proposed disclosure on going concern has not identified any issues. However, this disclosures will need to be revisited at the point the pension fund statements are authorised for issue to ensure that these remain appropriate to the Pension Fund's circumstances for the foreseeable future e.g. the next twelve months.

03 Audit Report

Audit Report

DRAFT

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HAVERING ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

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 2021/22.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, 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 twelve months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Operating (Section 151) Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2021/22, other than the financial statements and our auditor's report thereon. The Chief Operating (Section 151) Officer is responsible for the other information contained within the Statement of Accounts 2021/22.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 themselves. 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.

Audit Report

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Our opinion on the financial statements

Responsibility of the Chief Operating (Section 151) Officer

As explained more fully in the Statement of the Chief Operating (Section 151) Officer Responsibilities set out on page 18, the Chief Operating (Section 151) Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Chief Operating (Section 151) Officer is also responsible for such internal control as the Chief Operating (Section 151) Officer determine 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 Chief Operating (Section 151) Officer is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

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.

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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Chief Operating (Section 151) Officer.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Board minutes, and through the inspection of employee handbooks and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Based on our risk assessment procedures we identified the manipulation of journal entries of the investment asset valuations and investment income to be our fraud risk.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

Audit Report

DRAFT

Our opinion on the financial statements

- To address our fraud risk, we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements and confirmed investment income through third party evidence.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

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

Use of our report

This report is made solely to the members of London Borough of Havering, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Havering and the London Borough of Havering members as a body, for our audit work, for this report, or for the opinions we have formed.

04 Audit Differences

APPENDIX B

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of unadjusted and adjusted differences

We highlight misstatements greater than £0.46 million which have been identified during the course of our audit.

Unadjusted audit differences

We have not identified any uncorrected differences above our misstatement's threshold during the course of the audit.

Adjusted audit differences

We have not identified any differences, which required correction by Management within the Primary Statements of the Pension Fund.

Disclosure Audit differences

We have identified a limited number of disclosure differences, the most significant of which are:

1. In the IAS 26 disclosures as these disclosures were based on the 2019 triennial valuation report, and the 2022 triennial valuation report was released in 2023 during our audit. The 2022 report was not available at the point of the production of the 2021/22 draft accounts so is only a timing issue of more relevant available information obtained through the audit.

2. We identified a material disclosure error in the classification of LGIM investments amounting to £166 million in 21/22 impacting Note 16A – Fair value hierarchy disclosure. While the error does not have an impact on the Pension Fund’s Net Asset Statement, the disclosure note should be updated to correct the classification of Investments from Level 1 to Level 2. Furthermore, Note 16A included a line called ‘Loans and receivables’ under financial assets amounting to £32.96 million which should not be included in the disclosure and £17.35 million of cash deposits and investment income due which should be included as part of ‘Financial assets at fair value through profit and loss – Level 1’ in the same disclosure note.

Management has agreed to correct for both of these disclosure differences.

Our audit also identified a limited number of other minor disclosure misstatements mostly relating to the narratives in the Annual Report Statement which our team have highlighted to Management for amendment. and presentational matters in the of Accounts. Our audit is not yet fully complete and further differences may be identified during the completion of the outstanding procedures.

05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements

We must give an opinion on the consistency of the Pension Fund financial statements within the Pension Fund Annual Report with the Pension Fund financial statements. We will complete our consistency checks at the point of time the full Statement of Accounts (as included in the Council Statement of Accounts) is ready for authorisation. We will update the Committee on our findings from completion of these procedures in our Auditor's Annual Report.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have had no reason to exercise these duties.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Pension Fund's financial reporting process. We have no matters to report.

06 Assessment of Control Environment

APPENDIX B

Assessment of Control Environment

Financial controls

Our responsibilities

It is the responsibility of the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

Findings

During our journal entries testing, we identified instances where the Finance team can post journals directly to the system without separate authorisation. These only relates to journals posted by Finance team and not other pension fund journals coming from other departments as for these type of journals, there were journal request templates to be accomplished and approved before they are posted in the system. For the journals posted by the Finance team without authorisation, we are content that these did not result to significant misstatements in the accounts as prior to the production and release of the draft accounts, the Pension Fund manager already carried out review of all the postings which made up the accounts and we did not identify any material issues in relation to this during the audit.

We recommend that Pension Fund should undertake a proper journal authorisation for every journals before being posted to the system and this should be performed by a different individual (segregation of duties between preparer and authoriser) and more senior member of the Finance team.

07 Independence

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Pension Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Pension Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young
The next page includes a summary of the fees in relation to the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below. We confirm that we have not undertaken non-audit work. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Other communications

EY Transparency Report 2023
Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended June 2023: ey-uk-2023-transparency-report.pdf

Independence

Relationships, services and related threats and safeguard

Services provided by Ernst & Young

As part of our reporting on our independence, we set out below a summary of the fees in relation to the year ended 31 March 2022.

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for the Department for Levelling Up, Housing and Communities.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

On completion of the audit we will finalise our fees and provide supporting details to the Chief Financial Officer. Any fee increases in relation to Code work also need to be approved by PSAA.

	Proposed fee 2021/22	Final fee 2020/21
	£'s	£'s
Scale fee – Code work	16,170	16,170
Determined Scale Fee Variation		19,023
Changes in work required to address professional and regulatory requirements and scope associated with risk	38,842 (a)	n/a
Additional level 3 investment valuation procedures	5,000 – 7,000 (b)	n/a
Additional going concern procedures	3,000 – 4,000 (c)	n/a
Other additional fees	5,500 – 7,500 (d)	n/a
Total fee	TBC	35,193

All fees exclude VAT

See next slide for notes on the fees per the above table

Independence

Relationships, services and related threats and safeguard

Notes on fees

(a) We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the PSAA tender exercise for this audit. For 2021/22, as in the previous year, we have therefore proposed increases to the scale fee to take into account a number of risk factors including: Procedures to address the risk profile of the Pension Fund; Additional work to address increase in Regulatory Standards; Client readiness and IT support for Data Analytics. The proposed scale fee increase is subject to determination by PSAA.
(b) Additional audit procedures performed relating to the valuation of Level 3 Investments, where we have a significant risk.
(c) Additional procedures relating to the going concern, which we identified as other area of focus.

(d) Other additional fees in 2021/22 includes but not limited to the following:

- ISA 540 accounting estimate- £1,000-£2,000
- Consideration of 2022 triennial valuation - £3,500 - £4,500
- review by EY Pensions team to support procedures performed on the IAS 26 (actuarial present value of promised retirement benefits) disclosure - £1,000

Other fee variations may arise up to signing of the pension fund statements since audit is still ongoing at the time of writing this report.

08 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the net assets statements and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the net assets statement include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

There are no changes to our audit approach to the Pension Fund’s net assets statement when compared to the prior year audit.

Appendix B

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan – February 2024
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan – February 2024
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report - August 2024

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	Audit Results Report - August 2024
Misstatements	• Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	Audit Results Report - August 2024
Subsequent events	• Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report - August 2024
Fraud	• Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility.	Audit Results Report - August 2024

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Authority	Audit Results Report - August 2024
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit	Audit Planning Report – February 2024 and Audit Results Report - August 2024

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
	• Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Details of any contingent fee arrangements for non-audit services • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
Consideration of laws and regulations	• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit Results Report - August 2024

Appendix B

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	• Written representations we are requesting from management and/or those charged with governance	Audit Results Report - August 2024
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - August 2024
Auditors report	• Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - August 2024
Fee Reporting	• Breakdown of fee information when the audit planning report is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit Plan – February 2024 and Audit Results Report - August 2024

Appendix C - Management representation letter - Draft

Havering Pension Fund anticipated draft, based on the current position of the audit. Further representations may be required

Management Representation Letter

[To be prepared on the entity's letterhead]

[Date]
Mark Hodgson
Ernst & Young LLP
One Cambridge Square,
Cambridge
CB4 0AE

This letter of representations is provided in connection with your audit of the financial statements of Havering Pension Fund ("the Fund") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2021 to 31 March 2022 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2022, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

Appendix C

5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

6. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.

7. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

Appendix C

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. You have been informed of all changes to the Fund rules.

3. That all material transactions, events and conditions have been recorded in the accounting records and are reflected in the Group and Council financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following (date).

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

10. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

Appendix C

Management representation letter

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 26 to the financial statements all guarantees that we have given to third parties.

4. No other claims in connection with litigation have been or are expected to be received.

E. Going Concern

1. Note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than events after the reporting period as described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises of Statement of Accounts 2021/22, other than the financial statements and the auditor's report.

2. We confirm that the content contained within the other information is consistent with the financial statements.

Appendix C

Management representation letter

H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

I. Derivative Financial Instruments

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the [members of the management of the Fund] at the Fund's year end and the terms and conditions relating thereto.

2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

K. Actuarial valuation

1. The latest report of the actuary Hymans Robertson LLP as at 31 March 2022 and dated 12 May 2023 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the fund assets and liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Appendix C

Management representation letter

M. Estimates

Level 3 Investments and IAS 26 valuation Estimates

1. We confirm that the significant judgments made in making the estimates have taken into account all relevant information and the effects of the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates.

3. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus are complete and are reasonable in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic. or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

Yours faithfully,

____

(Chief Financial Officer)

____

(Chair)

APPENDIX B

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.
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Havering Pension Fund
Audit results report

Year ended 31 March 2023

07 August 2024

EY
Building a better working world

Havering Pension Fund

07 August 2024

Dear Audit Committee/ Pension Committee Members,

2022/23 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 16 October 2024 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Havering Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

This report is intended solely for the information and use of the Audit Committee and Management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 16 October 2024.

Yours faithfully

MARK HODGSON

Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/psaa-statement-of-responsibilities-of-auditors-and-audited-bodies-upto-2022-23/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance from July 2021” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of London Borough of Havering and Havering Pension Fund in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit Committee and management of Havering Pension Fund those matters we are required to state to them in this 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 Audit Committee and management of London Borough of Havering and Havering Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 16 April 2024 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with no scope changes.

Status of the audit

Our audit work in respect of the Pension Fund opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Going concern disclosures will need to be revisited up to the point the Pension Fund statements are authorised for issue to ensure that these remain appropriate to the Pension Fund's circumstances for the foreseeable future e.g. at least covering the next twelve months;
- Testing of membership data system change. We are waiting for supporting evidences for the samples selected from the Pension Fund;
- Completion of triennial membership data testing. Our testing is substantially complete, we are just resolving few queries for some of the samples;

Closing Procedures

- Review of the consistency check procedures on the Pension Fund's Annual Report with the Pension Fund's financial statements within London Borough of Havering's Statement of Accounts pack. This cannot be completed until we have a final set of accounts including the Pension Fund from the Council;
- Completion of the general audit conclusion procedures;
- Completion of subsequent event procedures up to the date of our audit report;
- Agreement of all final amendments to the financial statements;
- Final reviews by the Engagement manager, Partner and Quality Control Reviewer;
- Receipt of a signed accounts and a signed letter of management representation.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Financial Statements which could influence our final audit opinion, a current draft of which is included in Section 03 of this report.

Audit differences

We have identified differences and/or amendments during the audit which are greater than £0.44 million (audit differences threshold) that we need to bring to your attention.

Our audit has also identified a number of disclosure differences which management has agreed to adjust. Further differences may be identified as our remaining procedures are concluded.

We include further details in Section 04 of this report.

APPENDIX C

Executive Summary (cont'd)

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Havering Pension Fund. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Fraud risks	
Misstatements due to fraud or error (management override)	We carried out procedures to address this fraud risk as set out in our Audit Plan, including identifying risks, considering controls and their effectiveness, testing journal entries and testing estimates for evidence of management bias. We have completed our work in this area and identified an internal control deficiency relating to journals authorisation. Please refer to Section 06 for more details.
Misstatement due to fraud or error (Incorrect posting of investment valuation and investment income journals)	We carried out procedures to address this fraud risk as set out in our Audit Plan, including a reconciliation between the fund manager reports and the custodian reports and agreement of investment income to source reports to address the risk of manipulating of asset valuations and investment income, respectively. We have completed our work in this area and have identified differences between Fund Manager reports and our direct confirmations in relation to various investments with a net impact of £2.683 million.
Significant risk	
Valuation of complex investments (Level 3 Investments)	We undertook additional procedures, as described more fully in Section 02 of this report, to gain assurance over the material accuracy of the year-end valuation of the Pension Fund's Level 3 complex investments, which are inherently more difficult to value. We have completed our work in this area. We identified differences of £2.683 million between Fund Manager reports and our direct confirmation in relation to various investments including Level 3 as described in Section 04 of this report.
Incomplete transfer of membership data from Altair to UPM system	At the time of writing, the work on this area is currently on-going. We are waiting for evidences for the samples selected from the Pension Fund. We will provide verbal update on this area on the Committee meeting.
Areas of audit focus	
IAS 26 disclosures - Actuarial Present Value of Promised Retirement Benefits	We carried out procedures to address this area of audit focus as set out in our Audit Plan and did not identify any issues.

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Executive Summary (cont'd)

Control observations

During the audit, we identified control deficiency relating to journals authorisation. Refer to Section 06 of the report for more details.

Independence

Please refer to Section 07 for our update on Independence.

02 Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error

What is the risk?

There is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We have considered where this risk specifically manifests itself and this is in the posting of investment valuation and investment income journals. This consideration is set out on the next page.

What judgements we focused on?

The risk of management override at Havering Pension Fund is mainly through the possibility that management could override controls and manipulate financial transactions which intend to adjust the Pension Fund's Fund Account or Net Asset Statement.

This could be done through manipulation of manual adjustments, including via manual journals, in the preparation of financial statements or through management bias in accounting estimates.

Our response to the key areas of challenge and professional judgement

- We enquired of management about risks of fraud and the controls put in place to address those risks.
- We gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- We reviewed accounting estimates for evidence of management bias.
- We evaluated the business rationale for any significant unusual transactions.
- We utilised our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

What are our conclusions?

Our procedures to address this risk are complete.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied. We did not identify any evidence of management basis in relation to accounting estimates.

Our journals testing did not identify any journal entries without a valid business purpose, but we identified journals where the preparers can directly post journals without an authorisation. These has been raised as internal control deficiency. Please refer to Section 06 for more details. No evidence of management bias identified.

We did not identify any other transactions during our audit which appeared unusual or outside Havering Pension Fund's normal course of business.

APPENDIX C

Areas of Audit Focus

Misstatements due to fraud or error: Incorrect posting of investment valuation and investment income journals

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

The Pension Fund posts year-end manual journals in relation to the valuation of its investments as well as investment income. There is a risk that, due to fraud or error, investment journals posted into the general ledger are incorrect. This could result in a misstatement of year-end investment values and in year investment income.

What are the key judgement?

The posting of incorrect investment valuation journals and investment income journals at year-end to the Pension Funds' general ledger. The reporting of incorrect investment valuations and income would impact the performance and funding level of the Pension Fund.

Our response to the key areas of challenge and professional judgement

- Verified agreement of the Pension Fund's investment asset holdings as at 31 March 2023, including asset values, and investment income for 2022/23 to source reports from the Pension Fund's custodian and individual fund managers;
- Agreed the reconciliation of holdings included in the Net Assets Statement to the source reports from the Pension Fund's Custodian and Investment Fund Managers.

What are our conclusions?

As noted on the next slide, we identified differences of £2.683 million between investment asset valuations as reported in the Pension Fund's Net Asset Statement and direct confirmations received from the Fund manager independent third-party valuation reports.

The difference is due to timing differences between the information included in the Custodian report, which was used by Management to compile the accounts, and the figures in the Fund Manager reports which reflected the most up to date information as at 31 March 2023.

We are therefore satisfied that the difference is indicative of Management Override.

We have not identified any differences in relation to investment income journals.

APPENDIX C

Areas of Audit Focus

Valuation of complex investments (Level 3 investments)

What is the risk?

The Fund’s investments include complex investments, such as private debt, infrastructure and pooled property funds' investments. We have identified the valuation of investments, particularly complex investments, as an area of specific risk.

Judgements are taken by the Fund Managers to value those investments whose prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

Page 93

What judgements are we focused on?

Level 3 investment asset valuations, including the net asset values of each of the individual underlying investments funds. We also considered the potential changes in values where the date of valuation information where is not coterminous with the Pension Fund’s year end date of 31 March 2023.

Our response to the key areas of challenge and professional judgement

For a sample of Level 3 investments we:

- Reviewed the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- Compared the investment value included in the Pension Fund’s financial statements to direct confirmations from the Fund Managers;
- Obtained and reviewed internal control reports for fund managers to identify any internal control issues which could impact on valuations and assessed whether this would have an impact on the valuations provided by the fund managers;
- Where available, reviewed the latest audited financial statements for the relevant fund managers and ensured there are no matters arising that highlight material differences in the reported funds valuation within the financial statements;
- Performed analytical procedures and checking the valuation output for reasonableness against our own expectations;
- Reviewed investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 investments have been appropriately made in the Pension Fund’s financial statements.

What are our conclusions?

We identified differences between Level 3 investment asset valuations as reported in the Pension Fund’s Net Asset Statement and direct confirmations received from the Fund Manager independent third-party valuation reports. This is due to timing differences between the information included in the Custodian report, which was used by Management to compile the accounts, and the figures in the Fund Manager reports which reflected the most up to date information as at 31 March 2023.

The aggregate differences of all types of investments assets which include Level 3 investments amount to £2.683 million and result in an understatement of Investment Assets. Management have chosen not to amend for this difference due to the fact they are not material.

We did not identify any weaknesses in Fund Manager controls related to investment asset valuation reporting of Level 3 assets.

The Pension Fund’s financial statement disclosures of significant judgements surrounding the valuation of Level 3 investments were appropriate.

Areas of Audit Focus

Incomplete transfer of membership data from Altair to UPM system

What is the risk?

The Pension Fund has transferred members data from Local Pension Partnership Administration's (LPPA) Altair system to its new Universal Pensions Management (UPM) system during period 8 (November 2023) of the 2022/23 financial year.

There is a risk that this transfer is not complete or accurate and has not been fully reconciled between the two systems.

Our response to the key areas of challenge and professional judgement

- We reviewed the process that the Pension Fund and the Local Pensions Partnership Administration (LPPA) have gone through in preparing and executing the transfer;
- Reconciled the reports from the old and new system to agree the transfer; and
- Tested members from the old and new systems to ensure they have been transferred correctly.

What are our conclusions?

We concluded the there are no issues in the procedures performed by Pension Fund and LPPA in preparation and execution of the transfer.

We also did not identify issues in our reconciliation of the reports from the old and new system.

At the time of writing the report, the members data testing are on-going. We are waiting for evidences for the samples selected from the Pension Fund.

We will provide verbal update on this area on the committee meeting.

Areas of Audit Focus (cont'd)

IAS 26 disclosure – Actuarial present value of promised retirement benefits

What is the risk/area of focus

The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amounts to £157 million as at 31 March 2023 (£579 million as at 31 March 2022).

The figure is material and subject to complex estimation techniques and judgements by the actuary, Hymans Robertson. The estimate is based on the membership data as of 31 March 2022 following the triennial valuation in 2021/22, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.

There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2023.

What did we do and our conclusion?

We have:

- Evaluated whether the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.
- Engaged EY Pensions to review the roll forward procedures associated with the IAS 19 reports of the administering authority (London Borough of Havering) which supports our IAS 26 disclosures work.
- Evaluated and placed reliance on EY Pension's and PwC's review of the underlying pension IAS19 assumptions used by the actuary, which also support the IAS 26 figures.
- Assessed the competence of management experts, Hymans Robertson as the Pension Fund's actuary.

We have not identified any issues from these procedures.

03 Audit Report

Audit Report

DRAFT

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HAVERING ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the pension fund financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, 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 twelve months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance (Section 151) Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2022/23, other than the financial statements and our auditor's report thereon. The Chief Finance (Section 151) Officer is responsible for the other information contained within the Statement of Accounts 2022/23.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Audit Report (cont'd)

DRAFT

Our opinion on 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 course of 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 themselves. 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.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- 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 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

Responsibility of the Chief Finance (Section 151) Officer

As explained more fully in the Statement of the Chief Finance (Section 151) Officer's Responsibilities set out on page 20, the Chief Finance (Section 151) Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Chief Finance (Section 151) Officer is also responsible for such internal control as the Chief Finance (Section 151) Officer determine 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 Chief Finance (Section 151) Officer is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

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.

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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Chief Finance (Section 151) Officer.

Audit Report (cont'd)

DRAFT

Our opinion on the financial statements

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through [our reading of the Pension Board minutes and through the inspection of employee handbooks and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Based on our risk assessment procedures we identified the manipulation of journal entries of the investment asset valuations and investment income to be our fraud risk.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we [tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements and confirmed investment income through third party evidence.

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- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation ot the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

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

Use of our report

This report is made solely to the members of London Borough of Havering, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Havering and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
[Date]

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04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as ‘known’ or ‘judgemental’. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of audit differences

Corrected Audit Differences

We highlight the following misstatements greater than £0.44m which have been corrected by management that were identified during the course of our audit:

- Material error identified in classification of LGIM investments amounting to £164 million in 22/23 impacting Note 16A – Fair value hierarchy disclosure. While the error does not have an impact on the Pension Fund’s Account and Net Asset Statements, the disclosure note should be updated to correct the classification of Investments from Level 1 to Level 2.
- Differences noted in Purchases and Sales in Note 14a between the accounts and Northern Trust listing amounting to £0.71 million and £0.74 million, respectively.

Disclosure Audit Differences

Our audit also identified a limited number of minor disclosure misstatements which our team have highlighted to Management for amendment. These have been corrected during the course of the audit and relate to disclosure and presentational matters in the Statement of Accounts. We do not deem any to be so significant as to merit reporting to you.

Our audit is not yet fully complete and further differences may be identified during the completion of the outstanding procedures.

APPENDIX C

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as ‘known’ or ‘judgemental’. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of audit differences

Unadjusted Audit Differences

In addition, we highlight the following misstatements to the financial statements which were not corrected by Management. We ask that the Audit Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

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	Effect on the current period:		Net assets (Decrease)/Increase			
Uncorrected misstatements 31 March 2023 (Currency’000)	OCI Debit/(Credit)	Fund Account Debit/(Credit)	Assets current Debit/ (Credit)	Assets non-current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
Errors						
Known differences:						
▸ Investment assets – aggregate understatement of investment assets valuation due to timing differences between the information included in the Custodian report, which was used by Management to compile the accounts, and the figures in the confirmations received from Fund Manager which reflected the most up to date information as at 31 March 2023.		(2,683)		2,683		

05 Other Reporting Issues

APPENDIX C

Other Reporting Issues

Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2022/23 with the audited Pension Fund financial statements. We have no inconsistencies to draw to your attention.

In addition, we also perform procedures to ensure the consistency of the Pension Fund accounts with the version presented in the Pension Fund's Annual Report. This work is currently in progress.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We had no reason to exercise these duties in relation to Havering Pension Fund.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund’s financial reporting process.

We were required to perform additional testing to provide assurance on the whole Pension Fund membership data that was submitted to the actuary for the 31 March 2022 triennial valuation of the Pension Fund. In total, we sample tested 125 member records, checking information back to source evidence to verify the data points contained in the Pension Fund’s membership system were accurate.

Our work on this area is substantially complete but we are resolving few queries for some of the samples and waiting for responses from the Pension Fund.

We are only required to conduct procedures on the triennial membership submission once every 3 years. Therefore, there is an additional fee this year for completion of these procedures. This is set out in Section 07 of this report.

Other Reporting Issues

Other matters (continued)

We commenced the 2022/23 audit of Havering Pension Fund in November 2023. There have been delays in the Pension Fund providing the data requested and responding to queries for the triennial membership data testing and membership data system transfer testing. There will be an additional audit fees associated with the additional time it has taken the audit team to progress these areas as a result of these delays. This additional audit fees is set out in Section 07 of this report. We will continue to work with officers of the Pension Fund to conclude the audit on a timely basis, subject to the resolution of outstanding matters as outlined in Appendix B of this report.

Except for our observations on the control environment, as set out in Section 06 of this report, we have no other matters to report.

Other Reporting Issues

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
    - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
    - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures	Audit findings and conclusions

We performed the following procedures:
 	
We obtained an understanding of the IT processes related to the IT applications of the Fund. The Fund has two relevant IT applications for the purposes of ISA 315 risk assessment.
• We performed procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.
• When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.
• We reviewed the following processes for all two relevant IT applications:
    • Manage vendor supplied changes
    • Manage security settings
    • Manage user access
    • Job scheduling and managing IT process
	No significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process. We have not tested the operation of any controls through this review.

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

During our journal entries testing, we identified instances where the Finance team can post journals directly to the system without separate authorisation. These only relates to journals posted by Finance team and not other pension fund journals coming from other departments as for these type of journals, there were journal request templates to be accomplished and approved before they are posted in the system. For the journals posted by the Finance team without authorisation, we are content that these did not result to significant misstatements in the accounts as prior to the production and release of the draft accounts, the Pension Fund manager already carried out review of all the postings which made up the accounts and we did not identify any material issues in relation to this during the audit.

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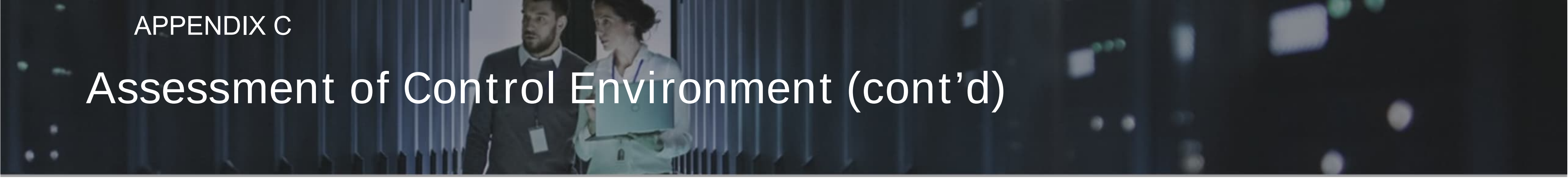
The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2023 audit.

	High	Moderate	Low	Total
Open at beginning of 2022/23	0	0	1	1
New points raised in 2022/23	0	0	0	0
Total open points as at 2022/23	0	0	1	1

Key:

- (Green) A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6–12 months.
- (Amber) Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
- (Red) Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.



APPENDIX C

Assessment of Control Environment (cont’d)

(1)

Area	Journals authorisation (Finance team)	Rating	Low

Observation

We identified instances where the Finance team can post journals directly to the system without separate authorisation. These only relates to journals posted by Finance team and not other pension fund journals coming from other departments as for these type of journals, there were journal request templates to be accomplished and approved before they are posted in the system. For the journals posted by the Finance team without authorisation, we are content that these did not result to significant misstatements in the accounts as prior to the production and release of the draft accounts.

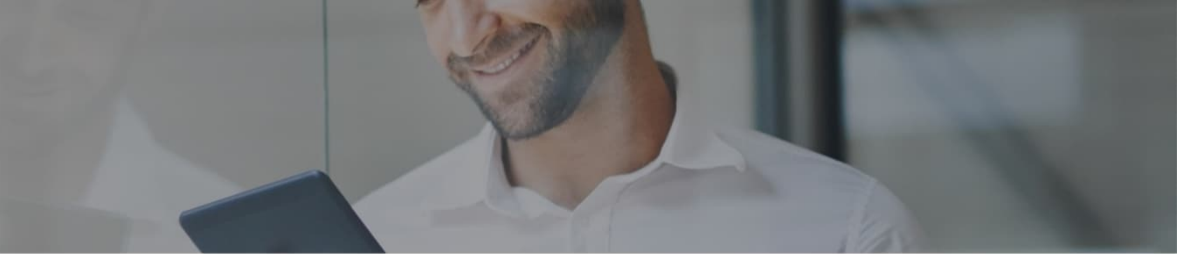
Recommendation

We recommend that Pension Fund should undertake a proper journal authorisation for every journals before being posted to the system and this should be performed by a different individual and by a more senior member of the Finance team.

Management Response

Pension fund journals raised by Pension Fund Finance team to be approved by the Pension Fund Manager going forward (24/25).

07 Independence



APPENDIX C

Independence

Confirmation

We are not aware of any inconsistencies between Ernst & Young (EY)'s policy for the supply of non-audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised, and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers, managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

Relationships

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK]

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

There are no services provided by EY from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

The table includes a summary of the fees due to EY in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided, and the related threats and safeguards are included below.

We highlight in the table below the most significant services that may be reasonably considered to bear upon our integrity, objectivity and independence.

	Proposed fee 2022/23	Proposed Final fee 2021/22
	£'s	£'s
Scale fee – Code work	24,795	16,170
Changes in work required to address professional and regulatory requirements and scope associated with risk	38,842 (a)	38,842 (a)
Additional Level 3 Investment valuation procedures	5,000 – 7,000 (b)	5,000 – 7,000 (b)
Additional going concern procedures	3,000 – 4,000 (c)	3,000 – 4,000 (d)
Transfer of membership data from Altair to UPM system (new significant risk)	10,000 – 15,0000 (d)	N/A
Triennial membership data testing	9,000 – 14,000 (e)	N/A
Other areas attracting additional fees	TBC (f)	5,500 - 7,500
Total fee	TBC	TBC

Relationships, services and related threats and safeguards

Services provided by Ernst & Young (continued)

Notes on fees

(a) We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the PSAA tender exercise for this audit. For 2021/22, as in the previous year, we have therefore proposed increases to the scale fee to take into account a number of risk factors including: Procedures to address the risk profile of the Pension Fund; Additional work to address increase in Regulatory Standards; Client readiness and IT support for Data Analytics. The proposed scale fee increase is subject to determination by PSAA.

(b) Additional audit procedures performed relating to the valuation of Level 3 Investments, where we have a significant risk.

(c) Additional procedures relating to the going concern, which we identified as other area of focus in 2021/22.

(d) New significant risk for the current year and additional procedures carried out relating to the membership data system transfer from Local Pension Partnership Administration's (LPPA) Altair system to its new Universal Pensions Management (UPM) system during the year.

(e) The fee related to triennial valuation 2022 – membership data testing. This is not subject to PSAA determination.

(f) The proposed additional fee range for 2022/23, includes additional procedures in relation to the following areas:

- review by EY Pensions team to support procedures performed on the IAS 26 (actuarial present value of promised retirement benefits) disclosure - £1,000
- ISA 540 accounting estimate- £1,000-£2,000
- work to meet the requirements of ISA 240 (fraud assessment) - £500
- work to meet the requirements of ISA 315 (audit risk assessment, including IT risks) - £5,000
- Review of the final pension fund accounts – TBC

Other fee variations may arise up to signing of the pension fund statements since audit is still ongoing at the time of writing this report.

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08 Appendices

Appendix A - Required communications with the Audit Committee

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan – February 2024
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Plan – February 2024
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report - August 2024

Appendix A - Required communications with the Audit Committee (cont'd)

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		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements	Audit Results Report - August 2024
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	Audit Results Report - August 2024
Fraud	• Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud • Any other matters related to fraud, relevant to Audit Committee responsibility.	Audit Results Report - August 2024

Appendix A - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Audit Results Report - August 2024
Consideration of laws and regulations	• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	Audit Results Report - August 2024
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit Results Report - August 2024
Written representations we are requesting from management and/or those charged with governance	• Written representations we are requesting from management and/or those charged with governance	Audit Results Report - August 2024

Appendix A - Required communications with the Audit Committee (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	Audit Plan – February 2024 Audit Results Report - August 2024
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report - August 2024

Appendix A - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - August 2024
Auditors report	• Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - August 2024

Appendix B – Outstanding matters

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Going concern review and disclosures	To revisit at the point the pension fund statements are authorised for issue to ensure that these remain appropriate to the Pension Fund's circumstances for the foreseeable future e.g. the next twelve months	EY
Membership data system change and starters and leavers	Testing is on-going for membership data system change. We are waiting for supporting evidences for the samples selected from the Pension Fund.	EY and management
Triennial membership data testing	Work is on-going for triennial membership data testing. Our testing is substantially complete, we are just resolving few queries for some of the samples and awaiting response from the Pension Fund.	EY and management
Subsequent events review procedures	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Manager, Partner and EQCR Review	Completion of review of audit file	EY
Management representation letter	Receipt of signed management representation letter	EY, management and Audit Committee
Annual Report and Financial Statements consistency	Review of the Pension Fund's Annual Report for consistency with the Pension Fund's financial statements within the administering authority's Statement of Accounts.	EY and management

- We are currently unable to issue the final audit opinion on Havering Pension Fund's financial statements until the audit report on the Administering Authority's (London Borough of Havering) statement of accounts for 2022/23 is issued. We are currently unable to issue the final audit opinion on Havering Pension Fund's financial statements until the audit report on the administering authority's (London Borough of Havering) statement of accounts for 2021/22 is issued. This will form part of the approach to resetting the local audit sector backlog by a backstop date, which is subject to legislation being passed.

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the financial statements and annual report. At this point, no issues have been identified that would cause us to modify our opinion. A draft of the current audit opinion is included in Section 03 of this report.

Appendix D – Management representation letter

Management representation letter

Havering Pension Fund anticipated draft, based on the current position of the audit. Further representations may be required

Management Rep Letter

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[To be prepared on the entity's letterhead]

[Date]
Mark Hodgson
Ernst & Young LLP
One Cambridge Business Park,
Cowley Road, Cambridge
CB4 0WZ

This letter of representations is provided in connection with your audit of the financial statements of Havering Pension Fund ("the Fund") for the year ended 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2022 to 31 March 2023 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2023, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and are free of material misstatements, including omissions. We have approved the-financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

Appendix D – Management representation letter

Management representation letter (continued)

Management Rep Letter

6. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because [specify reasons for not correcting misstatement}.

7. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

- We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Appendix D – Management representation letter

Management representation letter (continued)

Management Rep Letter

2. You have been informed of all changes to the Fund rules.

3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date [date].

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund. {

7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

10. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 26 to the financial statements all guarantees that we have given to third parties.

Appendix D – Management representation letter

Management representation letter (continued)

Management Rep Letter

E. Going Concern

1. Note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than events after the reporting period as described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises of Statement of Accounts 2022/23, other than the financial statements and the auditor's report.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

I. Derivative Financial Instruments

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the [members of the management of the Fund] at the Fund's year end and the terms and conditions relating thereto. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

K. Actuarial valuation

1. The latest report of the actuary Hymans Robertson LLP as at 31 March 2023 and dated 12 May 2023 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

Appendix D – Management representation letter

Management representation letter (continued)

Management Rep Letter

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the fund assets and liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

Level 3 Investments and IAS 26 valuation Estimates

1. We confirm that the significant judgments made in making the estimates have taken into account all relevant information and the effects of the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates.

3. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus are complete and are reasonable in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic. or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

Yours faithfully,

Kathy Freeman

Chief Finance (Section 151) Officer

Julie Wilkes

Chair

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ED None

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London Borough of Havering

Completion Report for Those Charged with Governance

Year ended 31 March 2022 and 31 March 2023

Report issued - 18 November 2024

Members of the Audit Committee
London Borough of Havering
Town Hall
Main Road
Romford RM1 3BB

18 November 2024

Dear Audit Committee

London Borough of Havering - Completion Report for Those Charged With Governance – 2021/22 and 2022/23 financial years

Attached is our Completion Report for Those Charged With Governance. The purpose of this report is to provide the Audit Committee of London Borough of Havering (the Council) with a detailed complete report covering our approach and outcomes of the 2021/22 audit. "

Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the year ended 31 March 2022 and 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

In completing our work for this audit year we have taken into account Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", Local Authority Reset and Recovery Implementation Guidance. We have also taken into account the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice (including recent 2024 updates), the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, against this backdrop we have also considered the Committee's service expectations.

This report considers the impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit.

We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Audit Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Audit Committee, and Management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

MARK HODGSON

Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

Enc

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (https://www.psaa.co.UK/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of London Borough of Havering. Our work has been undertaken so that we might state to the Audit Committee and management of London Borough of Havering those matters we are required to state to them in this 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 Governance Committee and management of London Borough of Havering for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary – System wide context

Context for the audit – Department for Housing, Communities and Local Government (MHCLG) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. The Department for Housing, Communities and Local Government (MHCLG) (iinitially as DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- MHCLG has enacted through Parliament Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.
- The National Audit Office (NAO) has amended the Code of Audit Practice to:
  - Require auditors to issue audit opinions according to statutory backstop dates for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
  - Allow auditors to produce a single Value for Money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of Councils and residents.

As a result of the system wide implementation of backstop dates we expect to *disclaim the opinion on the Authority's 2021/22 and 2022/23 financial statements*. The proposed disclaimer of the Council's 2022/23 accounts will impact both the audit procedures to be undertaken to gain assurance on the 2023/24 financial statements and the form of the Audit Report in 2023/24 and subsequent years during the 'Recovery phase' of the Government's proposals.

APPENDIX D

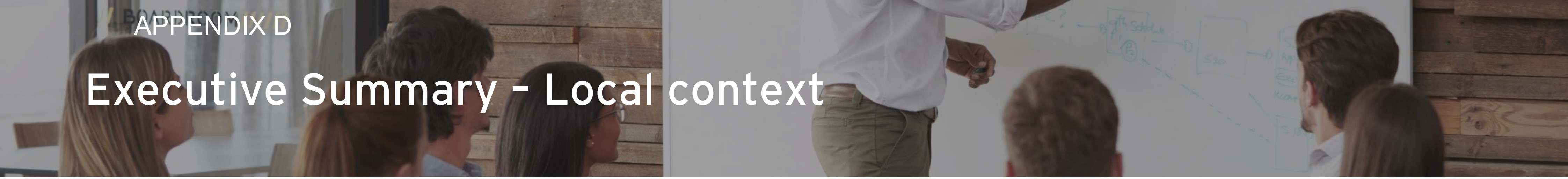
Executive Summary – Council responsibilities

Responsibilities of Authority management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the Statement of Accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2022 and 31 March 2023. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so.
- Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix E, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.
- Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.



Executive Summary – Local context

Local Background and Context

The position at this Council has developed over the past few years resulting in unaudited financial statements for 31 March 2022 and 31 March 2023.

The main reasons for the Council's financial statements not being prepared, audited and signed to date include:

- The post pandemic timelines resulted in audit teams trying to move delayed audits on to completion, whilst finance teams were trying to catch up, deal with current priorities and plan for the future. This used a significant amount of our finite audit resource, leading to a lack of capacity to move onto the 2021/22 audit year and then 2022/23 audit years.
- The audit of the Council's 2020/21 financial statements was a challenging one, with numerous iterations to the accounts and some complex accounting matters being discussed at length before final resolution.

  In addition, there were a number of new technical issues and challenges to address during this period, including, accounting for infrastructure assets, taking into account the updated pension fund valuations, which led to delays to the prior year 2020/21 audit being completed, with the audit opinion planned to be signed in late November 2024.

  Taken together, this has ultimately led to a lack of capacity to be able to commence the 2021/22 or 2022/23 audit year with sufficient time to be able to complete the respective audits.

Executive Summary – Report structure and work completed

Report structure and work completed

This report covers the work we have completed to meet the requirements of the International Standards on Auditing (UK&I), (ISAs) and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office Value for Money Code (NAO VFM Code). It has been split into the following sections.

Section 1 – Executive Summary – this section, setting out the national and local context and the structure of our report.

Section 2 – Work Plan – we have completed the following planning tasks

- Completed required independence procedures.
- Set a level of materiality.
- Issued letters of inquiry to Management, Those Charged with Governance, the Head of Internal Audit and the Monitoring Officer.
- Updated our understanding of the business, including review of responses to inquiry letters, internal team meeting, minute review, etc.
- Identified significant, inherent and other areas of higher risk or focus.
- Considered any other matters that may require reporting to regulators, or which may result in a modification to the audit report e.g. Non-compliance with laws and regulations (NOCLAR), Objections, Significant weaknesses in arrangements for Value for Money, or any other matters that may result in the use of the auditor's powers etc.

Section 3 – Results and findings - Work completed to issue the disclaimer, findings and results:

- Review of the financial statements.
- Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems, service organisations, and report as appropriate.
- Reporting on any other matters that may require the use of the auditor's powers, formal reporting or a modification to the auditor's report e.g. Non-compliance with laws and regulations, (NOCLAR), Objections, Significant weaknesses in arrangements for Value for Money, any matters that may result in the use of the etc.

Section 4 – Audit Report

- The draft audit opinions.

Section 5 – Value for Money reporting

- The Value for Money report covering the years to 31 March 2023.

Section 6 - Appendices

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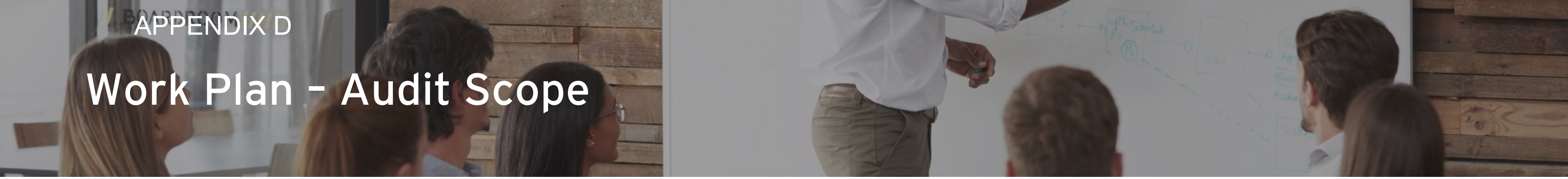
02 Work Plan



Work Plan – Audit Scope

Audit scope

This Completion report covers the work that we performed in relation to:

- Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2022 and the 31 March 2023 of the income and expenditure for the years then ended; and
- Our commentary on your arrangements to secure Value for Money in your use of resources for the relevant period. We include further details on Value for Money in Section 5.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

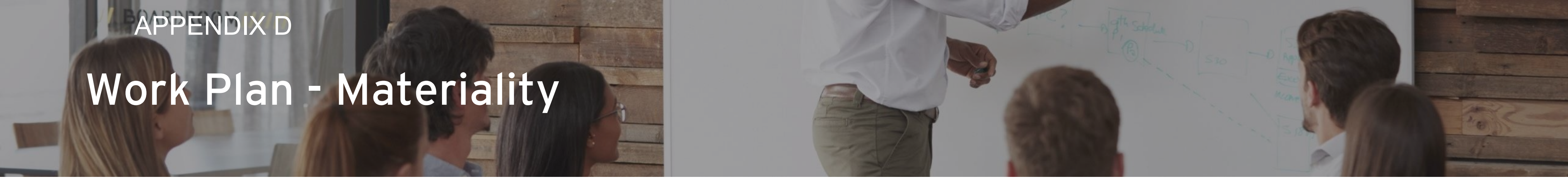
- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

Given that Statutory Instrument (2024) No. 907 - The Accounts and Audit (Amendment) Regulations 2024 imposes a backstop date of the 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2022 and 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.



APPENDIX D

Work Plan - Materiality

Materiality

Planning materiality

£7.2m Materiality for y/e 31 March 2023 has been set at £7.2 million, which represents 1.0% of 2023 gross expenditure on provision of services.

£6.5m Materiality for y/e 31 March 2022 has been set at £6.5 million, which represents 1.0% of 2022 gross expenditure on provision of services.

Performance materiality

£3.6m Performance materiality for y/e 31 March 2023 has been set at £3.6 million, which represents 50% of planning materiality.

£3.3m Performance materiality for y/e 31 March 2022 has been set at £3.3 million, which represents 50% of planning materiality.

Audit differences

£0.4m

£0.3m

We will report all uncorrected misstatements relating to the primary statements greater than £0.4 million for y/e 31 March 2023 and £0.3 million for y/e 31 March 2022. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

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In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the respective draft financial statements as published.

These materiality levels have been set based on the main Council financial statements – we have not considered group materiality. These levels are being used to assess our response to any issues identified in the Council's financial statements.

Work Plan – Significant, inherent and other risk areas

The following 'dashboard' summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for both the years.

Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Misstatement due to fraud or error	All years covered by this report	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	All years covered by this report	Fraud Risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
MIRS Adjustment	All years covered by this report	Fraud Risk	New Risk	One further specific area where the risk due to fraud and error manifests is in respect of the accounting adjustments made in the Movement in Reserves Statement. Given the financial pressure the Council is under, these adjustments could be used to manipulate the closing General Fund position.
Investment Property Valuation	All years covered by this report	Significant Risk	No change in risk or focus	Investment properties represent significant balances in the Group accounts (2023: £48.1 million for the Council and £102.7 million for the Group; 2022: £61.3 million for the Council and £108.9 million for the Group) and are subject to valuation changes and impairment reviews. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Work Plan – Significant, inherent and other risk areas

The following 'dashboard' summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for both the years.

Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Valuation of Stocks at Lower of Cost & NRV	All years covered by this report	Significant Risk	Increase in risk (No risk to SR in 2022)	Inventory constitute a significant balance in the Council's group accounts (22/23: £29.3 million). These assets are measured at lower of cost and net realisable value which requires the use of assumptions, judgements and estimates regarding the expected returns from the project and total costs to complete the development. The variances between these assumptions and actual events could have a material impact on the ultimate net realisable value.
Group financial statements	All years covered by this report	Significant risk	Increase in risk (IR to SR in 2022)	As of March 31, 2020, the Council has entered into three Joint Venture arrangements for the redevelopment and regeneration of the Rainham and Beam Park Housing Zone, Bridge Close, and 12 housing estates within the Borough. The Council consolidates the transactions or balances relating to these joint venture arrangements within its group financial statements. Although this will be the 3rd year for consolidation, issues in 2020/21 indicate a significant risk that they may not be consolidated accurately and that not all required disclosures are included in the accounts, as the level of activity in and size of the joint ventures increases.
Going concern disclosure	All years covered by this report	Inherent risk	No change in risk or focus	We reported on Going Concern as part of our 2020/21 Audit Report, given the level of uncertainty on the current levels funding and the impact on future service provision, as set out in the Council's updated Medium Term Financial Strategy, which estimates a budget gap of £32.5 million in 24/25 and rises to £81.9 million over the next four years. In February 2024, the Secretary of State approved a capitalisation direction of £53.7 million. We have therefore flagged this is as an inherent risk in our audit strategy given the significance of the capitalisation direction the Council's financial position.

Work Plan – Significant, inherent and other risk areas

The following 'dashboard' summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for both the years.

Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
National Non-Domestic Rates (NNDR) Appeals Provision	All years covered by this report	Inherent risk	No change in risk or focus	Due to the impact of COVID-19, there is a possibility that businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based. The Council's NNDR Appeals Provision is a material estimate, for the Collection Fund as a whole. In light of this, we consider there to be a higher inherent risk of misstatement of the Council's NNDR appeals provision.
Pension Liability Valuation	All years covered by this report	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council / Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Land and Buildings Valuation (including council dwellings)	All years covered by this report	Inherent Risk	No change in risk or focus	Risk associated with PPE valuation applies only to other land and building (at EUV, FV, and DRC) and Surplus assets (at FV). The valuation should be in accordance with the RICS 'Red Book' – in respect of EUV (existing use) there must be a market in existence for the property with a reasonable number of transactions of property of a type similar to the subject property. Where market-based evidence of fair value is insufficient, the Code permits the use of Depreciated Replacement Cost (DRC). ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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Work Plan - Independence

The FRC Ethical Standard 2019 and ISA (UK) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence
- The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the Audit Committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a “pre-approval” to provide the service).
- All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

Final stage

- In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit/additional services provided and the fees charged in relation thereto;
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Work Plan - Independence

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your Audit Engagement Partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately nil:nil. No additional safeguards are required.

Self review threats

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self-interest threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

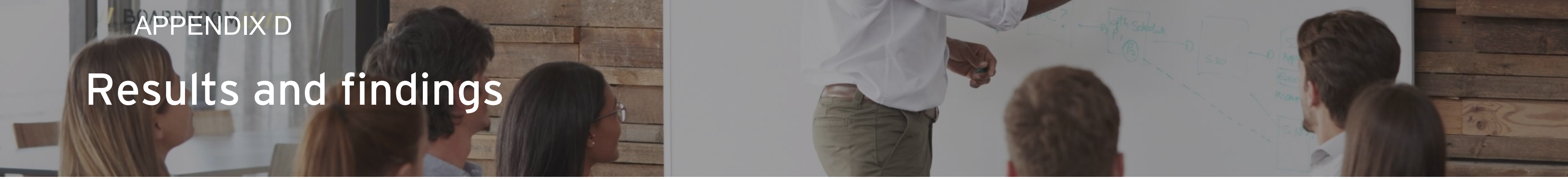
There are no other threats at the date of this report.

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: EY UK 2023 Transparency Report.

03 Results and findings



APPENDIX D

Results and findings

Status of the audit

Our audit work in respect of the Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report in respect of each audit year (2021/22 and 2022/23).

Final Closing procedures:

- Completion of subsequent events procedures;
- Receipt of a signed management representation letter

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion, a current draft of which is included later in this section.

Value for Money

Our Value for Money (VFM) work is complete and reported in Section 5 of this report. We have identified risks of significant weaknesses in arrangements. Having updated and completed the planned procedures in these areas we did identify significant weaknesses upon which we are reporting within our Audit Report. See Section 5 of the report for further details.

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Audit differences

The Council should ensure that in approving the Statement of Accounts, that all sets cast correctly, all prior year comparatives agree to the final set of prior year Statement of Accounts, or explanations for prior year adjustments have been set out by the Section 151 Officers. The Council should also seek explanations for any material variances between years to fully understand the Statement of Accounts.

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We have no matters to report as a result of this work.

We did not receive any questions or objections to the Council’s financial statements from any member of the public following the inspection period.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

We did not identify any issues which required us to issue a report in the public interest.

Results and findings

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of London Borough of Havering. We concluded we would disclaim the audit in each financial year and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues;
- You concur with the resolution of the issue; and
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

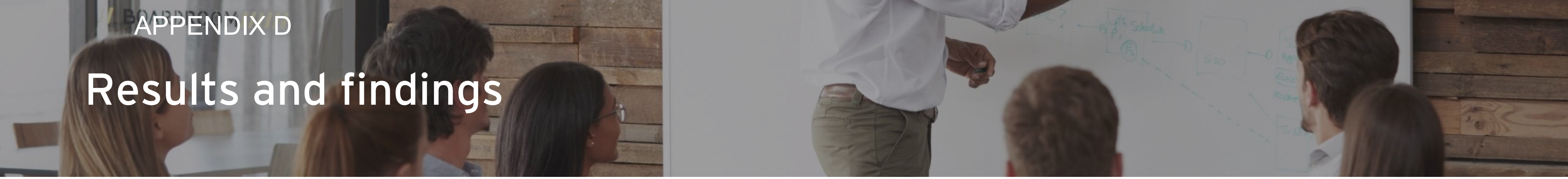
There are no matters, other than those reported by Management or disclosed in this report, which we believe should be brought to the attention of Management, the Audit Committee, or full Council.

Control observations

During the audit, we did not identify any significant deficiencies in internal control.

Independence

Further to our review of independence in Section 2 of this report we have not identified any issues to bring to your attention..



APPENDIX D

Results and findings

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations;
- Group audit procedures.

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Results and findings

Summary of audit differences

We have not identified any audit differences, either adjusted or unadjusted, as part of our audit, with the exception of the following:

Multiple variances were noted between the prior year statements and current year draft statements (2022/23 and 2021/22). This is due to the 2020/21 financial statements awaiting sign-off, with consequential flow through of the updated amendments to those accounts as part of that audit. The subsequent years financial statements that were subject to our review were the original draft financial statements published in line with the Account & Audit Regulations.

The Council should ensure that in approving the Statement of Accounts, that all sets cast correctly, all prior year comparatives agree to the final set of prior year Statement of Accounts, or explanations for prior year adjustments have been set out by the Section 151 Officers. The Council should also seek explanations for any material variances between years to fully understand the Statement of Accounts.

04 Audit Report

DRAFT

Draft Audit Report - 2021/22

DRAFT

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HAVERING COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of London Borough of Havering ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2022. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 45,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 5,
- Collection Fund and the related notes 1 to 3.

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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

We completed the audit of the 2020/21 financial statements in November 2024 and issued our audit opinion on X November 2024.

The backstop date and the wider requirements of the local audit system reset, meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2021/22 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Council.

Draft Audit Report – 2021/22

DRAFT

Our opinion on the financial statements

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

Report on the Group and Authority's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you, if we are not satisfied that the Group and Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the Code of Audit Practice 2020 and the guidance issued by the Comptroller and Auditor General in April2021, we have identified the following significant weaknesses in the Group and Authority's arrangements for the year ended 31 March 2022.

Significant weaknesses in arrangements

Our judgement on the nature of the weaknesses identified in relation to financial sustainability:

The Authority set a balanced budget for 2021/22 in February 2021 and for 2022/23 in February 2022. The Authority overspent compared to budget in both of these years due to inflationary pressures and did not fully meet required savings plans. The continued worsening of the financial position has subsequently culminated in the Authority seeking Exceptional Financial Support from MHCLG in February 2024.

• The evidence on which our view is based:

These circumstances have arisen because the Authority's financial condition deteriorated during the 2021/22 financial year, and it has been exposed by the operational and financial consequences of the Covid-19 outbreak, as well as continuing financial pressures as a result of the demands of social care in the area. In particular:

The Authority issued a balanced budget in the 2020/21 financial year but ultimately required to utilize reserves in order to achieve this
Subsequently, the Authority wrote to DLUHC (now MHCLG) setting out their precarious financial position. The Authority was seeking alternative funding options to mitigate the risk that it would need to issue a notice under Section 114(3) of the Local Government Finance Act 1988 that it is unable to balance its 2021/2022 budget.

Draft Audit Report - 2021/22

DRAFT

Our opinion on the financial statements

The impact on London Borough of Havering:

The Authority has ultimately sought additional exceptional financial support from Government given the continued impact of the financial pressures, which would have otherwise led to the issuance of a notice under Section 114(3).

• The action the body needs to take to address the weakness:

The Council should demonstrate transparency of the Council's financial planning and monitoring, identifying the need for any future exceptional financial support in each future financial years whilst maintaining the minimum level of General Fund reserves advised by the Section 151 Officer.

Specifically:

• Both Members and Senior Management should take a transparent approach to discussing and addressing the challenging financial position that the Council faces with Central Government.

• The Council needs to continue to identify and address the future budget gaps as part of their working with MHCLG, highlighting the need for Exceptional Financial Support, to enable the continued provision of core services.

• The financial impact of the additional Exceptional Financial Support costs needs to be incorporated into the Council's Medium Term Financial Plans.

This issue is evidence of weaknesses in proper arrangements for:

- How the body plans to bridge its funding gaps and identified achievable savings; and
- How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.

Responsibility of the Chief Financial (Section 151) Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the Chief Financial (Section 151) Officer is responsible for the preparation of the Statement of Accounts, which includes the [Group and Council 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial (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 Chief Financial (Section 151) Officer is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

Draft Audit Report - 2021/22

DRAFT

Our opinion on the financial statements

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council 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 the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021**,** as to whether London Borough of Havering had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Havering put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, London Borough of Havering had put in place proper arrangements to secure 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 (as amended) to satisfy ourselves 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.

Pension Fund financial statements

On X December 2024 we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2022 included within the Statement of Accounts.

Draft Audit Report - 2021/22

DRAFT

Our opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts of London Borough of Havering in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of London Borough of Havering, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and Council and the Group and Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Draft Audit Report 2022/23

DRAFT

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HAVERING COUNCIL

Disclaimer of opinion

We were engaged to audit the financial statements of London Borough of Havering ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2023. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 45 including a summary of significant accounting policies.
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 5,
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Group and the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

The audit of the 2021/22 financial statements for London Borough of Havering was not completed for the reasons set out in our opinion on those financial statements dated X December 2024.

As a result of the delays to the previous year's audit together with the wider requirements of the local audit system reset, we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements before the 13th December 2024 backstop date.

Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Council.

Draft Audit Report – 2022/23

DRAFT

Our opinion on the financial statements

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

- Report on the Group and Authority's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you, if we are not satisfied that the Group and Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

On the basis of our work, having regard to the Code of Audit Practice 2020 and the guidance issued by the Comptroller and Auditor General in April 2021, we have identified the following significant weaknesses in the Group and Authority's arrangements for the year ended 31 March 2023.

<u>Significant weaknesses in arrangements</u>

Our judgement on the nature of the weaknesses identified in relation to financial sustainability:

The Authority set a balanced budget for 2022/23in February 2022 and for 2023/24 in February 2024. The Authority overspent compared to budget in both of these years due to inflationary pressures and did not fully meet required savings plans. The continued worsening of the financial position has subsequently culminated in the Authority seeking Exceptional Financial Support from MHCLG in February 2024, in order to support the gap in the 2023/24 financial year.

<u>The evidence on which our view is based:</u>

These circumstances have arisen because the Authority's financial condition initially deteriorated during the 2021/22 financial year, and it has been exposed by the operational and financial consequences of the Covid-19 outbreak, as well as continuing financial pressures as a result of the demands of social care in the area. In particular:

- The Authority issued a balanced budget in the 2021/22 financial year but ultimately required to utilize reserves in order to achieve this
- Subsequently, the Authority wrote to DLUHC (now MHCLG) setting out their precarious financial position. The Authority was seeking alternative funding options to mitigate the risk that it would need to issue a notice under Section 114(3) of the Local Government Finance Act 1988 that it is unable to balance its 2022/23 budget.

Draft Audit Report – 2022/23

DRAFT

Our opinion on the financial statements

The impact on London Borough of Havering:

The Authority has ultimately sought additional exceptional financial support from Government given the continued impact of the financial pressures, which would have otherwise led to the issuance of a notice under Section 114(3).

• The action the body needs to take to address the weakness:

The Council should demonstrate transparency of the Council's financial planning and monitoring, identifying the need for any future exceptional financial support in each future financial years whilst maintaining the minimum level of General Fund reserves advised by the Section 151 Officer.

Specifically:
- Both Members and Senior Management should take a transparent approach to discussing and addressing the challenging financial position that the Council faces with Central Government.
- The Council needs to continue to identify and address the future budget gaps as part of their working with MHCLG, highlighting the need for Exceptional Financial Support, to enable the continued provision of core services.
- The financial impact of the additional Exceptional Financial Support costs needs to be incorporated into the Council's Medium Term Financial Plans.

This issue is evidence of weaknesses in proper arrangements for:
- How the body plans to bridge its funding gaps and identified achievable savings; and
- How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.

Responsibility of the Chief Financial (Section 151) Officer

As explained more fully in the '*Statement of the Responsibilities for the Statement of Accounts'* set out on page 20, the Chief Financial (Section 151) Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial (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 Chief Financial (Section 151) Officer is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

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

Draft Audit Report – 2022/23

DRAFT

Our opinion on the financial statements

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council 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 the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023**,** as to whether London Borough of Havering had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Havering put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, London Borough of Havering had put in place proper arrangements to secure 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 (as amended) to satisfy ourselves 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.

Pension Fund financial statements

On X December 2024 we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2023 included within the Statement of Accounts.

Certificate

We certify that we have completed the audit of the accounts of London Borough of Havering in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of London Borough of Havering, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and Council and the Group and Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

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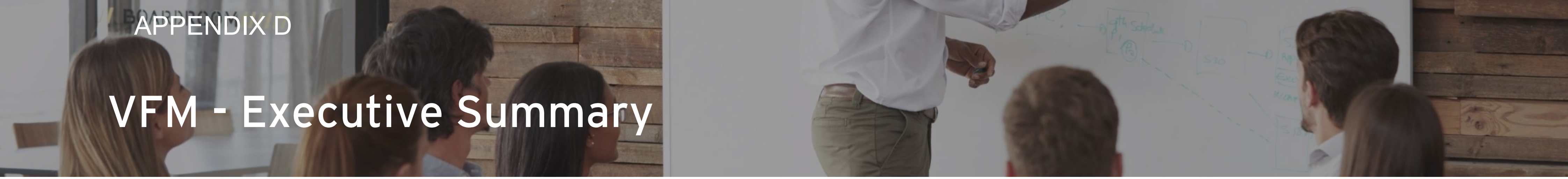
05 Value for Money



VFM - Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements, which we have done within our Interim VFM Arrangements Report – 24 September 2024. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this commentary is to explain the work we have undertaken in respect of the period 1 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit years 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) as it was at the time, worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation stated that where auditors had begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report Value for Money (VFM) in line with our full responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and

The detailed arrangements and processes underpinning the reporting criteria were reported within our Interim VFM Arrangements Report – 24 September 2024.

Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and as a result, we identified a significant risk of weakness related to Financial Sustainability. This risk impacts both 2021/22 and 2022/23 audit years. We set out our planned response to address this risk in the table below.

Description of risk identified	Audit Year Impacted	Work planned to address the risk of significant weakness
Criteria: Financial Sustainability We have identified a risk around the Council's budget setting and budget monitoring processes as a result of identified overspends in each of the 2021/22, 2022/23 financial years and in relation to the 2023/24 budget (as this was set in the 2022/23 financial year).	2021/22 2022/23	1. Review of Council's Medium-Term Financial Strategy 2021/22 to 2023/24 and approach to savings plans, linked to Exceptional Financial Support granted in 2023/24 2. Review of the Outturn reports for both 2021/22 and 2022/23 3. Review of Council's Medium-Term Financial Strategy 2022/23 to 2024/25 4. Review the Council's approach to budget setting, linked to the Medium-Term Financial Strategy 5. Review the Council's approach to in-year budget monitoring.

Executive Summary (continued)

Reporting

Our commentary for 2021/22 and 2022/23 is set out over pages 39 to 42. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We include within the VFM commentary below the associated recommendations we have reported to the Council.

The detailed arrangements and processes underpinning the reporting criteria were reported within our Interim VFM Arrangements Report – 24 September 2024. These were reported in our 2021/22 Auditor's Annual Report and have been updated for 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	One significant risk identified - as per page 31.	Significant weaknesses identified for both 2021/22 and 2022/23.
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified.	No significant risks identified.
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified.	No significant risks identified.

As a result, we have matters to report by exception within our Audit Report.

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

One significant weaknesses identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code of Audit Practice, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment identified one risk of significant weakness in arrangements in respect of securing financial sustainability.

The Council set balanced budgets in the 2021/22 and 2022/23 financial year but have also reflected on the challenges in doing so and the significant budget gaps in future periods, given the continuing demand led pressures facing the Council in the key service areas of Adult and Children's social care. These budgets have also been produced in the context of the global pandemic, inflationary pressures, a cost-of-living crisis and economic uncertainty, all of which has been felt by the Council and residents alike.

The Council's established planned savings targets for each financial year and achieved savings were as follows:

- 2021/22 budget included savings proposals of £17.133 million, of which £11.855 million were achieved with £5.278 million being undelivered; and
- 2022/23 budget included savings proposals of £13.028 million, of which £11.371 million were achieved with £1.657 million was undelivered.

The final outturn position were:

- In 2021/22 there was a £7.994 million overspend on the Council's revenue budget. This overspend led to the additional use of reserves to fund the additional cost pressures and non-delivery of the identified saving requirement.
- In 2022/23 there was a £7.788 million overspend on the Council's revenue budget. This overspend led to the additional use of reserves to fund the additional cost pressures and non-delivery of the identified saving requirement.

Social Care demand pressures in both Adult and Childrens services and the associated significant rising cost of that care together with inflationary pressures in those service areas have been a key driver in the total overspend across both these financial years. Whilst the Council did budget for increasing costs, these assumptions did not fully recognise the pressure that these areas would come under due to the changing demographic and the inflationary pressure experienced in these financial years. These overspends were managed throughout the financial year, mitigating to some extent the earlier in-year budget projections of a higher year-end overspend.

As a result of these overspends and the need to call upon reserves, reserve balance have fallen significantly during this period. Earmarked Reserve balances have fallen from £78.8 million at the start of the 2021/22 financial year to £49.834 million at the end of the 2022/23 financial year. The General Fund balance has fallen from £10.9 million to £8.2 million in the same period. The Council have continued to hold the General Fund Reserve above the minimum level set by the Section 151 Officer, however planned contributions to the General Fund have not been achieved due to the cost pressures experienced across the two financial years.

The Medium Term Financial Strategy (MTFS) for each financial year has been developed and updated by Officers, being cognisant of the financial challenges facing the Council. The overspends incurred are due to a combination of factors, significant pressures in respect of Social Care have had a significant impact on future budgeting, as well as the impacts of the pandemic on savings achievements. The final MTFS for 2022/23 was approved by Full Council in March 2022. This set a balanced budget for the 2022/23 financial year but demonstrated the significant gap going forward (£26.4 million as part of the 4-year plan to 2025/26), whilst also needing to achieve savings of £27.7 million during the same period.

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

One significant weaknesses identified

The 2023/24 Medium Term Financial Strategy (MTFS) was approved at Full Council in February 2023. The papers for that meeting reflect on the significant challenges experienced during the budget process for that year, based on increasing costs driven by demographic pressures locally, as well as macroeconomics. Ultimately a balanced budget was set based on a maximal 4.99% increase to Council Tax, savings proposals of £9.626 million and through additional Government Settlement Funding.

During the 2023/24 year the financial pressures increased, as demand pressures for Adult and Children's and the associated increases in costs for that demand escalated beyond plan. As a result of the significant challenges facing the Council during 2023/24, it sought Exceptional Financial Support from the Government, through a capitalisation direction for £53.7 million (£21.2 million for 2023/24 and £32.5 million for 2024/25, which was granted in February 2024.

Whilst savings plans have been identified to deliver the required £9.626 million of savings in 2023/24, there is still significant challenge for the Council in both setting, and achieving, a balanced budget for future financial years without calling for further exceptional financial support from Central Government.

Conclusion: Based on the work performed, we have identified a significant weakness in the arrangements will be reported by exception in relation to the robustness of the budget setting process which ultimately has led to the extent of overspends incurred in 2021/22, 2022/23 and 2023/24 (for which the budget was set in the 2022/23 financial year). The Council did not have proper arrangements in place during this period to plan and manage its resources to ensure it can continue to deliver its services without the need for exceptional governmental support in 2023/24.

Recommendation: We recommend that Management continue to demonstrate transparency of the Council's financial planning and monitoring, identify early the need for any future exceptional financial support in each future financial year whilst maintaining the minimum level of General Fund reserves indicated by the Section 151 Officer.

Specifically:

- Both Members and Senior Management should continue take the transparent approach to discussing and addressing the challenging financial position that the Council faces with Central Government.
- The Council needs to continue to identify and address the future budget gaps as part of their working with MHCLG, highlighting the need for Exceptional Financial Support, to enable the continued provision of core services.
- The financial impact of the additional Exceptional Financial Support costs needs to be incorporated into the Council's Medium Term Financial Plans.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weaknesses identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements in respect to Governance.

During 2021/22 and early 2022/23, several Cabinet meetings were cancelled due to the Covid pandemic. However, Cabinet did meet to discuss updates to the Medium-Term Financial Strategy in October 2021, which set out how increased demand had impacted the position in that financial year, as well as the pressure on balancing the 2022/23 budget. Further financial reviews were taken to Cabinet in the latter half of 2022/23, and regular Budget Monitoring Reports resumed as Cabinet meetings recommenced. Throughout the period, given the prioritisation of Covid response as well as the need to rearrange meetings, Cabinet have received updates on financial performance, and the outturn reports for each year show that action was taken throughout the year to take necessary steps towards minimising in year overspend pressures. Whilst ultimately there was an overspend in each year, these were less than forecast at various points in the year. The s151 Officer continued to monitor the budget monthly throughout this period, and where overruns have arisen, steps were taken to look to address these and ensure overspends do not continue to grow.

Local elections were held on 5 May 2022 to elect Council members, with new election boundaries increasing the total number of councillors to 55. As a result of these local elections, the Council ended in a state of no overall control, and an agreement was reached between the Havering Residents Association (HRA) and Labour to form a coalition, with the leader of the HRA becoming the Leader of the Council, replacing the previous Conversative leadership of the Council.

Internal Audit concluded that they had obtained 'reasonable assurance' in both financial years, that there is generally a sound system of internal control across the Council. The Council considers the findings of Internal Audit for future actions, which has for example led to amendments to the procurement, to follow best practice governance arrangements. The Audit Committee met regularly throughout both financial years, receiving key reports such as those from Internal Audit and the Corporate Risk Register and ensuring that there were appropriate processes for the relevant directorates to keep these registers updated.

The Council published their draft financial statements for both 2021/22 and 2022/23 on a timely basis, in line with the Audit and Accounts Regulations, and advertised and held an inspection period for members of the public in line with these regulations. Therefore, appropriate arrangements for financial reporting were in place during this period.

Conclusion: Based on the work performed, we have not identified any risks of significant weakness in the arrangements of the Council to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weaknesses identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements in respect to Improving economy, efficiency and effectiveness.

The Leadership Team reviews the financial and performance information of the Council monthly. Benchmarking reports are completed internally and externally and included periodically as a line of enquiry to identify where improvements can be made to operational performance or financial performance. Through this work performance indicators for subsequent years are developed and enhanced to continually improve.

The Council have been transparent in acknowledging the increasing difficulties in setting a balanced budget each financial year, which have formed part of the discussions at Full Council on budget setting, and the subsequent warnings (in 2023/24) from the Council Leader and Director of Resources & Section 151 Officer on the worsening financial position, which has ultimately led to Exceptional Financial Support. Budget monitoring reports were evaluated throughout the years to determine areas where overspends are occurring and how these can be addressed in year and future years to reduce these.

During 2021/22, the Council was subject to Ofsted inspection which set out the challenging context of the financial year linked to Covid and the impact this had on the local community. This also set out that some of the pandemic impacts were mitigated by strong, timely corporate and political support, and reflects positively on the Council's awareness of the impact. Identified improvement areas have been recognised by the Council, and an action plan has been implemented which is being actively monitored. These findings are considered by the Council to consider how improvements can be delivered in future years.

The Council continued their close working with subsidiary and joint venture organisations and the governance of these is managed through specific Committees, as well as general oversight through Cabinet and other meetings. The Council have worked closely with London Borough of Newham & London Borough of Bexley under the 'oneSource' arrangement, however the need for bespoke and unique services for each Council has meant that the scope of this arrangement has reduced with the Council taking certain shared services back in-house.

Conclusion: Based on the work performed, we have not identified any risks of significant weakness in the arrangements of the Council to use information about its costs and performance to improve the way it manages and delivers its services.

06 Appendices

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Appendix A – Management representation letter

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

Page 168

[To be prepared on the entity's letterhead] *[Date]*

Ernst & Young

This letter of representations is provided connection with your audit of the [*consolidated and parent*] Authority financial statements of *[name of entity]* ("the [Group and] authority") for the year ended *[balance sheet date]*. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the [Group and] authority financial position of *[name of entity]* as of *[balance sheet date]* and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the [Group and] the Authority, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)**.**

We understand that the purpose of your audit of our [consolidated and parent] Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the [Group and the parent] Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)].
2. We acknowledge, as members of management of the [Group and] authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the [consolidated and parent] Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the [Group and parent] Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the [Group and] authority financial statements are appropriately described in the [Group and] authority financial statements**.**
4. As members of management of the [Group and] authority, we believe that the [Group and] authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [*[applicable financial reporting framework]* for the Group and] *[applicable financial reporting framework]* for the Authority that are free from material misstatement, whether due to fraud or error.

Appendix A – Management representation letter

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

5. *[When there are unadjusted audit differences in the current year]* We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because [specify reasons for not correcting misstatement].
6. [When the comparative figures have been restated] The comparative amounts have been restated to reflect the below matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and parent Authority financial statements. *[Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.]* There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended *[date]* are solely the result of reclassifications for comparative purposes.
7. We confirm the [Group and] authority does not have securities (debt or equity) listed on a recognized exchange.
8. We have confirmed to you any changes in service organizations within the [Group and] authority since the last audited financial year.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the [Group and] authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the [consolidated and parent] Authority financial statements may be materially misstated as a result of fraud.
4. *[When management is aware of the occurrence of non-compliance with laws or regulations, or has received allegations of non-compliance with laws and regulations.]* We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the [Group or] Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the [consolidated and parent] Authority financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the [consolidated and parent] Authority financial statements, but compliance with which may be fundamental to the operations of the [Group and] authority's business, its ability to continue in business, or to avoid material penalties

Appendix A – Management representation letter

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the [consolidated and parent] Authority financial statements.
3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the *[period]* to the most recent meeting on the following date: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the [Group and] authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the [consolidated and parent] Authority financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with [applicable financial reporting framework].
6. We have disclosed to you, and the [Group and] authority has complied with, all aspects of contractual agreements that could have a material effect on the [consolidated and parent] Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the [consolidated and parent] Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Appendix A – Management representation letter

Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

8. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the [consolidated and parent] Authority financial statements, including disclosures.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the [consolidated and parent] Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note *[X]* to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note *[X]* to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than the events described in Note *[X]* to the [consolidated and parent] Authority financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the [Group and] authority have reflected these in the consolidated and parent financial statements.

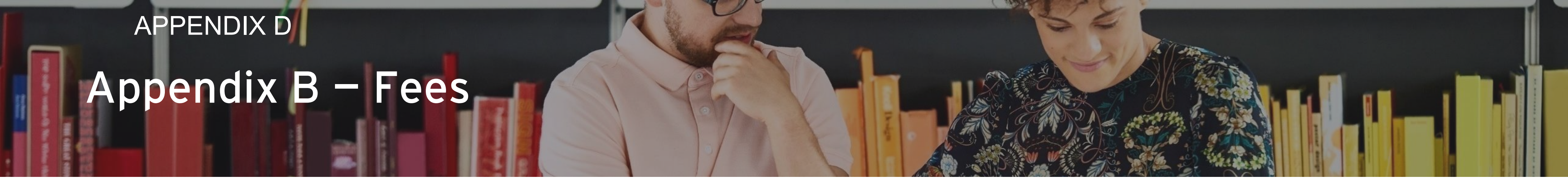
Yours faithfully,

____

(Chief Financial Officer/Finance Director)

____

(Chairman of the Audit Committee)



APPENDIX D

Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

The original fees for these years were based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.UK/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.
- Note 1 - Due to the reset enacted through Statutory Instrument (2024) No. 907 - The Accounts and Audit (Amendment) Regulations 2024, the above approach is not relevant

	2022/23	2021/22	2020/21
	£'s	£'s	£'s
Scale Fee – Code Work	157,827	121,941	121,941
Determined Scale Fee Variation	TBC – Note 1	TBC – Note 1	TBC – Note 2
Total audit			
Other non-audit services not covered above (Housing Benefits) – Note 3	13,900	17,200	12,000
Total fees	**TBC**	**TBC**	**TBC**

All fees exclude VAT

Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23.

In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Note 2 – The 2020/21 audit has only recently been concluded. We are in the process of notifying Management of the Scale Fee Variation we will be submitting to PSAA Ltd for formal determination.

Note 3 – Planned fee to date, prior to completing all certification requirements.

Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ► The planned scope and timing of the audit ► Any limitations on the planned work to be undertaken ► The planned use of internal audit ► The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	This Completion report for Those Charged with Governance
Significant findings from the audit	► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Any other matters considered significant.	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit Committee (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements	This Completion report for Those Charged with Governance
Misstatements	▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management	This Completion report for Those Charged with Governance
Fraud	▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility	This Completion report for Those Charged with Governance

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Appendix C — Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity	This Completion report for Those Charged with Governance
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	This Completion report for Those Charged with Governance

Appendix C — Required communications with the Audit Committee (cont'd)

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Required communications	What is reported?	Our Reporting to you When and where
	▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Audit Committee should also be provided an opportunity to discuss matters affecting auditor independence	This Completion report for Those Charged with Governance
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures	This Completion report for Those Charged with Governance
Consideration of laws and regulations	▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	This Completion report for Those Charged with Governance
Internal controls	▶ Significant deficiencies in internal controls identified during the audit	This Completion report for Those Charged with Governance

Appendix C — Required communications with the Audit Committee (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditors report	Any circumstances identified that affect the form and content of our auditor's report	This Completion report for Those Charged with Governance

APPENDIX D

Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that… so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

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"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations …"

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

The International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and

Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter	Implication
▸ Suspected or known fraud or bribery	▸ Potential fraud/breach of anti-bribery legislation
▸ Health and Safety incident	▸ Potential breach of section 2 of the Health and Safety at Work Act 1974
▸ Payment of an unlawful dividend	▸ Potential breach of Companies Act 2006
▸ Loss of personal data	▸ Potential GDPR breach
▸ Allegation of discrimination in dismissal	▸ Potential non-compliance with employment laws
▸ HMRC or other regulatory investigation	▸ Suspicion of non-compliance with laws/regulations
▸ Deliberate journal mis-posting or allegations of financial impropriety	▸ Potential fraud / breach of Companies Act 2006
▸ Transacting business with sanctioned individuals	▸ Potential breach of sanctions regulations

Appendix D - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years

Management response:	Audit response:
Timely communication of the matter to auditors (within a couple of days)	Initial assessment of the NOCLAR matter and its potential impact
Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both	Initial consultation with risk team to determine responsive procedures and the involvement of specialists
Scope the investigation, in discussion with the auditors	Understand and agree scope of management's investigation with support from specialists as needed
Evaluate findings and agree next steps	Evaluate findings and undertake appropriate audit procedures
Determine effect on financial statements including disclosures	Determine audit related impact including accounting and disclosure and audit opinion implications
Prepare a paper, summarising the outcome of the investigation and management's conclusions	Document and consult on the outcome of our procedures
Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.	Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

Key Reminders:

- Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- Engage external specialists where needed
- Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Appendix E – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- *prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- *ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- *assign responsibilities clearly to staff with the appropriate expertise and experience;*
- *provide necessary resources to enable delivery of the plan;*
- *maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- *ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- *ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- *during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

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Havering
LONDON BOROUGH

APPENDIX E

Statement of Accounts 2021/22

CONTENTS

Dear residents,

We continue to recover from some of the most challenging years we have ever seen. Throughout, the focus of the Council has been on helping the residents of our borough cope with these extremely difficult circumstances. This includes the rising cost of living and rate of inflation, the economic and health impacts of the pandemic and the huge increase in local care needs.

I would say however, that the Council, and its staff, have gone above and beyond to respond to these difficult circumstances, and despite all this have continued to deliver vital front line services.

This year, we had the challenge of presenting a balanced budget, which serves the needs of our residents. This is set against the backdrop of our recovery from the Covid-19 pandemic, in particular the huge spike in the cost and demand for social care. This is along with reduced funding from government, the rising cost of living and the need to make a further £13m savings.

We will deliver a record increase in local social care funding to support our most vulnerable residents. In order to achieve this, residents will see an increase of 2.99% in their Council Tax bills in 2022/23. This includes a 1.99% increase on general Council Tax and a 1% increase, as set out by the Government, to support local social care.

To support residents with rising costs an extra £250k has been added to the £1.5m Havering Helps emergency fund which so far has helped almost 2,000 residents to pay bills, buy white goods if they have broken down or support them in other ways. Our budget also pledges an additional £30k for the Council's Community Hubs, £70k for the local voluntary sector and an additional £1m to extend the school holiday meals scheme until Christmas 2022 (now Government funding has ceased).

We also plan to build on the investment in our roads and pavements. So far our highways invest programme has seen over 100 miles of the worst roads and pavements improved since 2019, and residents are already benefitting from these improvements.

Following the opening of the Harrow Lodge leisure centre in Hornchurch, our investment in leisure facilities moves forward with construction underway on a brand new leisure centre for Rainham – due to open in 2023. This underlines our commitment to providing residents easy access to state-of-the-art leisure and sports centres right across the borough. Access to leisure facilities have proven benefits of physical and mental well-being, which are important considerations particularly given the evens of the last few years

The Council will still deliver regular rubbish collections and street cleaning to ensure the borough remains a clean and pleasant place to live. We know parks in the borough are important to our residents. Our green spaces have proved a vital lifeline to so many during the pandemic. They will see continued investment this year. This along with a commitment to build on increasing the borough's record 16 green flags – means we will ensure our parks and playing fields remain great places for people to enjoy and exercise in.

We will look at maintaining our status as one of the most efficient councils in the country and we will continue with the transformation of how the Council delivers services to the borough's communities with improved technology to offer 24/7 online access for residents. This includes continued improvement in technology so Council staff can better support residents. The Council will also continue to look at how it uses it buildings and front line services such as libraries to make it easier for residents to access services.

It has been a challenging time for us, but I am pleased to say that our hard work over the years has paid off, and despite the impacts of the Covid-19 pandemic along with other challenges, the Council is in a good place to keep supporting residents making sure they get the services they need.

Just as this was being published we experienced a horrific fire in Wennington resulting in 19 homes being destroyed and damaged – with devastating consequences to local residents. This followed severe flooding last year which again impacted many residents. Unfortunately, we will need to be prepared for more severe weather events in future because of the changing climate. This will not only impact our residents and businesses but will also put further pressure on the Council's budget as we respond to these crises.

Andrew Blake-Herbert

Chief Executive, London Borough of Havering

2021/22: An Overview

Introduction

The Council's Statement of Accounts represent the financial performance of the past year and the overall financial position of the authority but it is not the whole story. It does not explain how we got here, where we want to go and how we plan to get there. It is also important to understand how service performance has driven income and expenditure and led to the end of year financial position. This narrative report will attempt to give you some insights into what it all means through linking financial facts to other data sources and our corporate objectives that are set by councillors.

Dave McNamara, Section 151 Officer, London Borough of Havering

The Corporate plan for 2021/22 explained how we planned to make a difference to the lives of people who live, work and learn in Havering. The plan informed the allocation of resources through our revenue budget and capital investments and created the basis for the planning of services across the Council.

At the start of the financial year we were still in the middle of the pandemic and Council services were still being heavily affected by the Government restrictions in place. As the year progressed the restrictions were eased and the Council was able to recommence many activities which had been stopped or delayed. The pandemic however has and continues to have an impact on both the demand and the level of services the Council provides.

The Government provided £6.6m of direct support in respect of the pandemic in 2021/22 and also provided funding to compensate for loss of income in the first three months of the year. This support has been welcome but it should be noted that the impact of the pandemic continues to affect demand levels in social care and some other areas such as leisure still have lower footfall than before the pandemic.

More recently Council services have been put under pressure as a result of high inflation and energy prices caused in part by the war in Ukraine. The impact of this is mainly on 2022/23 and future years but there was still some impact in 2021/22.

The Government funding largely covered the direct cost of the pandemic in 2021/22 but the indirect costs such as a large increase in demand in Social Care had a significant impact on the outturn position. The effects of the pandemic also caused delays to some of the planned efficiencies and savings for 2021/22 which resulted in an overspend at year end. The 2022/23 budget process recognised the impact of this and savings were only carried forward where plans were in place to achieve them in 2022/23.

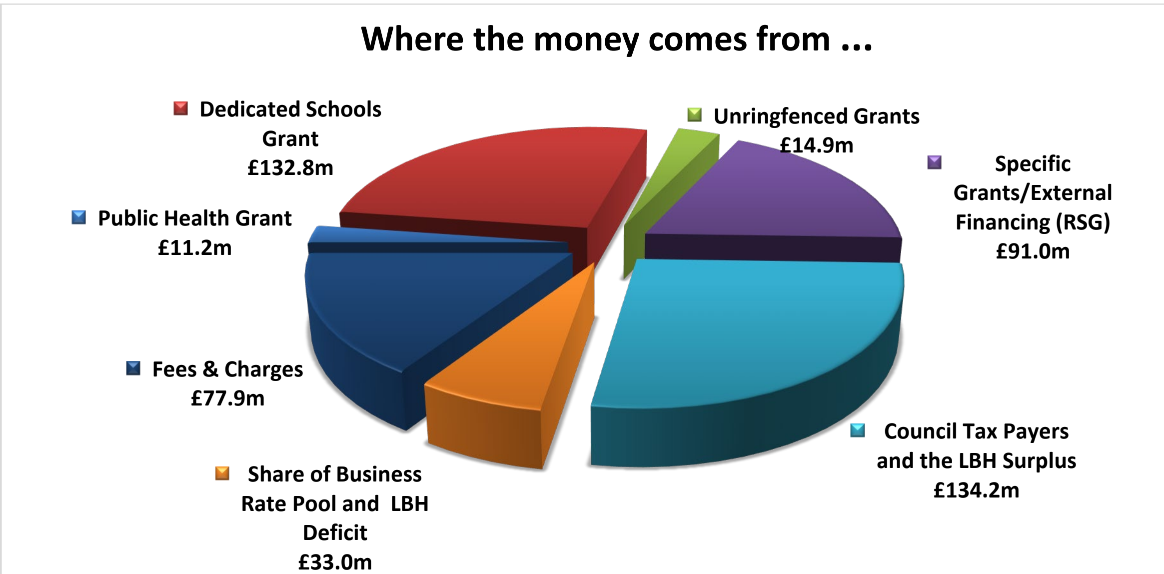
The Outturn position showed an overspend of £7.994m primarily due to the increased demand in social care and delay in achievement of savings. It should be noted that contained within this figure was an £8m contribution to general balances which had been introduced into the budget with the aim of moving balances towards a target of £20m. The overspend position together with this planned contribution has meant that general balances have remained at just under £11m. The Council has further budgeted contribution to balances built into the 2022/23 budget and the 4 year medium term financial strategy and remains fully committed to moving towards the £20m target.

The current economic crisis will have a profound impact on local government and all authorities will face financial challenges in order to both deliver key services and balance their budgets. Havering is no different in this respect and will need to find significant efficiencies to be able to set balanced budgets in the future. The level of future central government funding remains a concern both in terms of the impact of future funding reform and more specifically regarding the adequacy of funding for fair cost of care.

2021/22 represented a difficult year financially for the Council with an outturn overspend caused by the after-effects of the pandemic and lockdown periods. The Council however continued to deliver high quality services to its residents through the year and has worked hard to contain costs and develop efficiencies in the way it provides its services.

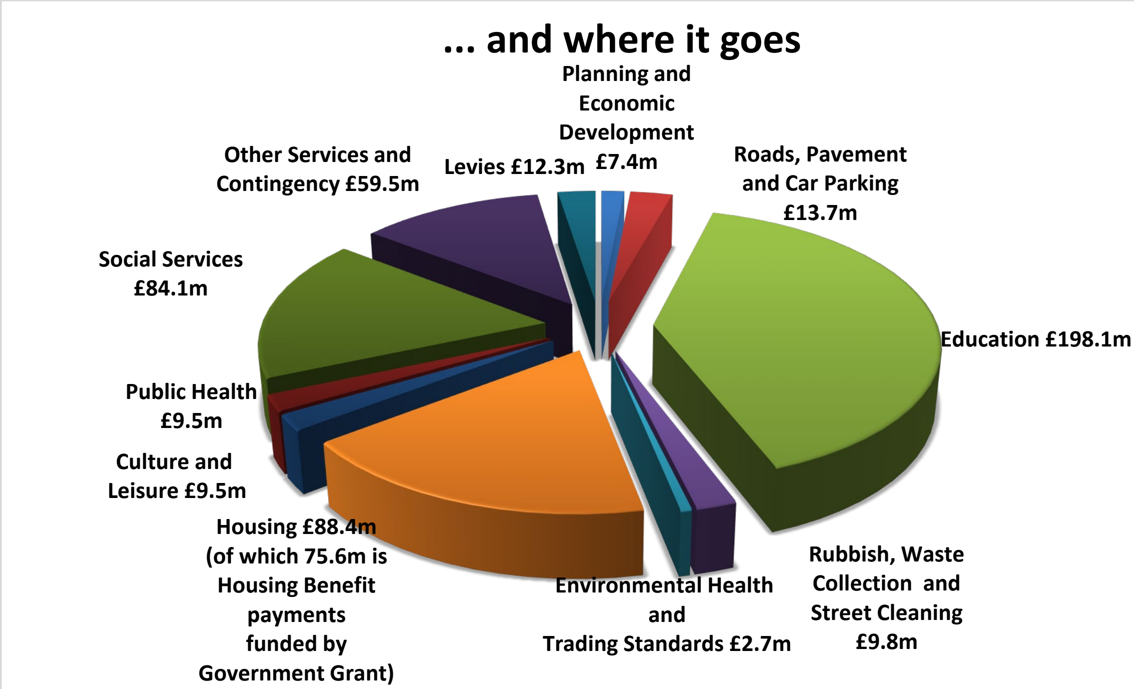
The Council has been incurring expenditure since March 2020 relating to the COVID Pandemic. It should be noted that in addition to the direct COVID costs being incurred the BAU (business as usual) pressures described later in this report are also largely as a consequence of demographic pressures following the pandemic. Both Adults and Children's services have been experiencing significantly increased demand following the pandemic and undoubtedly there is a strong synergy between this increase in demand and the consequences of the pandemic.

The Government has provided a wide range of financial support during 2021/22 but this has been insufficient to fully meet the financial pressures the Council faced, leading to an overspend in the year of £19.702m. The financial picture reflected in these 2021/22 accounts is very different from any experienced before. This position is partially mitigated by government COVID support leaving a remaining pressure of £7.994m.



Cash In and Cash Out

Understanding the financial picture requires an understanding of where we receive our income and how we spend it. Approximately half of the monies such as Dedicated Schools Grant (£132.8m) are tied to a specific purpose; in this instance education, with the vast majority being passported to schools directly. These grants must only be spent on specific activities. The services for which there are no specific grants, such as highways and a lot of social care spends, is funded by the council tax, non-ring-fenced grants, fees and charges and business rates income. General Fund income totals nearly £495m but demand is continually rising, particularly in adult social care and children's services. Living longer is obviously a good thing but social care and health spend is rising inexorably and this is why Havering is always searching for new ways to generate resources to pay for services that residents demand. The chart below shows where Havering's funding was allocated in 2021/22.



Medium Term Financial Strategy 2020-24

The Council prides itself on its record of creating balanced budgets, delivering challenging savings programmes and carefully managing its finances within each financial year. It is this track record which has helped to build the foundations enabling a robust budget to be set for 2022/23.

In March 2022 Full Council agreed a balanced budget for 2022/23. In setting the 2022/23 budget the Council has developed its medium term financial strategy for future years. The plan makes assumptions about future pressures such as demographic growth, inflation and future government funding as well as including the full year effect of saving proposals already developed.

The March budget report included a snapshot of the medium term financial strategy but the plan is in reality a live document which is continually updated as new information becomes available. The Council has an annual process which commences during the spring and summer using the medium term financial strategy to establish the extent of savings and efficiencies that will be needed to balance the following year's budget.

The table below sets out the medium term financial strategy set out in the March 2022 budget report to Council

MEDIUM TERM FINANCIAL STRATEGY	2022/23	2023/24	2024/25	2025/26	4 Year Plan
	£m	£m	£m	£m	£m
Corporate Pressures	4.657	8.995	5.192	4.026	22.870
Demographic Pressures	14.322	4.996	3.500	3.500	26.318
Inflationary Pressures	5.346	2.234	2.724	2.724	13.028
Impact of Financial Settlement	-7.227	3.200	0.000	0.000	-4.027
Savings Proposals	-13.028	-11.535	-1.600	-1.600	-27.763
ASC Precept Increase	-1.360	0.000	0.000	0.000	-1.360
1.99% Council Tax increase	-2.710	0.000	0.000	0.000	-2.710
UPDATED POSITION	**0.000**	**7.890**	**9.816**	**8.650**	**26.356**

The 2022/23 budget included a package of £13.0m of savings which had been developed and reviewed throughout the budget process. The Council will closely monitor the progress on these savings and indeed any pressures that may emerge as part of the monthly revenue monitoring process in 2022/23. The budget also included a full appendix setting out the proposed fees and charges for the year.

The Council's financial position has changed in a way nobody could have imagined prior to the pandemic. The Government have provided additional general grant to help authorities but the outlook and financial recovery is likely to be slow with further pressures and risks during this process. There are also opportunities and the Council as part of its recovery plan is reviewing the way it provides all services to ensure a continued high quality service, efficiency and changed delivery methods where appropriate. It is expected this review will identify efficiency possibilities particularly through the Council's digital offer and the amount of building space occupied in the future.

The Medium Term Financial Position continues to be directly impacted by the following items:

- Demographic Pressures

The Council continues to experience demographic pressures particularly across social care but also across other services as the population increases each year. The Government has promised a long term solution for social care for many years but there has still been no formal announcements as to when this review will happen.

- Inflation

Staff pay awards are negotiated nationally and so the Council needs to plan assuming rises will be agreed. The Council also plans for contractual inflation on our main contracts and social care providers. The Council has also set aside funds to recognise the current increases in energy prices. This will be monitored very closely given the current volatility in this area.

- Government funding

The Government is expected to announce a further one year settlement in 2022 for the financial year 2023/24. It is unclear at this stage whether this will be impacted by the Governments initiatives to deliver the Levelling Up agenda. The MTFS also plans for the impact of the fair funding review which is now not expected until the 24/25 settlement as well.

- The continued impact of the COVID pandemic

The Government provided funding at the start of 2021/22 to cover COVID costs and losses of income but have provided no further general support thereafter. The Council is still experiencing legacy pressures following the pandemic such as increased social care demand and loss of income in leisure and other public realm areas where footfall and demand have not recovered fully yet

- The revenue cost of the capital programme

The Capital programme will bring long term financial benefits particularly through the successful completion of the Council's ambitious regeneration programme. The IT programme will also upgrade the Council's digital offer and enable efficiencies in the medium term. In the short term however there are borrowing and repayment costs which are fully factored into the Council's medium term financial planning. The Capital programme is reviewed quarterly as part of the Council's monitoring process each year.

The Council will only use general balances and earmarked reserves as a last resort to finance in year overspends. In setting the 2022/23 budget and medium term financial strategy the Council has included planned contributions to contribute towards the target of £20m in general balances the Council is aiming to reach. The Council will continue to review all expenditure and income streams to improve the financial position and will engage with central government at every available opportunity to demonstrate the need for further funding, particularly as a result of current demographic demand and inflation levels.

Earmarked reserves, as detailed in Note 10 of the accounts, have been established to meet planned projects. These Earmarked Reserves are being reviewed to ascertain what can be made available to mitigate any revenue overspend in 2022/23.

Earmarked Reserves Position

	Balance as at 31 3 2020	Movement In-Year	Balance as at 31 3 2021	Movement In-Year	Balance as at 31 3 2022
	£000	**£000**	**£000**	**£000**	**£000**
General Fund Earmarked Reserves	54,168	17,623	71,791	(9,137)	62,654
Schools Balances	3,289	3,522	6,811	(468)	6,343
Total Earmarked Reserves[1]	**57,457**	**21,145**	**78,602**	**(9,605)**	**68,997**

[1] In line with the Council's financial strategy, a considerable degree of professional judgement has gone into determining the level of reserves required to be held by the Council and how reserves are utilised. Amongst the earmarked reserves are specific ones put aside to manage known major contractual and legal liabilities in the medium term. In 2021/22 the level of earmarked reserves has reduced by £9.6m, this is mainly due to the funding of the 2020/21 Collection Fund deficit. The 2021/22 Collection Fund deficit rose due to NNDR reliefs awarded due to continuing COVID restrictions.

Against the Council's challenging financial background, it will be crucial that reserves, both general and earmarked, continue to be managed in the medium term in a way that gives due regard to the need to set a legally balanced budget.

Havering's Balance Sheet

As can be seen below, Havering has a strong balance sheet with a debt to equity ratio consistently below 50%. Nonetheless, only by careful management is it able to undertake carefully considered capital investments across the Borough by increasing the level of borrowing and it still needs to take into account the cost of that borrowing and the payback period.

	31/03/2020	31/03/2021	31/03/2022
	£'000s	£'000s	£'000s
Long-term assets	1,375,218	1,565,506	1,662,531
Current assets	225,817	185,583	224,834
Current liabilities	(142,179)	(123,570)	(155,028)
Long-term liabilities	(676,705)	(828,984)	(793,961)
Net Assets	**782,151**	**798,535**	**938,376**
funded by:			
Usable reserves	201,450	208,998	216,673
Unusable reserves	580,701	589,537	721,703
Total Reserves	**782,151**	**798,535**	**938,376**
Borrowing	274,164	276,366	315,883
Debt to Equity Ratio	35.1%	34.6%	33.6%

Before we get into the detail of the financial performance, here is just a brief look back at past year achievements and highlights, linked to the core priorities for 2021/22:

Communities

In 2021-22 six school expansion projects were completed which made available 420 additional primary places, 300 additional secondary places and 28 SEND places

Despite the pandemic, 2021 saw a continued improvement in Ofsted outcomes for early years providers and schools, with 97% of our early years registered providers being graded as ‘Good’ or better, and 93% of our children in a school that is graded ‘Good’ or better.

Children’s services last received a full Ofsted inspection in 2018 and are currently rated ‘Good’ overall. The most recent local area SEND inspection (also in 2018) did not result in any ‘written statements of action.’ The most recent focussed Ofsted visit of Children’s Social Care in May 2021 recognised our continued progress and did not recommend any ‘areas for priority action’.

Places

In 2020 we increased the number of Green Flags from 14 to 16 and have successfully retained them each year.

Our results in the prestigious 2021 London in Bloom competition were also outstanding with Havering achieving Gold award status along with twelve other gold awards for individual parks, one more than 2020, and three category winners.

We have finished amongst the highest achieving boroughs in the Parks for London ‘Good Parks for London’ report, with our score increasing in 2020 and again in 2021.

The Hornchurch Country Park memorial woodland won the 2022 Community Woodland award at the London Tree and Woodland Awards.

Work was completed on the new Harrow Lodge sports centre in Hornchurch to replace the previous dated centre which has been demolished. The centre has now been open for a year and has been very well received by residents.

A new leisure centre in the heart of Rainham is currently being constructed and is scheduled to open in June 2023. The new centre will include a 25 metre swimming pool, 72 station gym, two exercise studios and associated changing.

Covid has impacted all events and therefore they have been scaled down to comply with regulations. The Council still observed Armed Forces Day, Pride Week and Windrush Day, as well as a return after two years of the ever popular Langtons Summer Concert.

Opportunities

The Council is committed to building more affordable homes and increasing social housing in the Borough. This includes:

- 12 Estates: Havering Council and joint venture partner Wates Residential have continued to work on a project to build around 3,000 high quality homes for local people across 12 of Havering Council's estates. As part of the project, the Council is investing in education, training and skills in support of their commitment to deliver a Borough-wide legacy.

- Rainham and Beam Park: Joint venture project with Notting Hill Genesis will deliver 910 homes, transform the A1306 into a new green space and improve transport links in the south of the Borough.

- Bridge Close: The Council plans to regenerate an industrial area in Romford with affordable homes, a new school and health centre. The project also includes a new pedestrian bridge with direct access to Romford station and the regeneration of a stretch of the River Rom.

Connections

The Council is working on economic recovery following the impact of the Covid Pandemic.

Havering's Discretionary Grant Scheme has provided vital funds to a wide range of local businesses that have been affected by COVID-19, according to those most in need.

Funding from the European Regional Development Fund has also supported businesses throughout the pandemic and helped ensure high streets can re-open safely.

Revenue Outturn

The Outturn position for the Council in 2021/22 was again affected by the COVID pandemic. As such the presentation of the outturn is separated into sections showing additional COVID expenditure, lost income as a result of COVID and Business as Usual (BAU) outturn including undelivered savings. The final outturn was a £7.994m overspend against a final net budget of £170m. The table below breaks this outturn between the impact of COVID and Business as Usual.

Financial Position	£m
COVID Expenditure for the year	1.597
Income loss for the year	6.919
Gap in 2020/21 MTFS savings delivery	5.278
Business As Usual Net Position	5.908
Total Pressures	**19.702**
Government Support including food supply	(6.599)
Value of Government support on loss of income	(1.640)
Corporate Underspends	(3.469)
Remaining Gap	**7.994**
Required use of reserves and balances	(7.994)
TOTAL	**0.000**

The pandemic has fundamentally affected all aspects of Council business. The Council has been incurring expenditure since March 2020 relating to the COVID Pandemic. It should be noted that in addition to the direct COVID costs being incurred, the BAU pressures are also largely as a consequence of demographic pressures following the pandemic. Both Adults and Children's services have been experiencing significantly increased demand following the pandemic and undoubtedly there is a strong synergy between this increase in demand and the consequences of the pandemic.

The £7.994m overspend is analysed by service in the following table:

Directorate	Revised Budget £'000	Final Outturn £'000	Final Outturn Variance £'000
Public Health	(1,624)	(1,624)	0
Childrens	45,678	50,523	4,845
Adults	62,751	68,394	5,643
Neighbourhoods	12,813	17,736	4,922
Regeneration	1,420	1,067	(353)
Housing	4,604	4,604	0
oneSource Shared	3,248	4,139	891
oneSource Non-Shared	(1,070)	825	1,895
Chief Operating Officer	9,775	10,507	732
Unachieved savings held centrally	(3,827)	0	3,827
Provisions and contingency application	2,700	0	(2,700)
Net Service	**136,468**	**156,171**	**19,702**
Treasury Management	7,954	5,048	(2,906)
COVID Funding (expenditure above)	8,240	0	(8,240)
Corporate Budgets	32,487	31,925	(562)
Budgeted Revenue Collection Fund Deficit	1,727	1,727	0
Specific Grants	(28,848)	(28,848)	0
Levies	12,256	12,256	0
Net Controllable Budget	**170,284**	**178,279**	**7,994**

The table below sets out the costs to date for 2021/22 directly attributable to COVID for the year.

Table 2: COVID Expenditure

COVID Expenditure	Outturn £m
Regeneration	0.039
Neighbourhoods	0.310
Housing Service (GF)	0.000
oneSource Non Shared	0.000
oneSource (LBH share)	0.000
Adults	0.300
Public Health	0.000
Children	0.948
Chief Operating Officer	0.000
General Fund Total	**1.597**

Direct COVID expenditure has understandably reduced in 2021/22 as the recovery period commenced.

Neighbourhoods

The Neighbourhoods portfolio outturn position was an overspend of £0.433m broken down into a BAU underspend of £0.278m and unachieved savings of £0.711m. The outturn includes the benefit of the following mitigations:

- Increase in CEO PCNs income following increase in deployment - £0.306m work continues to increase deployment however there is risk surrounding embedding the new measures.
- Rationalise P&D machines (previously Stop the procurement of P&D Machines) and reduce levels of new procurements - £0.100m revenue.

Additional COVID expenditure:

- Additional public realm staffing and vehicle costs to maintain social distancing in waste services
- Additional mortuary costs including overtime and agency to clear backlog

Reduced Income:

- Income from Parking was significantly reduced, as a result of most people working remotely/from home demand for season tickets and Pay and Display was reduced. In addition, the impact of the one hour free; 20% discount and Havering hero’s permits was greater than expected, as it encouraged customers to utilise the free period.
- There was a reduction in New Roads and Streetworks Act (NRSWA) relating to Fixed Penalty Notices (FPN) and s50 licences
- Reduced registrars income through closure during the first three months of the year and cancellation and delays to ceremonies

Housing Services (General Fund)

The outturn position was a breakeven position. The Housing GF outturn position is a breakeven position. Within this position there were transfers to reserves of £1m, for Out of Hospital Care, Rough Sleeping Initiatives and Homeless Prevention.

There was a cost of £0.200m for meeting the additional demand from homelessness and rough sleeping as a result of COVID 19 and the “everyone in” initiative. This expenditure has been covered from the COMF funding and therefore is not included in the above summary.

Adult Social Care (ASC)

The Adult Social Care (ASC) directorate outturn position for 2021/22 was an overspend of £5.260m. Overall the outturn overspend was driven by significant demand pressures as a result of continuing increases in the complexity and costs of provisions. The pressures include:

- increasing levels of complexity of need on discharge from hospital leading to significant increases in 1-2-1s and double handed packages of care
- ongoing increase in nursing care numbers linked to ongoing system pressure
- increases in homecare needs
- increased complexity and new demand in supported living.

In line with the NHS Discharge Guidance, actual expenditure incurred during the pandemic on new and increased packages of care following a discharge from hospital, was recharged to the NHS, over and above the costs the LA would normally incur in a non-Covid period.

Public Health

Spend is funded directly by the Public Health Grant and Havering always spends in accordance with the Grant requirements and operates within budget.

The outturn position for the Public Health Directorate is a nil BAU variance. Outturn is £11.391m against a £11.304m ring-fenced 2021/22 Public Health grant, with a contribution from the public health reserve of £0.087m resulting in a balanced position.

This forecast spend for Public Health has reduced since period nine due to the effects of the Omicron variant, this has meant that there has been a reduction in BAU services such as Health checks and Sexual Health Testing which has resulted in expenditure being lower than originally forecast.

The brought forward balance of the Public Health Reserve in 2021/22 was £2.595m and the final closing position of the reserve for 21/22 is £2.643m. There is an overall net change to the reserve of £0.048m increase, this is made up of a drawdown of £0.087 to fund activities within the main Public Health Grant and a contribution to the reserve of £0.135 for other Public Health England grants which sit outside the main grant.

Children's Services

Children's services overspent by £3.455m at year end. The directorate experienced income losses due to the impact of covid despite the opening of adult education and schools for the majority of primary and secondary pupils.

The additional Covid spend for the full year is £0.948m, mostly due to SEN (special education needs) home to school transports, additional costs for providing class room meals, School Sickness, staffing and other costs.

The Catering Service returned a significant loss of income due to the disrupted meal take-up due to partial school closures at short notice at the end of the summer term, and increased service costs through additional disposable costs.

The Attendance, Behaviour and Traveller Service has forecasted a loss due to loss of income from fines because of disruption in schools due to COVID-19.

Chief Operating Officer

The Chief Operating Officer service recorded an underspend of £0.9m. The BAU position for Transformation Service is an overspend of £0.4m due to incurring costs which it was originally thought could be capitalised but did not meet the necessary criteria.

The overspend is partly mitigated by underspends in many areas including holding off on recruitment throughout the financial year in order to contribute towards reducing pressures elsewhere, repurposing business grant funding to offset staffing costs and underspends within customer and communication.

The COO directorate still incurred a loss of income due to the pandemic and the consequent reduction in activity levels.

There was a loss of income compared to budget from our Leisure provider SLM at year-end. Customers are increasing again at the leisure facilities and Council is working closely with SLM to review the model both in relation to income levels but also recognising the impact of inflation and energy costs.

There was a reduction in income for the Fairkytes Art Centre and the libraries. Activities run at the Fairkytes Art Centre is dependent on customers' willingness to return to the centre and as such, as there was a decline of the numbers of customers that attended the centre less activities were undertaken.

OneSource

OneSource lost income as a result of the pandemic due primarily to reduced income from many areas including social distancing requirement for transport services and an increase in void properties resulting in a loss of commercial income for the council. The service also had a number of overspends due to staffing pressures and delayed delivery of savings. The service is working hard in 2022/23 to deliver these savings and return to a balanced position.

Capital Outturn

Capital expenditure forms a large part of the Council's spending on the provision of services. The Council's capital programme is designed to acquire new, and enhance its existing assets to support the future growth and development of the Borough.

In 2021/22, there was £147m of capital expenditure; this has resulted in notable capital outcomes, which are outlined below:

- An additional 1,050 primary school and 600 additional secondary school places across the Borough. There were 40 additional special educational needs and disabilities (SEND) places for pupils with an EHCP (Education and Health Care Plan).
- Expenditure of £800k has been spent on enhancing ICT Infrastructure.
- A new leisure centre in Hornchurch (Harrow Lodge Leisure Centre) was completed and the construction of a leisure centre in Rainham is ongoing.
- As part of the highways improvement programme: resurfacing/improvement works have been completed on over 20 miles of roads and 18 miles of pavements (51 sites) within the Borough
- In Housing, 57 new properties have been added to the Council's housing stock and a further £42.8m has been spent on improving the existing housing stock
- Over £2m has been spent on capital works across the Borough's schools.
- In the regeneration of Rainham & Beam Park there has been further equity contributions in the joint venture with Notting Hill Genesis which is working towards the development of 910 new homes.

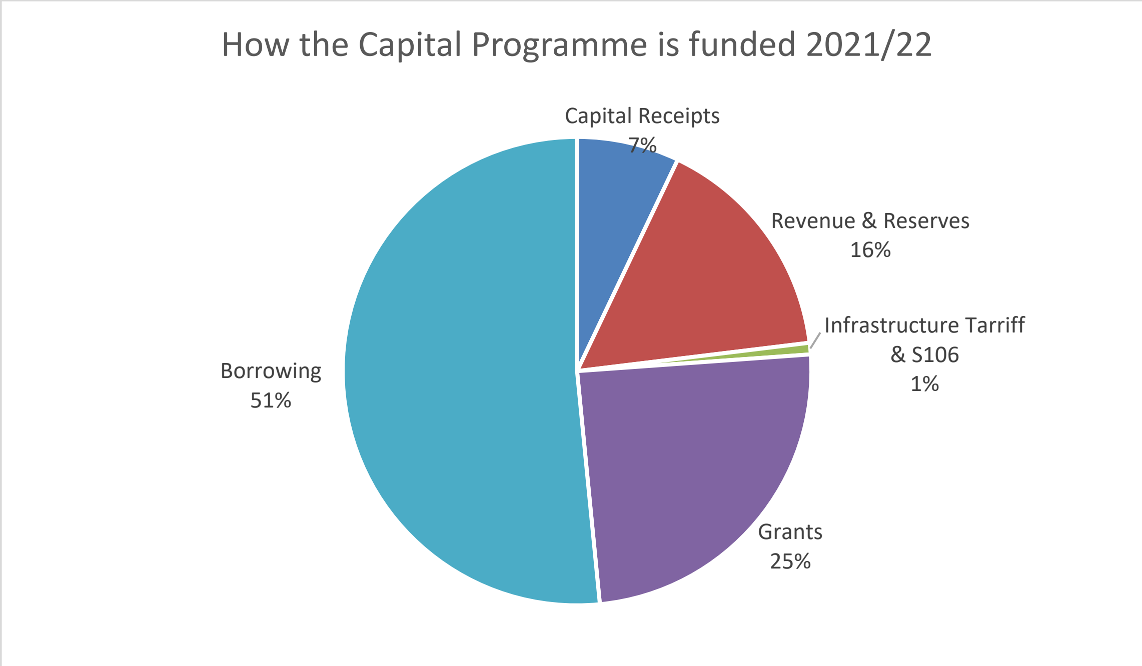
Actual capital spend at the end of the financial year 2021/22 was £147.054m financed from a variety of sources as set out below.

		Financing				
Services	**2021/22 Capital Expenditure £m**	**Capital Receipts £m**	**Revenue and reserves £m**	**Infrastructure Tariff and S106 £m**	**Grants £m**	**Borrowing £m**
Adults Services	2.040	0.020	0.000	0.000	12.020	0.000
OneSource	10.117	2.299	0.000	0.423	7.033	0.362
Neighbourhoods	17.989	0.036	0.049	0.087	0.260	17.567
Regeneration Programme	3.944	0.000	0.000	0.225	0.701	3.017
Chief Operating Officer	6.151	1.873	0.000	0.433	0.152	3.693
Housing Services	105.125	6.112	22.659	0.000	25.307	51.045
Children's Service & Schools	1.687	0.062	0.807	0.000	0.679	0.137
Grand Total	**147.054**	**10.403**	**23.516**	**1.170**	**36.152**	**75.812**

Sources of Funding

The use of resources to finance capital spend is changing over time as less and less capital receipts are being generated from the sale of assets and greater reliance, particularly for the large regeneration schemes, is being placed on the use of borrowing.

The Council's Capital funding in 2021/22 is illustrated below.



Capital Programme

The Council is required by statute (The Prudential Code for Capital Finance in Local Authorities) to agree and set the capital programme and associated capital strategy. The capital programme agreed by Members over the next 5 years amounts to £1,433m and is set out in the table below:

Summary of Capital Programme	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Adults Services	5.844	1.618	0.000	0.000	0.000	**4.945**
Asset Management	5.674	0.838	3.724	0.000	0.000	**10.236**
Registration & Bereavement Services	6.199	6.462	3.280	1.980	1.180	**19.101**
Children Services	0.944	0.891	0.000	0.000	0.000	**1.835**
Customer, Communications & Culture	27.921	3.470	0.750	0.000	0.000	**32.141**
Environment	0.410	0.000	0.000	0.000	0.000	**0.410**
ICT Infrastructure	7.993	7.624	21.730	0.000	0.000	**37.347**
Finance	5.075	3.980	1.720	1.650	1.650	**14.075**
Regeneration Programme	167.993	198.106	23.626	2.656	14.395	**406.776**
Total GF Capital Programme	**228.053**	**222.989**	**54.830**	**6.286**	**17.225**	**529.384**
HRA	170.642	180.971	195.315	180.575	176.513	**904.017**
Total Capital Programme	398.695	403.961	250.145	186.861	193.738	**1,433.401**

Historically, the Council managed the cash flow of its capital expenditure programme largely via the use of capital receipts. However with receipts reducing the Council plans to use prudential borrowing within the Treasury Management Strategy for prioritised schemes.

Treasury Management

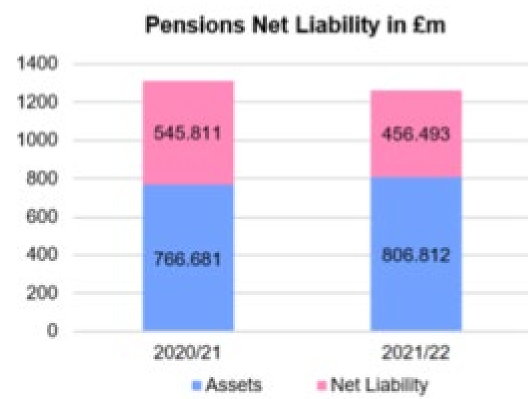
The Council held approximately £137.4 million in cash and investments on average during the course of the financial year. This represents the value of the Council's revenue reserves, net current assets, unapplied grants and unapplied capital reserves. Other than reserves, this is money that is committed and is being held pending such expenditure. Given the Council's gross expenditure is approximately £626.9m, this represents over two months of expenditure.

The primary objective of the Authority's investment strategy is to minimise risk. The credit ratings of the banks and market information are monitored regularly by officers who are involved in the investment process while deposits are restricted to a limited number of institutions meeting the Authority's lending criteria. Total cash, cash equivalents and investments held by the Authority at 31 March 2022 amounted to £137m (£117.8 m at 31 March 2021). The average yield from the Authority's cash investments for 2021/22 was 0.28% (0.79% for 2020/21). This reflects the conservative nature of the Authority's investment strategy and historically low interest rates. The impact of the UK's exit from the European Union continues with uncertainty around its impact on borrowing and investment rates as well as general inflation. The Council will however continue to take steps within its Treasury Management Strategy to mitigate associated risks.

Historically, the Council managed the cash flow of its capital expenditure programme largely via the use of capital receipts. However, as can be seen by the capital programme above with its £1.433 billion budget, the capital ambition of the Council will exceed the potential capital receipts available. The Council plans to use prudential borrowing within the Treasury Management Strategy for prioritised schemes. Over the next couple of years, the Treasury return will fall and the cash and cash equivalents will be reduced to working capital.

Pension Fund

The Council participates in the Local Government Pension Scheme (LGPS) for the majority of its staff. The net estimated pension liability for Havering using "IAS19" is £456.5m as at 31st March 2022 compared with £545.8m as at 31st March 2021.



Estimation of liability is based on a number of judgements relating to the discount rate used, salary increases, changes in retirement age, longevity, interest rates, inflation and expected returns on assets. Also, it has taken into account the impact of the recent McCloud ruling and GMP equalisation.

The Pension Fund's net assets increased significantly in 2021/22, from £766.7m to £806.8m due to investment market increases in 2021/22 and the liability decreased from £1,312.5 to £1,263.2m due to a higher net discount rate.

The net liability is the additional amount that the Council will have to set aside or generate through investment returns to fund the pension entitlements that have been built up to date by members of the Pension Fund. The most important thing to note is that the actuaries reviewed our position as at 31 March 2019 and came to the conclusion that the Council had a viable long-term solution to reducing the Pension Fund deficit to zero. The next Triennial Review will take place in 2022. Further information on the basis of the IAS19 disclosure is included at Note 42.

Kathy Freeman

Kathy Freeman

Section 151 Officer

London Borough of Havering Date:

XX December 2024

Explanation of Accounting Statements

Whilst these accounts are presented as simply as possible, the use of some technical terminology cannot be avoided. To aid a better understanding of the terminology used a glossary of the terms is set out at the end of the document.

The key financial statements set out within this document include:

- **Movement in Reserves Statement (MiRS) –** This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves and unusable reserves. It analyses the increase and decrease in the net worth of the Authority as a result of the surplus/deficit in year and from movements in the fair value of the assets. It also analyses the movement between reserves, in accordance with statutory regulations.

- **Comprehensive Income and Expenditure Statement (CIES) –** This statement brings summarises the expenditure and income for the year.

- **Balance Sheet –** This records the Authority's year-end financial position. It shows the balances and the reserves at the Authority's disposal, its long term debt, net current assets and liabilities, and summarises information on the long-term assets held.

- **Cash Flow Statement –** This summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue.

- **Notes to the Financial Statements –** The notes provide more detail about the items contained in the key financial statements, the Authority's Accounting Policies and other information to aid the understanding of the financial statements.

- **Expenditure Funding Analysis (EFA) –** This is a note to the accounts and shows how annual expenditure is used and funded from resources and accounted under local government statute as opposed to how it would accounted by private sector bodies under generally accepted accounting practices.

- **Housing Revenue Account (HRA) –** This records the Authority's statutory obligations to account separately for the cost of the landlord role in respect of the provision of the Authority Housing.

- **Collection Fund –** The Authority is responsible for collecting council tax and non-domestic rates, and to keep a separate account to detail the amounts owing to and from the Council, the GLA and the DLUHC.

- **Pension Fund –** The Pension Fund Accounts show the contributions from the Authority, participating employers and employees for the purpose of paying pensions. The Fund is separately managed by the Authority, acting as trustee, and its Accounts are separate from those of the Authority.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Executive.

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Approve the statement of accounts.

The Chief Operating (Section 151) Officer's Responsibilities

The Chief Operating (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 Chief Operating (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 Code.

The Chief Operating (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.

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Kathy Freeman

Chief Operating (Section 151) Officer
XX December 2024

Councillor Julie Wilkes
Chair of Audit Committee

Independent Auditor's Report To The Members Of London Borough Of Havering

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Group Movement in Reserves Statement 2021/22

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

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Authority's Share of Reserves of Subsidiaries / Joint Ventures	Total inc Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	**12,687**	**57,457**	**9,832**	**49,219**	**21,732**	**50,523**	**201,450**	**580,701**	**(1,606)**	**780,545**
Movement in reserves during 2020/21										
(Deficit)/surplus on provision of services	(9,718)		46,121				36,403		3,770	40,173
Other comprehensive expenditure and income								(20,021)	(125)	(20,146)
Total comprehensive expenditure and income	**(9,718)**	**0**	**46,121**	**0**	**0**	**0**	**36,403**	**(20,021)**	**3,645**	**20,027**
Adjustments between accounting basis and funding ba	28,854		(38,668)	(11,755)	(8,354)	1,067	(28,856)	28,856		
Net (decrease)/increase before transfers to earmarl	**19,136**	**0**	**7,453**	**(11,755)**	**(8,354)**	**1,067**	**7,547**	**8,835**	**3,645**	**20,027**
Transfers to/(from) Earmarked Reserves	(20,887)	21,144	(257)				**0**			0
(Decrease)/Increase in Year	**(1,751)**	**21,144**	**7,196**	**(11,755)**	**(8,354)**	**1,067**	**7,547**	**8,835**	**3,645**	**20,027**
Balance at 31 March 2021	**10,936**	**78,600**	**17,028**	**37,464**	**13,377**	**51,590**	**208,995**	**589,536**	**2,039**	**800,570**
Movement in reserves during 2021/22										
(Deficit)/surplus on provision of services	(15,551)		55,102				39,551		(1,083)	38,468
Other comprehensive expenditure and income							0	100,289	303	100,592
Total comprehensive expenditure and income	**(15,551)**	**0**	**55,102**	**0**	**0**	**0**	**39,551**	**100,289**	**(780)**	**139,060**
Adjustments between accounting basis and funding ba	6,209		(52,814)	18,531	(4,719)	914	(31,879)	31,879		0
Net (decrease)/increase before transfers to earmarl	**(9,342)**	**0**	**2,288**	**18,531**	**(4,719)**	**914**	**7,672**	**132,168**	**(780)**	**139,060**
Transfers to/(from) Earmarked Reserves	9,348	(9,605)	257				0			0
(Decrease)/Increase in Year	**6**	**(9,605)**	**2,545**	**18,531**	**(4,719)**	**914**	**7,672**	**132,168**	**(780)**	**139,060**
Balance at 31 March 2022	**10,942**	**68,994**	**19,573**	**55,995**	**8,657**	**52,504**	**216,669**	**721,704**	**1,255**	**939,630**

Authority Movement in Reserves Statement 2021/22

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2020	**12,687**	**57,457**	**9,832**	**49,219**	**21,732**	**50,523**	**201,450**	**580,701**	**782,151**
<u>Movement in reserves during 2020/21</u>									
Deficit/surplus on provision of services	(9,718)		46,121				36,403		36,403
Other comprehensive expenditure and income							0	(20,021)	(20,021)
Total comprehensive expenditure and income	**(9,718)**	**0**	**46,121**	**0**	**0**	**0**	**36,403**	**(20,021)**	**16,382**
Adjustments between accounting basis and funding basis under regulations (Note 9)	28,854	0	(38,668)	(11,755)	(8,354)	1,067	(28,856)	28,856	0
Net decrease/increase before transfers to earmarked reserves	**19,136**	**0**	**7,453**	**(11,755)**	**(8,354)**	**1,067**	**7,547**	**8,835**	**16,382**
Transfers to/from Earmarked Reserves (Note 10)	(20,887)	21,144	(257)				0		0
Decrease/increase in Year	**(1,751)**	**21,144**	**7,196**	**(11,755)**	**(8,354)**	**1,067**	**7,547**	**8,835**	**16,382**
Balance at 31 March 2021	**10,936**	**78,601**	**17,028**	**37,464**	**13,377**	**51,590**	**208,998**	**589,536**	**798,535**
<u>Movement in reserves during 2021/22</u>									
(Deficit)/surplus on provision of services	(15,551)		55,102				39,551		39,551
Other comprehensive expenditure and income							0	100,289	100,289
Total comprehensive expenditure and income	**(15,551)**	**0**	**55,102**	**0**	**0**	**0**	**39,551**	**100,289**	**139,840**
Adjustments between accounting basis and funding basis under regulations (Note 9)	6,209	0	(52,814)	18,531	(4,719)	914	(31,879)	31,879	0
Net (decrease)/increase before transfers to earmarked reserves	**(9,342)**	**0**	**2,288**	**18,531**	**(4,719)**	**914**	**7,672**	**132,168**	**139,840**
Transfers to/from Earmarked Reserves (Note 10)	9,348	(9,605)	257				0		0
(Decrease)/Increase in Year	**6**	**(9,605)**	**2,545**	**18,531**	**(4,719)**	**914**	**7,672**	**132,168**	**139,840**
Balance at 31 March 2022	**10,942**	**68,997**	**19,573**	**55,995**	**8,658**	**52,504**	**216,672**	**721,704**	**938,377**

Group Comprehensive Income and Expenditure Statement 2021/22

The Group Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

1 April 2020 – 31 March 2021				1 April 2021 – 31 March 2022		
£000 Gross Expenditure	£000 Gross Income	£000 Net		£000 Gross Expenditure	£000 Gross Income	£000 Net
			Gross expenditure, gross income and net expenditure of continuing operations			
33,397	(2,410)	30,987	Corporate Budgets	32,485	(9,157)	23,328
44,302	(22,666)	21,636	Neighbourhoods	61,960	(31,718)	30,242
25,863	(65,693)	(39,830)	Housing	46,217	(69,776)	(23,559)
10,500	(12,281)	(1,781)	Regeneration Programme Delivery	11,689	(11,645)	44
97,547	(32,956)	64,591	Adult Services	108,442	(41,205)	67,236
205,731	(151,409)	54,322	Children’s Services	234,192	(162,249)	71,943
15,588	(19,710)	(4,122)	Public Health	14,925	(13,757)	1,168
84,844	(70,193)	14,651	oneSource Non-Shared	89,645	(76,273)	13,371
24,790	(6,309)	18,481	oneSource Shared	20,332	(16,440)	3,892
542,562	**(383,627)**	**158,935**	**Cost of services**	**619,886**	**(432,222)**	**187,664**
		16,191	Other operating expenditure			(8,434)
		15,522	Financing and investment income and expenditure			18,698
		(230,819)	Taxation and non-specific grant income			(236,394)
		(40,171)	**(Surplus)/Deficit on provision of services**			**(38,466)**
		(99,572)	(Surplus)/Deficit on revaluation of property, plant and equipment assets			8,855
		119,718	Actuarial losses/(gains) on pension assets / liabilities			(109,447)
		20,146	**Other comprehensive income and expenditure**			**(100,592)**
		(20,025)	**Total comprehensive income and expenditure**			**(139,058)**

Balance Sheet as at 31 March 2022

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority and the group. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2021 Authority £000	31 March 2021 Group £000		Notes	31 March 2022 Authority £000	31 March 2022 Group £000
1,432,160	1,450,251	**Property, plant and equipment**	14	1,531,839	1,559,759
2,319	2,319	**Heritage assets**	15	2,387	2,387
64,552	112,505	**Investment property**	16b	61,313	108,859
621	621	**Intangible assets**	17	269	269
0	0	**Long term investments**	18	0	0
13,980	693	**Long term investments in subsidiaries and joint ventures**	16d	13,410	0
51,874	215	**Long term debtors**	19	53,313	60
1,565,506	**1,566,604**	**Long-term assets**		**1,662,531**	**1,671,334**
110,276	110,276	**Short-term investments**	18	85,110	85,110
400	400	**Inventories**		454	454
67,046	64,677	**Short-term debtors**	19	78,918	77,192
7,861	13,177	**Cash and cash equivalents**	20	60,283	61,198
0	0	**Assets held for sale**	21	0	0
185,583	**188,530**	**Current assets**		**224,765**	**223,954**
(12,242)	(11,938)	**Short-term borrowing**	18	(1,760)	(1,760)
(111,328)	(112,266)	**Short-term creditors**	22	(153,199)	(156,696)
(123,570)	**(124,204)**	**Current liabilities**		**(154,959)**	**(158,456)**
		Long-term creditors			
(10,955)	(12,075)	**Provisions**	23	(10,764)	(11,936)
(264,124)	(264,245)	**Long-term borrowing**	18	(314,123)	(316,071)
(545,811)	(545,946)	**Other long-term liabilities**	42	(456,493)	(456,614)
(8,094)	(8,094)	**Capital grants receipts in advance**	35b	(12,581)	(12,581)
(828,984)	**(830,360)**	**Long-term liabilities**		**(793,961)**	**(797,202)**
798,535	**800,570**	**Net assets**		**938,376**	**939,630**
208,999	211,034	**Usable reserves**	24	216,673	217,927
589,536	589,536	**Unusable reserves**	25	721,703	721,703
798,535	**800,570**	**Total Reserves**		**938,376**	**939,630**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Authorised for Issue
Kathy Freeman

Kathy Freeman

Chief Operating (Section 151) Officer
London Borough of Havering
Date: XX December 2024

Cash Flow Statement as at 31 March 2022

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

2020/21 Authority £000	2020/21 Group £000		Note	2021/22 Authority £000	2021/22 Group £000
36,405	40,171	Net surplus on the provision of services		39,549	38,468
3,889	2,746	Adjust net surplus or deficit on the provision of services for non-cash movements	26	86,824	87,735
(35,287)	(35,287)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(58,312)	(57,986)
5,007	**7,630**	**Net cash flows from Operating Activities**		**68,061**	**68,217**
(28,645)	(27,062)	Investing activities	27	(49,697)	(51,593)
4,749	4,749	Financing activities	28	34,058	31,397
(18,889)	**(14,683)**	**Net increase /(decrease) in cash and cash equivalents**		**52,422**	**48,021**
26,750	27,860	Cash and cash equivalents at the beginning of the reporting period	20	7,861	13,177
7,861	**13,177**	**Cash and cash equivalents at the end of the reporting period**	**20**	**60,283**	**61,198**

Authority Comprehensive Income and Expenditure Statement 2021/22

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

1 April 2020 – 31 March 2021					1 April 2021 – 31 March 2022		
£000 Gross Expenditure	£000 Gross Income	£000 Net		Notes	£000 Gross Expenditure	£000 Gross Income	£000 Net
			Gross expenditure, gross income and net expenditure of continuing operations				
33,397	(2,410)	30,987	Corporate Budgets		32,485	(9,157)	23,328
44,302	(22,666)	21,636	Neighbourhoods		61,960	(31,718)	30,242
25,863	(65,693)	(39,830)	Housing		46,217	(69,776)	(23,559)
7,448	(1,692)	5,756	Regeneration Programme Delivery		10,613	(9,476)	1,137
97,547	(32,956)	64,591	Adult Services		108,442	(41,205)	67,236
205,731	(151,409)	54,322	Children's Services		234,192	(162,249)	71,943
15,588	(19,710)	(4,122)	Public Health		14,925	(13,757)	1,168
84,844	(70,193)	14,651	oneSource Non-Shared		89,645	(76,273)	13,371
24,790	(6,309)	18,481	oneSource Shared		20,332	(16,440)	3,892
539,510	**(373,038)**	**166,472**	**Cost of services**		**618,810**	**(430,053)**	**188,757**
		16,162	Other operating expenditure	11			(8,460)
		12,900	Financing and investment income and expenditure	12			16,600
		(231,939)	Taxation and non-specific grant income	13			(236,446)
		(36,405)	**(Surplus)/Deficit on provision of services**				**(39,549)**
		(99,572)	(Surplus)/Deficit on revaluation of property, plant and equipment assets	25a			9,111
		119,593	Actuarial losses/(gains) on pension assets / liabilities	25e			(109,400)
		20,021	**Other comprehensive income and expenditure**				**(100,289)**
		(16,384)	**Total comprehensive income and expenditure**				**(139,838)**

Notes to the Core Financial Statements

1. Accounting Policies

Going Concern

The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

Accounts drawn up under the Code assume that a local authority's services will continue to operate for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of Central Government). If an authority was in financial difficulty, the prospects are thus that alternative arrangements might be made by Central Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. The Authority is required to prepare an annual Statement of Accounts which the Accounts and Audit (England) Regulations 2015 require 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* 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

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.

ii. 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Outstanding creditors are written out of the accounts if they have not been billed for by the supplier after a period of one year, however a sample of outstanding balances will be sampled and adjusted for if required;

- 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; and
- most accruals are automatically generated by the feeder system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de-minimis for 2021/22 remains at £50,000.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions, repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in one month or less from the date of acquisition or notice accounts of no more than 3 months 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.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for 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 Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Within the accounts the Comprehensive Income and Expenditure Statement has been restated to comply with the CIPFA code; 'Telling the story'. This is to improve the presentation and transparency of the Council's financial statements.

v. Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance (the Minimum Revenue Provision). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by an adjusting transfer to the General Fund Balance from the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Central Government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vii. 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 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. flexitime) 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 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 in exchange for those benefits. They are charged on an accruals basis to the relevant service line or, where applicable, to the

Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund and Housing Revenue Account balances 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 Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- the National Health Service Pension Scheme, administered by the National Health Service; and
- the Local Government Pension Scheme, administered by the Authority.

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. However, the arrangements for the Teachers' and National Health Service schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. Those schemes are therefore accounted for as if they were defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education and Public Health Services lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the Teachers' and National Health Service Pensions Scheme in the year.

The Local Government Pension Scheme

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

- The liabilities of the London Borough of Havering Pension Fund 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, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of the London Borough of Havering Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price;
    - unquoted securities – professional estimate;
    - unitised securities – current bid price; and
    - property – market value.

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

- Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as other comprehensive income and expenditure;
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as other comprehensive income and expenditure;
  - contributions paid to the London Borough of Havering pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the 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.

viii. Events After the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and

- those that are indicative of conditions that arose after the reporting period – the Statement of 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.

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

ix. Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement 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 to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement 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

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

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).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for Statements the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x. 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. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi. 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 to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of 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 for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

All Town and Country Planning Act 1990 (as amended) Section 106 contributions, because of their complex nature and numerous legal conditions, are only recognised through the Comprehensive Income and Expenditure Statement once they have been spent. Only then are we certain all conditions have been met and there is no return obligation.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund and Housing Revenue Account balances 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.

Non Ring-fenced Grants

These are allocated by Central Government directly to local authorities as additional revenue funding. They are not ring-fenced and are credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement Districts

The Authority is the billing authority for the London Riverside Business Improvement District (BID) managed by Ferry Lane Action Group, which provides a cleaner, safer, more secure business environment and promotes the interests of the business community within the BID. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) on the balance sheet. The Authority has similar arrangements for the Romford Town Centre BID, which went live during 2018/19.

xii. Heritage Assets

The Authority's Heritage Assets are split into two categories

- Civic Regalia; and
- Heritage Buildings.

Civic Regalia

The collection of civic regalia includes the Mayor's and the Deputy Mayor's chains, which are worn on ceremonial duties and various items with civic insignia. They are valued based on manufacturing costs and do not include any element for rarity or collectable value, retail mark-up or VAT.

Heritage Buildings and Property

The Authority owns buildings and property that meet the definition of heritage assets which are valued on a minimum of every 5 years on either a depreciated replacement cost basis or on an existing use basis.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the CIPFA code of practice and the Authority's general policies on impairment.

xiii. 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.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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.

xiv. Inventories

The Authority has a small number of inventories. These are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned predominantly using the first in first out (FIFO) costing formula.

xv. Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvi. Interests in Companies and Other Entities

The code requires local authorities with, in aggregate, material interest in subsidiaries and associated companies and joint ventures to prepare group financial statements.

The Group’s financial statement incorporate the financial statements of the London borough of Havering and its subsidiaries prepared as at the year end date. As part of the consolidation process, Havering has aligned the accounting policies of the subsidiaries with those of the Council and made consolidation adjustments where necessary. It has consolidated the financial statements of the subsidiaries with those of the Council on a line by line basis; eliminated in full balances, transactions, income and expenses between the Council and the partnerships.

xvii. Interest in Joint Committee

oneSource is a participative arrangement created by the Authority, the London Borough of Newham and the London Borough of Bexley to share back office operations. In 2020, the London Borough of Bexley withdrew all back office operations from oneSource and the London Borough of Newham withdrew its Professional Accountancy Services. It is governed by a joint committee and is not deemed to meet the definition of joint control; hence the assets, liabilities, income, expenditure and cash flows of the joint committee are not consolidated into the Authority’s group accounts. Instead, the Authority accounts for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows, in its single entity financial statements. Cost and savings are shared between the three authorities on the basis of an agreed formula and are allocated on an annual basis.

xviii. Leases

All current 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 are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

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; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

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

Leases (2022/23 Revised Policy)

The Authority as Lessee

From 1 April 2022, where the Council is leasing an asset for more than 12 months and has a value in excess of £10,000, the asset will be accounted as if the asset was owned by the Council. Costs for assets Items under the de-minimis level are recognised as revenue expenditure.

The initial recognition of the asset is at fair value of the property the Council has a right to use. A liability is also recognised which will reduce as lease payments are made.

The Authority as Lessor

Where the Council is the lessor for a lease, the asset is not recognised on the balance sheet, however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital – credited against the debtor and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.

xix. 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

xx. 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.

Measurement

Assets are initially measured at cost, comprising:

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

Finance costs are excluded in valuations for all assets.

Havering has applied the following de minimis criteria for the capitalisation of expenditure, so that schemes which cost less than this are classified as revenue rather than capital: -

- works to buildings £5,000
- infrastructure £5,000
- office and information technology £5,000
- other furniture and equipment £5,000

There are no de minimis limits for the following categories: land acquisition, vehicles and plant, energy conservation work, health and safety improvements, aids and adaptations for the disabled.

These de minimis rules may be waived where grant or borrowing consent is made available for items of capital expenditure below £5,000.

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.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUVSH);
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- 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 – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair 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 fair value.

Assets included in the Balance Sheet at fair value are re-valued as a minimum every five years, with high value assets being re-valued annually, to ensure their carrying amount is not materially different from their fair value at the year end. In addition, an independent review is carried out annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

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

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

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

Development Costs

General Feasibility studies are automatically treated as revenue, unless in very rare circumstances when they lead to the creation of an asset. This is because they are typically an options review of what schemes may or may not be considered for the capital programme. They do not in and of themselves produce an asset. There would need to be an accompanying business case justification as to why this expenditure could be capitalised and as such, this would normally only occur in relation to large-scale regeneration schemes.

The watershed moment between the feasibility and the development stage, when concrete designs are reviewed is normally the point at which expenditure may be considered for capitalisation. The Council's policy at this stage is to treat the expenditure as capital and then if the scheme did not go ahead or was stopped at an early stage without producing any assets, would treat the expenditure as an abortive revenue cost. This policy could be broadly described as *capitalising at risk* and all schemes that were cancelled without producing an asset would need to be reviewed for the potential for these abortive costs.

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

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

Depreciation

Depreciation is provided for on all property, plant and equipment 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 not charged in the year of acquisition but is charged in full during the year of disposal.

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 a five year period unless a suitably qualified officer determines a more appropriate period; and
- infrastructure – straight-line allocation over 20 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the Code requires that these components are depreciated separately.

Major components which have materially different asset lives will be identified in respect of:

- new capital expenditure as it arises; and
- existing assets as they become subject to revaluation.

Assets will not be valued on a componentised basis in the following circumstances on the basis that the impact upon asset valuation and depreciation is not material to the accounting disclosures:

- capital expenditure of less than £300,000 per scheme; and
- assets valued at less than £3,000,000.

As a consequence of the application of this policy the Authority has not identified any major components with materially different asset lives. However, the application of this policy will be reviewed on an on-going basis to ensure that the carrying value of assets is not materially affected.

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.

Disposals and Non-current Assets Held for Sale

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 in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to noncurrent 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 in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Where an Asset is fully depreciated and therefore has a zero net book value, it is deemed as being abandoned or scrapped and treated as such (This will not have an effect on the Comprehensive Income and Expenditure Statement as the gross book value and the accumulated depreciation are equal). Receipts from disposals (if any) are credited to the same line in the

Comprehensive Income and Expenditure Statement also 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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account.

Annual Minimum Revenue Provision Statement

Where the Council finances capital expenditure by borrowing, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum provision since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's (DCLG) Guidance on Minimum Revenue Provision issued in 2012.

The broad aim of the DCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments, starting in the year after the asset becomes operational.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Third party loans – Under statutory requirements the payment of the loan will normally be treated as capital expenditure. The subsequent loan repayments, (which are treated as capital receipts under statutory requirements); will be used to reduce the long term liability and consequently the CFR. As a result MRP will not generally be charged on the loan as it is not appropriate to do so.

xxi. Provisions, Contingent Liabilities and Contingent Assets

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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement 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 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.

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.

xxii. Reserves

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

xxiii Revenue Expenditure Funded from Capital under Statute

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

xxiv. Schools

The *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Schools' transactions, cash flows and balances are therefore recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

xxv. VAT and Tax Duty

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. If any tax duty is payable on goods purchased from EU, this will be part of the purchase cost and is not recoverable from HMRC.

xxvi. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [*other financial instruments as applicable*] 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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires disclosure of the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2021/22 Code.

The Code requires that changes in accounting policy are applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

The standards introduced by the 2022/23 Code where disclosures are required in the 2021/22 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:
• IFRS *16 Leases* .

• Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:

• IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS

• IAS 37 (Onerous contracts) – clarifies the intention of the standard

• IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material

• IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements. Officers concur with this view.

3. Critical Judgements in Applying Accounting Policies, Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- there is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- the statement of accounting policies incorporates a number of de minimis thresholds below which certain low value transactions are not recognised in strict accordance with the Code of Practice. These thresholds have been selected for the purpose of reducing the volume and complexity of financial transactions without materially altering the accounting disclosures. The areas most affected by this policy relate to the recognition of pensions liabilities, fixed assets, leases and accruals.

The Statement of Accounts contains estimated figures 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 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
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 climate 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 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 Assets would increase by £3.1m for every year that useful lives had to be reduced.
	Assets have been valued by the Authority's external valuers on the basis of a five year rolling valuation programme. In the current economic climate, the Balance Sheet valuation of £1,532m may be subject to fluctuations.	If the asset valuation of all property plant and equipment were to fall by 1% a reduction in value of £15.32m would arise. This would normally be reversed to the Revaluation Reserve. Where revaluation losses exceed unrealised gains, the net loss would be charged to the Consolidated Income and Expenditure Statement and subsequently written off to the Capital Adjustment Account.

Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for *similar* assets or liabilities in active markets or the discounted cash flow (DCF) model). 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 and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 16 below.	The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial asset
Provisions	The Authority has made a provision of £3.55m for the settlement of insurance claims based upon an actuarial assessment of the current level of liability.	An increase over the forthcoming year of 10% in the value of claims to be settled would have the effect of adding £0.355m to the provision required.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in a decrease in the pension liability of £23m. However, the assumptions interact in complex ways. During 2021/22, the Authority's actuary advised that changes in actuarial assumptions gave rise to a gain of £109.4m (compared to a loss of £119.6m in 2020/21) to the Consolidated Income and Expenditure Statement.
Arrears	At 31 March 2022, the Authority had a gross debtor's balance of £119.9m. A review of significant balances suggested that an impairment of doubtful debts of 34% (£41.0m) was appropriate. However, in the current economic climate it may not be certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 25% increase in the amount of the impairment of doubtful debts would require an additional £9.0m to be set aside as an allowance.
NNDR Appeals	At 31 March 2022, the Authority made a provision for £7.2m in respect of appeals which are still outstanding, based on the previous success rate on appeals.	In the event that the outcome of appeals increases by 25% than the anticipated percentages this would result in additional cost of £1.8m.

4. Material Items of Income and Expense

A net revaluation gain of £6.926m has been credited to the Consolidated Income and Expenditure Account (CI&ES) in 2021/22. With the exception of movements in Investment properties revaluation gains are normally credited to the Revaluation Reserve except where, as in this case, the revaluation gain reverses a previous loss charged to the CI&ES. By way of comparison, the revaluation gain credited to the CI&ES in 2020/21 was £22.378m. Further information is provided at note 39.

A net disposals gain of £21.9m has been debited to the CI&ES in 2021/22. This is a result of gains from the sale of GF and HRA assets. This is compared to a corresponding gain of £2.2m in 2020/21.

5. Authorisation of the Statement of Accounts

The Statement of Accounts was authorised for issue on the date the Chief Operating Officer certified that the accounts give a true and fair view of the financial position of the Authority at the year-end; and its income and expenditure, see the “Statement of Responsibilities for the Statement of Accounts”. This is the date up to which events after the balance sheet date have been considered.

6. Events after the Balance Sheet Date

No material post balance sheet events requiring adjustment to the 31st March 2022 balance sheet has been identified.

7. Expenditure and Funding Analysis 2021/22

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

1st April 2020 - 31st March 2021					1st April 2021 - 31st March 2022			
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Bases £000	Other Adjustments* £000	Net Expenditure in the CI&ES £000	Service	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Bases £000	Other Adjustments* £000	Net Expenditure in the CI&ES £000
42,913	(20,734)	8,809	**30,988**	Corporate Budgets	39,441	(30,096)	13,983	**23,328**
18,728	8,195	(5,288)	**21,635**	Neighbourhoods	17,736	11,933	573	**30,242**
4,315	(38,668)	(5,477)	**(39,830)**	Housing	4,604	(52,814)	24,652	**(23,559)**
6,256	50	(550)	**5,756**	Regeneration	1,067	69	0	**1,137**
66,383	1,051	(2,843)	**64,591**	Adult Services	68,394	1,745	(2,902)	**67,236**
48,375	11,595	(5,648)	**54,322**	Children's Service	50,519	18,914	2,510	**71,943**
119	122	(4,363)	**(4,122)**	Public Health	(1,624)	138	2,654	**1,168**
3,851	7,202	3,597	**14,650**	oneSource Non-Shared	4,782	10,518	(1,929)	**13,371**
6,272	1,394	10,816	**18,482**	oneSource Shared	900	2,209	782	**3,892**
197,212	**(29,793)**	**(947)**	**166,472**	**Net Cost of Services**	**185,819**	**(37,384)**	**40,323**	**188,758**
(202,657)	19,981	(20,198)	(202,875)	Other Income and Expenditure	(188,371)	(9,221)	(30,713)	(228,306)
(5,445)	**(9,812)**	**(21,145)**	**(36,403)**	**(Surplus) or Deficit**	**(2,552)**	**(46,605)**	**9,609**	**(39,548)**
22,521				Opening General Fund and HRA Balance	**27,966**			
5,445				Less/Plus Surplus or Deficit on General Fund and HRA Balance in Year**	2,552			
27,966				**Closing General Fund and HRA Balance at 31 March 2022**	**30,518**			

*This represents the movement in Earmarked Reserves. See Note 10.
** For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement.

7a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2021/22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Corporate Budgets	(28,919)	(948)	(228)	(30,096)
Neighbourhoods	8,880	3,362	(310)	11,933
Housing	(52,884)	78	(9)	(52,814)
Regeneration Programme Delivery	(339)	598	(189)	69
Adult Services	499	1,382	(137)	1,745
Children's Services	8,024	11,274	(385)	18,914
Public Health	0	155	(17)	138
oneSource Non-Shared	8,922	1,754	(158)	10,518
oneSource Shared	0	2,426	(217)	2,209
Net Cost of Services	**(55,816)**	**20,082**	**(1,649)**	**(37,384)**
Other income and expenditure from the Expenditure and Funding Analysis			(9,221)	(9,221)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(55,816)**	**20,082**	**(10,870)**	**(46,605)**

Adjustments between Funding and Accounting Basis 2020/21
(This has been restated to be aligned to the authority's internal financial reporting structure)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Corporate Budgets	(7,146)	4,142	(17,730)	(20,734)
Neighbourhoods	9,686	(1,173)	(317)	8,195
Housing	(38,122)	(353)	(194)	(38,668)
Regeneration Programme Delivery	92	(42)	0	50
Adult Services	1,909	(720)	(138)	1,051
Children's Services	15,593	(2,814)	(1,184)	11,595
Public Health	188	(66)	0	122
oneSource Non-Shared	8,290	(913)	(175)	7,202
oneSource Shared	2,787	(1,184)	(210)	1,394
Net Cost of Services	**(6,724)**	**(3,123)**	**(19,948)**	**(29,795)**
Other income and expenditure from the Expenditure and Funding Analysis			19,981	19,981
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(6,724)**	**(3,123)**	**33**	**(9,814)**

Note 1 Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from the income and expenditure as these are not chargeable under generally accepted accounting practices.

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

Note 2 Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

• **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

• For **Financing and investment income and expenditure** –- the net interest on the defined benefit liability is charged to the CIES.

Note 3 Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

7b. Segmental Income

Income received on a segmental basis is analysed below:

2020/21 £000	Income from Services	2021/22 £000
2,410	Corporate Budgets	9,157
22,666	Neighbourhoods	31,718
65,693	Housing	69,776
1,692	Regeneration Programme Delivery	9,476
32,956	Adult Services	41,205
151,409	Children's Services	162,249
19,710	Public Health	13,757
70,193	oneSource Non -Shared	76,273
6,309	oneSource Shared	16,440
373,037	**Total income analysed on a segmental basis Net Cost of Services**	**430,053**

8. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

2020/21 £000	Expenditure/Income	2021/22 £000
	Expenditure	
207,450	Employee benefits expenses	230,890
336,569	Other services expenses	334,075
(1,708)	Depreciation, amortisation, impairment	21,001
17,851	Interest payments	19,673
17,085	Precepts and levies	12,256
70	Payments to Housing Capital Receipts Pool	(349)
(993)	(Gain)/Loss on the disposal of assets	(20,366)
576,324	**Total expenditure**	**597,179**
	Income	
(106,972)	Fees, charges and other service income	(124,185)
(3,647)	Interest and investment income	(2,355)
(164,324)	Income from council tax and non-domestic rates	(167,615)
(337,785)	Government grants and contributions	(342,574)
(612,728)	**Total income**	**(636,730)**
(36,404)	**Surplus or Deficit on the Provision of Services**	**(39,551)**

9. 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. The following sets out a description of the reserves against which the adjustments are made.

General Fund Balance: The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year. For housing authorities the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance: The Housing Revenue Account (HRA) balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Authority's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve: The Authority maintains a Major Repairs Reserve (MRR), through which depreciation on HRA assets is reversed out and applied to the financing of capital expenditure. The MRR is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the extent to which the MRR has yet to be applied at the year end.

Capital Receipts Reserve: The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied: The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Authority 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.

2021/22	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£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 from the Pensions Reserve)	(19,484)	(598)				20,082
Financial instruments (transferred to the Financial Instruments Adjustments Account)						0
Transfer to negative DSG reserve	(1,954)					1,954
Council tax and NNDR (transfers to or from Collection Fund)	11,182					(11,182)
Holiday pay (transferred to the Accumulated Absences Reserve)	1,460	189				(1,649)
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	(4,224)	2,810			(37,135)	38,549
Total Adjustments to Revenue Resources	**(13,020)**	**2,401**	**0**	**0**	**(37,135)**	**47,754**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	19,268	14,751	(34,019)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(588)	294	294			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,107)		1,107			0
Posting of HRA resources from revenue to the Major Repairs Reserve		10,066		(10,066)		0
Use of Capital Receipts To Repay Debt	(3,683)		3,683			0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	8,389					(8,389)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	8,732					(8,732)
Total Adjustments between Revenue and Capital Resources	**31,011**	**25,111**	**(28,935)**	**(10,066)**	**0**	**(17,121)**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			10,404			(10,404)
Use of the Major Repairs Reserve to finance capital expenditure				14,785		(14,785)
Application of capital grants to finance capital expenditure	(24,200)	25,302			36,221	(37,323)
Cash payments in relation to deferred capital receipts						0
Total Adjustments to Capital Resources	**(24,200)**	**25,302**	**10,404**	**14,785**	**36,221**	**(62,512)**
Total Adjustments	**(6,209)**	**52,814**	**(18,531)**	**4,719**	**(914)**	**(31,879)**

2020/21	Usable Reserves: General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£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 from the Pensions Reserve)	(2,770)	(353)				3,123
Financial instruments (transferred to the Financial Instruments Adjustments Account)	97					(97)
Transfer to negative DSG reserve	(2,366)					2,366
Council tax and NNDR (transfers to or from Collection Fund)	(17,615)					17,615
Holiday pay (transferred to the Accumulated Absences Reserve)	(2,299)	(194)				2,493
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	(7,223)	12,492			(20,433)	15,164
Total Adjustments to Revenue Resources	**(32,176)**	**11,945**	**0**	**0**	**(20,433)**	**40,664**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	765	12,752	(13,517)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(502)	251	251			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,243)		1,243			0
Posting of HRA resources from revenue to the Major Repairs Reserve		8,888		(8,888)		0
Use of Capital Receipts To Repay Debt	(3,140)		3,140			0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	6,828					(6,828)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,858					(3,858)
Total Adjustments between Revenue and Capital Resources	**6,566**	**21,891**	**(8,883)**	**(8,888)**	**0**	**(10,686)**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			20,638			(20,638)
Use of the Major Repairs Reserve to finance capital expenditure				17,242		(17,242)
Application of capital grants to finance capital expenditure	(3,244)	4,930			19,366	(21,052)
Cash payments in relation to deferred capital receipts		(98)				98
Total Adjustments to Capital Resources	**(3,244)**	**4,832**	**20,638**	**17,242**	**19,366**	**(58,834)**
Total Adjustments	**(28,854)**	**38,668**	**11,755**	**8,354**	**(1,067)**	**(28,856)**

10. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance as earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22. A HRA earmarked reserve is included for completeness.

	Balance as at 31 3 2020	Transfers from/to Revenue	Transfers between reserves	Balance as at 31 3 2021	Transfers from/to Revenue	Transfers between reserves	Balance as at 31 3 2022
	£000	£000	£000	£000	£000	£000	£000
General Fund / Housing Revenue Account Earmarked Reserves							
Corporate Transformation reserve	**2,116**	(979)	0	**1,137**	(782)	0	**355**
Business Risk reserve	**10,774**	402	0	**11,176**	234	0	**11,410**
Covid - Clinically & Extremely Vulnerable (CEV) and Contains Outbreak Management Grant (COMF)	**0**	3,031	0	**3,031**	(3,031)	0	**0**
Business Rates reserve	**4283**	16,791	0	**21,074**	(10,716)	0	**10,358**
Regeneration	**586**	1,922	0	**2,508**	0	0	**2,508**
ICT Refresh	**1000**	0	0	**1,000**	0	0	**1,000**
oneSource reserve	**455**	0	0	**455**	577	0	**1,032**
Insurance reserve	**7,409**	(256)	0	**7,153**	(67)	0	**7,086**
Reserves for future capital schemes	**7,304**	(1,988)	0	**5,316**	(409)	0	**4,907**
Legal reserve	**178**	0	0	**178**	0	0	**178**
Crematorium and Cemetery reserves	**778**	(120)	0	**658**	0	0	**658**
Social Care reserve	**85**	(34)	0	**51**	0	0	**51**
Troubled Families reserve	**525**	(155)	0	**370**	104	0	**474**
Public Health reserve	**1,485**	1,110	0	**2,595**	48	0	**2,643**
Adults Social Care Reserve	**0**	0	0	**0**	4,878	0	**4,878**
Whole life costing Transport Fleet reserve	**515**	(33)	0	**482**	(75)	0	**407**
Emergency assistance scheme	**2,092**	(509)	0	**1,583**	(664)	0	**919**
SLM Funding 2017/18 - 2022/23	**1,386**	(657)	0	**729**	(111)	0	**618**
Other reserves	**10,177**	(903)	0	**9,274**	877	0	**10,151**
HRA Major works	**3,021**	0	0	**3,021**	0	0	**3,021**
Total General Fund / Housing Revenue Account Earmarked Reserves	**54,169**	**17,622**	**0**	**71,791**	**(9,137)**	**0**	**62,654**
Schools Balances							
General Balances	**1,107**	(690)	0	**417**	445	0	**862**
Schools Balances	**3,217**	2,477	0	**5,694**	(213)	0	**5,481**
Centrally held schools balances (Note 34)	**(1,035)**	1,735	0	**700**	(700)	0	**0**
Total Schools Balances	**3,289**	**3,522**	**0**	**6,811**	**(468)**	**0**	**6,343**
Total Earmarked Reserves	**57,458**	**21,144**	**0**	**78,602**	**(9,605)**	**0**	**68,997**

General Fund Earmarked Reserves

Corporate Transformation and oneSource Reserves – These reserves will continue to be used to fund strategic projects and the transformation agenda.

Business Risk Reserve – After a strategic review of the earmarked reserves, the Senior Leadership Team de-committed various other earmarked reserves and reprioritised the funds to the Business Risk Reserve.

COVID - Clinically & Extremely Vulnerable (CEV) and Contains Outbreak Management (COMF) Grants Reserve – This funding was provided specifically to manage the containment of the pandemic. The reserve balance was used alongside the 2021/22 COMF allocation to fund the Outbreak Control Service and associated initiatives to contain the outbreak in line with grant conditions.

Business Rates Reserve – This reserve has been created to manage the risks and uncertainties around London wide business rate pooling. The risk of non-collection and successful business rate appeals can have fundamental impact on the Council's budget.

Regeneration Reserve – This is earmarked for the Council's masterplan regeneration projects across the borough, including the Romford masterplan.

ICT Refresh – This has been earmarked for the Council's Transitional Shift in operating models.

oneSource Reserve – This is earmarked to contribute to future projects and service improvement across all oneSource services.

Insurance Reserve – In accordance with the Accounting Code of Practice, the Authority's insurance fund has been split between a provision for liabilities which are likely to be incurred and a reserve for possible future liabilities that are "incurred but not reported" at this stage.

Reserves for future Capital Schemes – These reserves are set aside for capital schemes where expenditure has yet to be incurred. The reserves are a mixture of revenue contributions, internal leasing arrangements and various invest to save schemes.

Legal Reserve – This reserve provides funding for legal cases.

Crematorium and Cemetery Funds – These funds have existed for many years to maintain cemeteries and to help finance improvements at the crematorium. They consist of a fund created by fees, and a Cemetery Memorial Fund.

Social Care Funding – This is support for Social Care funding which local authorities receive from the NHS; it was agreed to carry forward unspent monies to be spent on the programmes jointly agreed by both parties as part of the S256 agreement.

Troubled Families – This is to contribute towards the funding of the Troubled Families programme.

Public Health Reserve – This reserve arose out of a transfer of Primary Care Trust funding for Drugs and Alcohol Action Team services and underspends against the Public Health grant. The intention is to use the reserve for Public Health initiatives.

Social Care Reserve – This is additional contribution to the pooled Better Care Fund by the Clinical Commissioning Group, which will be used on joint social care and health projects between the Local Authority and the Clinical Commissioning Group.

Whole Life Costing Vehicle Fleet Reserve – This reserve funds whole life costing in the vehicle and plant system.

Emergency Assistance Scheme - The EAS is for assistance for extreme hardship in emergency situations. It is for vulnerable residents and customers experiencing hardship or In need of support.

SLM (Sport and Leisure Management) Funding 2017/18-2022/23 - This reserve will be required until 2022/23 and aims to smooth out the overall impact of the leisure management contract on the revenue account as the five leisure centres reach business maturity at different stages.

Other Reserves – This encompasses a range of several smaller reserves including Covid 19 funding, Library Book Fund, Health and Safety reserve, and provision to fund potential claims arising from building works.

Schools Balances

General Balances – This is income that has accumulated over a number of years from schools buying back services from the Authority. The funds are being reinvested back into the development of support services provided to schools.

Schools Balances – These are balances that have been allocated to schools and are carried forward to the following financial year.

Centrally Held Schools Balances – The Authority's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). Details of the deployment of DSG receivable for 2021/22 are shown at Note 34. An overdrawn balance on the DSG account of £4.32m has been transferred to a unusable negative reserve in accordance with new guidance to separate the balance from the Council General Fund.

11. Other Operating Expenditure

2020/21 £000		2021/22 £000
17,085	Levies	12,256
1,243	Payments to the Government Housing Capital Receipts Pool	1,106
(2,166)	(Gain) / Loss on the disposal of non-current assets	(21,822)
16,162	**Total**	**(8,460)**

12. Financing And Investment Income And Expenditure

2020/21 £000		2021/22 £000
8,201	Interest payable and similar charges	8,674
9,650	Pensions net interest on the net defined benefit liability	10,999
(3,647)	Interest receivable and similar income	(2,355)
(4,107)	Income and expenditure in relation to investment properties (note 16)	(3,957)
2,803	Changes in the fair value of investment properties	3,239
12,900	**Total**	**16,600**

13.Taxation And Non-Specific Grant Income

2020/21 £000		2021/22 £000
(127,680)	Council tax income	(136,404)
(36,644)	National non-domestic rates income [1]	(31,211)
(45,496)	Non ring-fenced government grants	(30,595)
(22,119)	Capital grants and contributions	(38,236)
(231,939)	**Total**	**(236,446)**

[1] includes s31 Government grant included within NNDR income to fund NNDR reliefs

14. Property, Plant and Equipment

Movements in Balances 2021/22

	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
Gross Book Value / NBV	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 March 2021	**644,663**	**580,531**	**23,106**	**117,558**	**3,567**	**1,795**	**72,026**	**1,443,246**
Additions	46,071	7,977	5,008	14,581	49	0	59,823	**133,509**
Revaluation increases/(decreases) to :								
Revaluation Reserve	(23,198)	(650)	0	0	0	633	0	**(23,215)**
Revaluation gains to the CI&ES	14,790	(5,574)	0	0	0	(490)	0	**8,726**
Derecognition - Disposals	(7,311)	(42)	(7,905)	0	0	0	0	**(15,258)**
Derecognition - other	0	0	0	0	0	0	0	**0**
Reclassifications & Transfers	(3,898)	26,790	0	0	0	0	(22,892)	**0**
At 31 March 2022	**671,117**	**609,032**	**20,209**	**132,139**	**3,616**	**1,938**	**108,957**	**1,547,008**
Accumulated Depreciation and Impairment								
At 31 March 2021	**0**	**764**	**9,997**		**325**	**0**	**0**	**11,086**
Depreciation Charge	9,635	5,846	4,614	7,345	77	14	0	**27,531**
Depreciation written out upon Revaluation:								
Revaluation Reserve	(9,635)	(4,455)	0		0	(14)	**0**	**(14,104)**
CI &ES	0	(1,439)	0		0	0	**0**	**(1,439)**
Derecognition - Disposals	0	0	(7,905)		0	0	**0**	**(7,905)**
Reclassifications	0	0	0		0	0	**0**	**0**
At 31 March 2022	**0**	**716**	**6,706**	**7,345**	**402**	**0**	**0**	**15,169**
Net book value at 31 March 2022	**671,117**	**608,316**	**13,503**	**124,794**	**3,214**	**1,938**	**108,957**	**1,531,839**
Net book value at 31 March 2021	**644,663**	**579,767**	**13,109**	**117,558**	**3,242**	**1,795**	**72,026**	**1,432,160**

*** Infrastructure Assets are shown as NBV rather than GBV**

14. Property, Plant and Equipment

Movements in Balances 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
Gross Book Value	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 March 2020	**564,782**	**493,422**	**19,644**	**109,690**	**5,396**	**774**	**61,968**	**1,255,676**
Additions	42,513	5,356	3,462	13,687	0	0	27,927	**92,945**
Revaluation increases/(decreases) to :								
Revaluation Reserve	6,616	80,479	0	0	0	(97)	0	**86,998**
Revaluation gains to the CI&ES	23,010	(1,101)	0	0	0	0	0	**21,909**
Derecognition - Disposals	(4,797)	(3,612)	0	(16)	0	0	0	**(8,425)**
Derecognition - other	0	0	0	0	0	0	0	**0**
Reclassifications & Transfers	12,539	5,987	0	0	(1,829)	1,118	(17,869)	**(54)**
At 31 March 2021	**644,663**	**580,531**	**23,106**	**123,361**	**3,567**	**1,795**	**72,026**	**1,449,049**
Accumulated Depreciation and Impairment								
At 31 March 2020	**0**	**893**	**9,242**		**279**	**0**	**0**	**10,414**
Depreciation Charge	8,460	5,090	755	5,803	79	0	**0**	**20,187**
Depreciation written out upon Revaluation:								
Revaluation Reserve	(5,360)	(5,064)	0		0	0	**0**	**(10,424)**
CI&ES	(3,100)	(173)	0		0	0	**0**	**(3,273)**
Derecognition - Disposals	0	0	0		0	0	**0**	**0**
Reclassifications	0	18	0		(33)	0	**0**	**(15)**
At 31 March 2021	**0**	**764**	**9,997**	**5,803**	**325**	**0**	**0**	**16,889**
Net book value at 31 March 2021	**644,663**	**579,767**	**13,109**	**117,558**	**3,242**	**1,795**	**72,026**	**1,432,160**
Net book value at 31 March 2020	**564,782**	**492,529**	**10,402**	**109,690**	**5,117**	**774**	**61,968**	**1,245,262**

Capital Commitments

Estimated future capital commitments are shown below. Payment for these schemes will be incurred in 2022/23.

31 March 2021 £000		31 March 2022 £000
	General Fund	
7,427	Arts, culture, sport and leisure	7,995
1,081	Roads, footways and bridges	13,380
10,046	Education capital schemes	4,395
170,687	Town centre and environmental Improvements	175,343
625	Office accommodation, equipment, ICT and vehicles	15,684
5,413	Other smaller General Fund schemes	6,687
195,279	**Total General Fund commitments**	**223,484**
136,865	Housing Revenue Account	220,692
332,144	**Total commitments**	**444,176**

Revaluations

The following statement shows the progress of the Authority's rolling programme for the revaluation of fixed assets. The valuations are reviewed in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Assets Valuation Standards Committee of the Royal Institution of Chartered Surveyors. The basis for valuation is set out in the statement of accounting policies. Valuations are carried out by our external valuers, Wilks Head and Eve, and by the Authority's Property Strategy Manager on the basis of a five year rolling programme; the most recent of which was carried out on 31 March 2021.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	0	0	13,503	124,794	3,214	0	108,957	**250,468**
Valued at fair value as at:								
31 March 2022	671,117	560,680	0	0	0	1,938	**0**	**1,233,735**
31 March 2021	0	18,147	0	0	0	0	0	**18,147**
31 March 2020	0	9,783	0	0	0	0	0	**9,783**
31 March 2019	0	10,318	0	0	0	0	0	**10,318**
31 March 2018	0	9,388	0	0	0	0	0	**9,388**
Total cost or valuation	**671,117**	**608,316**	**13,503**	**124,794**	**3,214**	**1,938**	**108,957**	**1,531,839**

15. Heritage Assets

Carrying value of heritage assets held by the Authority

Cost or Valuation	Civic Regalia £'000	Heritage Buildings £'000	Total Assets £'000
31 March 2018	**110**	**23**	**133**
Depreciation	0	0	0
Revaluation	0	0	0
31 March 2019	**110**	**23**	**133**
Depreciation	0	(1)	(1)
Revaluation	0	0	0
31 March 2020	**110**	**22**	**132**
Depreciation	0	(1)	(1)
Revaluation	0	2,150	2,150
Transfers	0	38	38
31 March 2021	**110**	**2,209**	**2,319**
Additions	0	95	95
Depreciation	0	(27)	(27)
Revaluation	0	0	0
31 March 2022	**110**	**2,277**	**2,387**

16. Investment Properties and Joint Ventures Investment

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

2020/21 £000		2021/22 £000
4,470	Rental income from investment property	4,384
(363)	Direct operating expenses arising from investment property	(427)
4,107	**Net gain**	**3,957**

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, develop, repair, maintain or enhance investment property.

b) The following table summarises the movement in the fair value of investment properties over the year.

2020/21 £000		2021/22 £000
67,242	**Opening Balance**	**64,552**
(2,803)	Revaluation gains/(loss) from fair value adjustment	(3,239)
113	Additions	0
0	Assets reclassified	0
0	Disposal of investment properties	0
64,552	**Balance at the end of the year**	**61,313**

The valuation of the Authority's investment property portfolio in 2020/21 was undertaken by Wilks Head & Eve who provide specialist valuations advice and who have extensive experience in the property sector.

c) Investments within the group balances
Mercury Land Holding hold £47.546m in investment properties that on an open market value for existing use basis.

The Council has three property joint ventures of which the Council holds a stake of property under development. At 31 March 2022, the Council share of the developments under construction were: 100% of Bridge Close (£19.6m), 50% of Rainham & Beam Park (£2m) and 50% of Havering & Wates (12 Estates) (£6.3m). These are shown under property, plant & equipment until complete.

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2022 and 2021 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2022 £000
Office units	0	3,134	0	3,134
Commercial units	0	58,179	0	58,179
Total	**0**	**61,313**	**0**	**61,313**

2021 Comparative Figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2021 £000
Office units	0	3,484	0	3,484
Commercial units	0	61,068	0	61,068
Total	**0**	**64,552**	**0**	**64,552**

Transfers between Levels of the Fair Value Hierarchy
There were no transfers between Levels during the year.

Highest and Best Use of Investment Properties
In estimating the fair value of the authority's investment properties, the highest and best use of the asset has been used.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with property services and the capital finance manager reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

d) Investment in Subsidiaries and Joint Ventures

2020/21 £000	Investments in subsidiary companies and Joint Ventures:	2021/22 £000
21,992	Opening Balance	13,980
(8,492)	Reclassification *	0
480	Additions*	430
0	Repayment	(1,000)
13,980	Closing Balance	13,410

Investments of £5.341m in Bridge Close LLP and £3.150m in the Havering and Wates joint venture at 31 March 2020 have been reclassified as long-term debtors in subsidiaries and joint ventures during 2020/21 to acknowledge repayment at end of joint venture.

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Corporation of incorporation	Class of shares	Holding	Principal activity
Mercury Land Holding	England	Ordinary	100%	Development of the building project
Bridge Close	England	Ordinary	100%	Development of the building project

Joint Ventures

The following are joint ventures of the Council:

Name	Corporation of incorporation	Class of shares	Holding	Principal activity
Havering & Wates	England	Ordinary	50%	Development of the building project
Rainham & Beam Park	England	Ordinary	50%	Development of the building project

17. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets represent the value of purchased licences only.

The maximum life attributed to software assets is currently five years on the grounds that it is a reasonable estimate of the life of computer systems and is the life applied to computer hardware for depreciation purposes.

The movement on Intangible Asset balances during the year is as follows:

2020/21 £000	**Intangible fixed assets software and system development**	**2021/22 £000**
2,989	Gross carrying amounts	3,008
(1,904)	Less accumulated amortisation	(2,387)
1,085	**Net carrying amount at start of year**	**621**
19	Additions – purchases	15
0	Disposals	0
(483)	Less amortisation for the period	(367)
621	**Net carrying amount at end of year**	**269**
	Comprising:	
3,008	Gross carrying amounts	1,848
(2,387)	Less accumulated amortisation	(1,579)

18. Financial Instruments

(a) Financial Instruments - Classification

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

Financial Liabilities

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

The Authority's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities or public sector bodies
- trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications. Financial assets are classified into one of three categories. Financial assets held at amortised cost. Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVTPL). All the Authority's financial assets have been assessed to be held at amortised cost; these represent loans and loan-type arrangements where repayments or interest and principal takes place on set dates and at specified amounts. Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses (ECL) model. Changes in loss allowances (including balances outstanding at the dates of derecognition of an asset) are debited / credited to the Financing and Investment Income and Expenditure lines in the CIES.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash in hand
- bank current and deposit accounts
- fixed term deposits and reverse repurchase agreements with banks and building societies
- loans to other local authorities
- loans to small companies
- trade receivables for goods and services delivered

(b) Financial Instruments - Balances

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

31 March 2021		Financial Liabilities	31 March 2022	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
		Loans at amortised cost:		
		PWLB		
257,124	1,110	- Principal borrowed	307,124	
	573	- Accrued interest		802
		Market Loan		
7,000		- Principal borrowed	7,000	
	93	- Accrued interest		92
		Other Loans		
	10,466	- Principal borrowed		867
	0	- Accrued interest		0
264,124	**12,242**	**Total borrowing ***	**314,124**	**1,761**
		Liabilities at amortised cost:		
		Trade payables		
0	51,418	- Trade Creditors		84,925
0	**51,418**	**Included in creditors**	0	**84,925**
264,124	**63,660**	**Total financial liabilities**	**314,124**	**86,686**

* The total short-term borrowing includes £0.894m (2020/21: £0.666m) representing accrued interest on long-term borrowing (PWLB £802k & LOBO Market Loan £92k)

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

31 March 2021		Financial Assets	31 March 2022	
Long-Term £000	**Short-Term £000**		**Long-Term £000**	**Short-Term £000**
		Loans and receivables:		
	110,000	- Principal at amortised cost		85,000
	276	- Accrued interest		110
		- Other Principal at amortised cost		
0	**110,276**	**Total Investments ***	**0**	**85,110**
		Loans and receivables:		
	7,861	- Cash (including bank accounts)		8,283
		- Cash equivalents at amortised cost		52,000
0	**7,861**	**Total cash and cash equivalents**	**0**	**60,283**
		Loans and receivables		
33,922	50,628	- Trade receivables	53,313	63,878
33,922	**50,628**	**Included in debtors**	**53,313**	**63,878**
33,922	**168,765**	**Total financial assets**	**53,313**	**209,271**

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

31 March 2021		Financial Assets	31 March 2022	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
		Loans and receivables:		
	110,000	- Principal at amortised cost		85,000
	276	- Accrued interest		110
		- Other Principal at amortised cost		
0	**110,276**	**Total investments**	**0**	**85,110**
		Loans and receivables:		
	13,177	- Cash (including bank accounts)		9,198
		- Cash equivalents at amortised cost		52,000
0	**13,177**	**Total cash and cash equivalents**	**0**	**61,198**
		Loans and receivables		
215	48,259	- Trade receivables	60	67,375
215	**48,259**	**Included in debtors**	**60**	**67,375**
215	**171,712**	**Total financial assets**	**60**	**213,683**

(c) Financial Instruments - Gains and Losses

Gains and losses in 2021/22 were as follows:

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

	Financial Liabilities		Financial Assets		2021/22 Total
	Amortised Cost	Fair Value though CI&ES	Amortised Cost	Fair Value though CI&ES	
	£000	£000	£000	£000	£000
Interest expense	8,674				8,674
Interest payable and similar charges	**8,674**	**0**	**0**	**0**	**8,674**
Interest income			(2,355)		(2,355)
Increases in fair value					0
Interest and investment income	**0**	**0**	**(2,355)**	**0**	**(2,355)**
Changes in value of investment properties				3,239	3,239
Income and expenditure relating to investment properties				(3,957)	(3,957)
Pensions Net Interest		10,999			10,999
Impact in Other Comprehensive Income *	**0**	**10,999**	**0**	**(718)**	**10,281**
Net gain (loss) for the year	**8,674**	**10,999**	**(2,355)**	**(718)**	**16,600**

* Not financial instruments but included to reconcile to note 12

Gains and losses in 2020/21 were as follows:

	Financial Liabilities		Financial Assets		2020/21 Total
	Amortised Cost	Fair Value though CI&ES	Amortised Cost	Fair Value though CI&ES	
	£000	£000	£000	£000	£000
Interest expense	8,201				8,201
Interest payable and similar charges	**8,201**	**0**	**0**	**0**	**8,201**
Interest income			(3,647)		(3,647)
Increases in fair value					0
Interest and investment income	**0**	**0**	**(3,647)**	**0**	**(3,647)**
Changes in value of investment properties				2,803	2,803
Income and expenditure relating to investment properties				(4,107)	(4,107)
Pensions Net Interest		9,650			9,650
Impact in Other Comprehensive Income *	**0**	**9,650**	**0**	**(1,304)**	**8,346**
Net gain (loss) for the year	**8,201**	**9,650**	**(3,647)**	**(1,304)**	**12,900**

(d) Financial Instruments - Fair Values

Financial assets classified as available for use are carried in the Balance Sheet at fair value. For most assets, including bonds the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows as at 31 March 2022. LINK, the Council's adviser have provided the fair value calculations.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- The value of "Lender's Option Borrower's Option" (LOBO) loans have been calculated using the PWLB new market loan discount rate. This involves using level two inputs.
- The fair values of Public Works Loan Board (PWLB) loans are calculated using the premature repayment rate published by the PWLB at 31st March 2022.
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

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

31 March 2021			Fair Value Level	31 March 2022	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
		Financial liabilities held at amortised cost:			
257,124	347,906	- Long-term loans from PWLB		307,124	369,018
7,000	13,215	- Long-term LOBO loans		7,000	11,786
11,576	11,523	- Other Short-term loans		867	616
666	666	- Accrued interest		894	894
276,366	**373,310**	**Total**		**315,885**	**382,314**
51,418	51,418	Liabilities for which fair value is not disclosed		84,925	84,925
327,784	**424,728**	**Total Financial Liabilities**		**400,810**	**467,239**

31 March 2021 Balance Sheet £000	31 March 2021 Fair Value £000		Fair Value Level	31 March 2022 Balance Sheet £000	31 March 2022 Fair Value £000
		Recorded on balance sheet as:			
51,418	51,418	- Short-term creditors		84,925	84,925
11,576	11,523	- Short-term borrowing		867	616
264,124	361,120	- Long-term borrowing		314,124	380,805
327,118	**424,061**	**Total Financial Liabilities**		**399,916**	**466,346**

The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Authority's portfolio of loans include a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

31 March 2021 Balance Sheet £000	31 March 2021 Fair Value £000		Fair Value Level	31 March 2022 Balance Sheet £000	31 March 2022 Fair Value £000
		Financial assets held at amortised cost:			
		Loans & Receivables			
51,874	51,781	- Long-term other loans		53,313	53,220
75,000	75,373	- Short-term loans to local authorities	2	15,000	14,971
35,000	35,014	- Short-term bank deposits	2	70,000	69,999
0	0	- Money market funds	2	0	0
		- Covered Bond			
276	276	- Accrued interest		110	110
		Cash and Cash equivalents			
7,861	7,861	- Cash amortised cost		8,283	8,283
		- Cash equivalents at amortised cost		52,000	52,000
		- Accrued interest			
170,011	**170,305**	**Total**		**198,706**	**198,583**
50,628	50,628	Assets for which fair value is not disclosed *		63,878	63,878
220,639	**220,933**	**Total Financial Assets**		**262,584**	**262,461**
		Recorded on balance sheet as:			
51,874	51,781	- Long-term debtors		53,313	53,220
0	0	- Long-term investments		0	0
50,628	50,904	- Short-term debtors		63,878	63,988
110,276	110,387	- Short-term investments		85,110	84,970
7,861	7,861	- Cash and cash equivalents		60,283	60,283
220,639	**220,933**	**Total Financial Assets**		**262,584**	**262,461**

The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

(e) Financial Instruments - Risks

The Authority has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities.

As part of the adoption of the Treasury Management Code, the Authority approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Authority also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Authority's Treasury Management Strategy and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

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

Credit Risk: Investments

The Authority manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Authority has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Authority has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of 10% of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The Authority also sets limits on investments in certain sectors.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £70.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recovery applies to all of the Authority's deposits, but there was no evidence at the 31 March 2022 that this was likely to crystallise.

The Annual Investment Strategy (details of which are available on the Council's web site) requires the Authority to maintain a counterparty list that follows the criteria set out in the Treasury Management Practices. Creditworthiness is assessed by the use of credit rating provided by Fitch, Moody's, and Standard and Poor ratings to assess an institution's long and short-term financial strength. Other information provided by Brokers, Advisers, and Financial and Economic reports is also collated and assessed to produce rating parameters to monitor each individual institution. Credit watches and outlooks from credit rating agencies, credit default to give early warning of likely changes in credit ratings and sovereign ratings. Only highly quality rated counterparties are included on the lending list.

Local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparties for a financial asset is central government or a local authority for which relevant statutory provision prevent default.

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

31 March 2021		Credit Rating	31 March 2022	
Long-term £000	Short-term £000		Long-term £000	Short-term £000
0	0	AAA	0	0
0	0	AA+	0	0
0	0	AA	0	0
0	0	AA-	0	15,000
0	15,000	A+	0	25,000
0	20,000	A	0	45,000
0	0	A-	0	0
0	75,000	Unrated local authorities	0	0
0	0	Unrated Corporate Bonds	0	0
0	**110,000**	**Total Investments**	**0**	**85,000**

Credit Risk: Receivables

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 services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- most accruals are automatically generated by the feeder system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de minimis for 2021/22 is £50,000.

The Authority's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Authority's potential maximum exposure credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for current market conditions. Only those receivables meeting the definition of a financial asset are included.

Credit risk exposure 31 March 2021 £000		Gross balance of debtors £000	Average % default based on past experience %	Average % default based on current experience %	Credit risk exposure 31 March 2022 £000
0	Capital	384	0	0	0
6,806	Housing	10,543	73	69	7,299
478	Social Services	9,990	8	5	469
6,721	Parking	10,362	87	93	9,619
0	Other local authorities	161	0	0	0
0	Health authorities	15,481	0	0	0
3,276	Other sundry debtors	33,977	10	11	3,849
17,281	**Total**	**80,898**	**27**	**26**	**21,236**

Liquidity Risk

The Authority has ready access to borrowings from the Public Works Loan Board, other local authorities, banks and corporates. There is no perceived significant risk that the Authority will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourable interest rates.

Refinancing Risk

The Authority approved Treasury and investment strategies are set to avoid the risk of refinancing on unfavourable terms. The treasury team address the operation risks within approved parameters.

The maturity analysis of the principal sums borrowed is as follows:

31 March 2021 £000	Time to maturity (years)	31 March 2022 £000
11,576	Not over 1	866
0	Over 1 but not over 2	0
4,029	Over 2 but not over 5	20,554
85,561	Over 5 but not over 10	85,561
49,574	Over 10 but not over 20	63,050
30,000	Over 20 but not over 30	0
32,960	Over 30 but not over 40	32,960
55,000	Over 40	105,000
7,000	Uncertain date	7,000
275,700	**Total**	**314,991**

The Authority has £7m of “Lender’s option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Authority will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Authority is likely repay these loans. The next option date after 31st March 2022 was 18th May 2022 and as expected not taken. The last maturity date is 18th November 2065.

Market Risks: 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 will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on 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. The Authority has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year.

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

	2021/22 £000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Impact on comprehensive income and expenditure	0
Decrease in fair value of loans and receivables *	(335)
Decrease in fair value of fixed rate borrowing liabilities *	(103,892)

* Borrowings are not carried at fair value, so nominal gain and losses on fixed rate borrowings would not impact on comprehensive income and expenditure. The Authority has no investments in call accounts with falling interest rates at 31 March 2022.

The approximate impact of a 1% fall in interest rates would be as above but with the movements reversed.

19. Debtors

Short-Term Debtors

31 March 2021 £000				31 March 2022 £000		
Gross	Impairment Allowance	Net		Gross	Impairment Allowance	Net
			Collection Fund Debtors			
16,687	(10,684)*	6,003	Council Tax payers	17,836	(11,456) *	6,380
882	(482)*	400	Business Rate payers	991	(724) *	267
			Other Debtors			
7,766	0 *	7,766	Government departments	6,634	0 *	6,634
1,689	0	1,689	Capital	384	0	384
8,765	(6,806)	1,959	Housing	10,543	(7,299)	3,244
9,925	(7,676)*	2,249	Housing Benefit	9,301	(7,542) *	1,759
9,068	(478)	8,590	Social Services	9,990	(469)	9,521
7,214	(6,721)	493	Parking Enforcement	10,362	(9,619)	743
84	0	84	Other local authorities	161	0	161
5,182	0	5,182	Health authorities	15,481	0	15,481
2,632	0	2,632	Mercury Land Holdings	3,998	0	3,998
33,275	(3,276)	29,999	Other sundry debtors	34,195	(3,849)	30,346
103,169	**(36,123)**	**67,046**	**Total Short-Term debtors**	**119,876**	**(40,958)**	**78,918**

* These debtors are not included in Note 18(b), Financial Instruments (balances), as they do not meet the definition of a financial asset.

Government departments, capital, and other local authorities do not have an impairment allowance applied.

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

31 March 2021 £000	Age of Debtors	31 March 2022 £000
5,142	Less than 1 year	5,232
3,282	Between 1 and 2 years	3,034
1,992	Between 2 and 3 years	2,577
7,153	More than 3 years	7,984
17,569	**Balance at end of the year**	**18,827**

Long-Term Debtors

31 March 2021 £000		31 March 2022 £000
33,828	Mercury Land Holdings	28,880
5,472	Wates JV*	6,457
12,480	Bridge Close LLP*	17,916
94	Other	60
51,874	**Total Long-Term Debtors**	**53,313**

* Loans to Wates JV and Bridge Close LLP reclassified as long term debtors during 2020/21.

20. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2021 £000		31 March 2022 £000
744	Bank current accounts	1,068
0	Short-term deposit with DMA	52,000
7,117	Schools – under the LMS cheque book scheme	7,215
7,861	**Total cash and cash equivalents**	**60,283**

21. Assets Held for Sale

The following table summarises the movement in the fair value of assets held for sale over the year.

31 March 2021 £000		31 March 2022 £000
0	**Opening Balance**	**0**
0	Revaluation gains from fair value adjustments	0
0	Assets reclassified	0
0	Disposals	0
0	**Balance at end of the year**	**0**

22. Short-Term Creditors

31 March 2021 £000		31 March 2022 £000
	Collection Fund creditors	
7,704	Council Tax payers *	8,182
1,033	Business Rates payers *	1,658
3,160	Greater London Authority *	13,696
7,635	Central Government (NNDR)*	11,703
	Other Creditors	
20,394	Central Government *	16,265
4,137	HMRC *	2,991
15,847	Pension Fund *	13,779
2,451	Capital creditors	6,360
41,648	Other sundry creditors	58,015
7,319	Income in advance	20,550
111,328	**Total**	**153,199**

* These creditors are not included in Note 18(b), Financial Instruments, as they do not meet the definition of a financial liability.

23. Provisions

2021/22	Self Insurance £000	Collection Fund £000	Other Provisions £000	Total £000
Balance at 31 March 2021	**3,548**	**7,407**	**0**	**10,955**
Additional provisions made in year	6			**6**
Amounts used in year		(198)		**(198)**
Transfer to revenue				**0**
Balance at 31 March 2022	**3,554**	**7,209**	**0**	**10,763**

Self-Insurance Provision
The Authority's insurance cover is arranged with Zurich Municipal with substantial excesses for which a self-insurance provision is maintained. The self-insurance provision has been set up to meet the excesses on the Authority's public and employer's liability, property and motor vehicle insurance policies. It is not possible to determine the precise timing of the settlement of claims relating to this provision. The excess levels at 1 July 2019 were; public and employer's liability (£125,000), motor vehicles (£25,000) and property (£50,000).

Collection Fund Provision
As part of the changes in business rate retention, the Authority is required to create a provision in respect of outstanding appeals. These appeals are currently with the Valuation Office Agency for review and, as a result, it is not possible to determine the precise timing of the settlement of claims relating to this provision. Based on estimates on the likely settlement year, we could assume that 20% (£4.8 million will be settled within the next financial year, but this is a very high-level estimate. Only the Authority's 30% share of the appeals is recorded within the provision note.

24. Usable Reserves

31 March 2021 £000		31 March 2022 £000
10,936	General Fund balance	10,942
78,602	Earmarked Reserves	68,997
17,028	Housing Revenue Account balance	19,574
51,590	Capital Grants Unapplied	52,503
37,464	Capital Receipts Reserve	55,997
13,378	Major Repairs Reserve	8,660
208,998	**Total usable reserves**	**216,673**

25. Unusable Reserves

31 March 2021 £000		31 March 2022 £000
489,322	Revaluation Reserve	476,149
674,082	Capital Adjustment Account	719,227
(378)	Financial Instruments Adjustment Account	(378)
(545,811)	Pension Reserve	(456,493)
69	Deferred Capital Receipts Reserve	69
(19,100)	Collection Fund Adjustment Account	(7,918)
(2,366)	Dedicated School Grant Reserve (see note 34)	(4,320)
(6,282)	Accumulated Absences Account	(4,633)
589,536	**Total unusable reserves**	**721,703**

a) Revaluation Reserve

The Revaluation reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. 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 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capitals Adjustment Account.

31 March 2021 £000		31 March 2022 £000
393,756	**Balance at 1 April**	**489,323**
99,572	Net gain/(deficit) on revaluation of fixed assets	(9,111)
(4,005)	Excess of Fair Value Depreciation over Historical costs depreciation	(4,063)
0	Removal of Revaluation balance upon sale	0
0	Other Adjustments	0
489,323	**Balance at 31 March**	**476,149**

b) Financial Instruments Available for Sale Reserve

This reserve is used for the accounting entries for a covered bond and Floating Rate Notes that were purchased in 2015/16 and 2016/17 respectively which were valued on the balance sheet at fair value. No differences in value were credited to the Comprehensive Income and Expenditure Statement in 2021/22 or 2020/21. Any sum charged to the Comprehensive Income and Expenditure Statement is subsequently transferred out through the movement in reserves statement and recorded in the Financial Instruments Available for Sale Reserve in accordance with statutory requirements.

c) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2020/21 £000		2021/22 £000
615,623	**Balance at 1 April**	**674,082**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(20,187)	Net charges for depreciation of non-current assets	(27,559)
25,181	Net charges for impairment of non-current assets	10,165
0	Net charges for de-recognition of non-current assets	0
0	Mitigation of PPP Capitalised	0
(483)	Amortisation of intangible assets	(368)
(11,002)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,904)
	Adjusting amounts written out of the Revaluation Reserve	
4,005	Excess of Fair Value Depreciation over Historical costs depreciation	4,063
0	Removal of Revaluation balance upon sale	0
0	Other	0
(2,486)	**Net written out amount of the cost of non-current assets consumed in the year**	**(25,603)**
	Capital financing applied in the year:	
20,638	Use of the Capital Receipts Reserve to finance new capital expenditure	10,403
17,242	Use of the Major Repairs Reserve to finance new capital expenditure	14,785
21,052	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	37,323
6,828	Statutory provision for the repayment of debt	8,389
3,858	Capital expenditure charged against the General Fund and HRA balances	8,731
69,618	**Capital financing applied in year**	**79,631**
(5,870)	**Revenue expenditure funded from capital under statute**	**(5,644)**
(2,803)	**Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement**	**(3,239)**
674,082	**Balance at 31 March**	**719,227**

d) 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.

2020/21 £000		2021/22 £000
(475)	**Balance at 1 April**	(378)
97	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0
(378)	**Balance at 31 March**	**(378)**

e) 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 employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21 £000		2021/22 £000
(423,095)	**Balance at 1 April**	**(545,811)**
(119,593)	Actuarial gains or (losses) on pensions assets and liabilities	109,400
(37,885)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(55,726)
34,762	Employer's pensions contributions and direct payments to pensioners payable in the year	35,644
(545,811)	**Balance at 31 March**	**(456,493)**

f) Deferred Capital Receipts Reserve

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

2020/21 £000		2021/22 £000
166	**Balance at 1 April**	**69**
(97)	Transfer to the Capital Receipts Reserve upon receipt of cash	0
69	**Balance at 31 March**	**69**

g) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. Additional NNDR reliefs have led to a large decrease in collectable NNDR 2020/21, this has led to a large collection fund deficit reflected in the Collection Fund Adjustment Account - Government grant will fund this shortfall.

2020/21 £000		2021/22 £000
(1,485)	**Balance at 1 April**	**(19,100)**
(17,615)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	11,182
(19,100)	**Balance at 31 March**	**(7,918)**

h) 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. The COVID restrictions have led to officers rolling over high annual leave balances at 31 March 2021 and this has caused the increase in the account.

2020/21 £000		2021/22 £000
(3,789)	**Balance at 1 April**	**(6,282)**
3,789	Settlement or cancellation of accrual made at the end of the preceding year	6,282
(6,282)	Amounts accrued at the end of the current year	(4,633)
(2,493)	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	1,649
(6,282)	**Balance at 31 March**	**(4,633)**

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2020/21 Authority £000	2020/21 Group £000		2021/22 Authority £000	2021/22 Group £000
(4,994)	(4,984)	Depreciation, impairment and downward revaluation	17,394	17,395
483	483	Amortisation	368	368
8,056	2,849	Movement in creditors	41,871	43,659
(11,168)	(11,622)	Movement in debtors	(11,872)	(13,046)
(12,889)	(2,976)	Movement in long-term debtors	(1,439)	(1,439)
(11)	(11)	Movement in inventories	(54)	(54)
3,123	3,133	Movement in pension liability	20,082	20,115
1,866	1,866	Increase / (decrease) in provisions	(191)	(191)
11,002	5,373	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	11,904	11,648
8,421	8,635	Other non-cash items charged to the net surplus or deficit on the provision of services	8,761	9,280
3,889	**2,746**	**Net cash flows from operating activities**	**86,824**	**87,735**

Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities:

2020/21 Authority £000	2020/21 Group £000		2021/22 Authority £000	2021/22 Group £000
(22,119)	(22,119)	Capital grants credited to the Consolidated Income and Expenditure Statement	(38,236)	(38,236)
(13,168)	(13,168)	Proceeds from sale of fixed assets	(20,076)	(19,750)
(35,287)	**(35,287)**	**Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities**	**(58,312)**	**(57,986)**

27. Cash Flow Statement – Investing Activities

2020/21 Authority £000	2020/21 Group £000		2021/22 Authority £000	2021/22 Group £000
(103,302)	(103,302)	Purchase of property, plant and equipment, investment property and intangible assets	(139,168)	(142,345)
(183,277)	(184,511)	Purchase of short-term and long-term investments	(1,282,342)	(1,276,482)
13,168	13,168	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	20,076	20,913
20,433	20,433	Capital grants received	43,824	38,408
224,333	227,150	Proceeds from short-term and long-term investments	1,307,913	1,307,913
(28,645)	**(27,062)**	**Net cash flows from investing activities**	**(49,697)**	**(51,593)**

28. Cash Flow Statement – Financing Activities

2020/21 Authority £000	2020/21 Group £000		2021/22 Authority £000	2021/22 Group £000
65,809	65,809	Cash receipts of short-term and long-term borrowing	53,376	48,660
(61,060)	(61,060)	Repayments of short-term and long-term borrowing	(19,318)	(17,263)
4,749	**4,749**	**Net cash flows from financing activities**	**34,058**	**31,397**

29. Trading Operations

2020/21 (Surplus)/ Deficit £000		2021/22 Income £000	2021/22 Expenditure £000	2021/22 (Surplus)/ Deficit £000
	a) Open Air Market			
430	The Authority operates an open air market four days a week	(322)	598	276
	b) Other Trading Accounts			
(339)	Highways	(3,100)	2,375	(725)
3,686	Schools/Welfare Catering	(7,275)	7,626	351

Open Air Market -The Market trading results have improved for 2021/22 when comparing with 2020/21 due to the easing of COVID-19 lockdown restrictions. However there is still a decline in Market trading.

Highways – Actual surplus income has increased by £0.386m in comparison to 2020/21. Due to the reduced programme of works delivered in 20/21 resulting from the impacts of Covid19, reactive maintenance and crossover works which would ordinarily have been completed in 2020/21 were carried forward and delivered in 21/22. This contributed to increased income and an ultimately a net increased surplus.

Schools/Welfare Catering - The impact of COVID-19, primarily in the early months of the year, have caused the service to have a £0.351m deficit in 2021/22. In adddition, the Council received £58,000 of Covid furlough income which were allocated as budgets for catering staff.

30. Pooled Budgets

Mental Health

Under the National Health Services Act 2006 & Local Government Acts 1972 & 2000, a partnership arrangement was established with the North East London Foundation Trust (NELFT). The agreement provides for The London Borough of Havering (LBH) to host a pooled budget between the two partners (although NELFT became the host partner from January 2011). This includes integrated services and joint commissioning in relation to the provision of Health & Social Care Services, for Adults with Mental Health (MH) issues who qualify for such provision. The pooled budget is accounted for under a joint arrangement

2020/21 £000		2021/22 £000
	Funding	
1,361	Section 75 Joint Pooled Budget between London Borough of Havering and North East London Foundation Trust	1,337
94	Recharges (excluded from the Pooled Budget)	72
1,730	Non Pooled Budget codes	1,942
3,185	**Total funding**	**3,351**
2,813	**Final outturn**	**2,843**

Adult Services – Better Care Fund

Under the National Health Services Act 2006 section 13Z (2) and 14Z (3) & Local Government Acts 1972 & 2000, a partnership arrangement was established with NHS Havering Clinical Commissioning Group (CCG).

The agreement provides for The London Borough of Havering (LBH) to host a pooled budget between the two partners, out of which payment was made towards expenditure incurred in the exercise of prescribed local authority functions and prescribed NHS functions through joint commissioning arrangements.

The agreed Pooled budget between LBH and the CCG is split into three main parts which are activities relating to Capital, Commissioned services and items charged with LBH revenue costs.

The pooled budget is accounted for under a joint arrangement.

Expenditure in 2021/22 was as follows:

Section 75 Joint Pooled Budget between LBH and CCG	Budget 2021/22 £000	Actual 2021/22 £000	BCF Funding Outturn 2021/22 £000
LBH Funding - Capital			
Disability Facility Grant Allocation	2,057	2,014	(43)
Net Pooled Capital	**2,057**	**2,014**	**(43)**
LBH Funding Revenue - CCG Commissioned Services	**12,240**	**12,240**	**0**
Minimum CCG Contribution - Expenditure	11,864		
CCG Minimum Contribution -to be paid back to the CCG monthly - Home First	50		
CCG Minimum Contribution -to be paid back to the CCG monthly - Ageing Well	326		
Revenue - CCG/ LBH			
Minimum CCG Contribution - Expenditure	**9,030**	**9,030**	**0**
CCG Minimum contribution representing ex256 monies	5,500		
CCG minimum contribution element for services commissioned on behalf of CCG - Reablement	1,379		
CCG minimum contribution element for services commissioned on behalf of CCG - Riverside	172		
CCG contribution to Care Act	727		
CCG contribution to Home, Settle and Support Service (HSSS)	178		
CCG contribution to Local Area Co-ordinators	200		
LBH Additional Contribution	874		
Additional CCG Contribution (Non-Recurrent)	**4,879**	**0**	**(4,879)**
Discharge Support	3,300		
Ageing Well	1,578		
Improved Better Care Fund	**6,624**	**6,624**	**0**
Net Pooled Revenue	**32,773**	**27,894**	**(4,879)**
Total Pooled	**34,830**	**29,908**	**(4,922)**

Underspend on capital has been carried forward into the following financial year (2022/23).

Comparative figures for 2020/21 are as follows:

Section 75 Joint Pooled Budget between LBH and CCG	Budget 2020/21 £000	Actual 2020/21 £000	BCF Funding Outturn 2020/21 £000
LBH Funding - Capital			
Disability Facility Grant Allocation	2,057	1,356	(701)
Net Pooled Capital	**2,057**	**1,356**	**(701)**
LBH Funding Revenue - CCG Commissioned Services			
Minimum CCG Contribution - Expenditure	**11,516**	**11,516**	**0**
Revenue - CCG / LBH			
Minimum CCG Contribution - Expenditure	**8,650**	**8,650**	**0**
CCG Minimum contribution representing ex256 monies	5,223	5,223	
CCG minimum contribution element for services commissioned on behalf of CCG - Reablement	1,318	1,318	
CCG minimum contribution element for services commissioned on behalf of CCG - Riverside	172	172	
CCG contribution to Care Act	691	691	
LBH Additional Contribution	873	873	
Net Pooled Revenue	**20,166**	**20,166**	**0**
Total Pooled	**22,223**	**21,522**	**(701)**

31. Members' Allowances

Payments in year were £1,006,602 including expenses (£983,156 in 2020/21). Additionally, payments to co-opted members totalled £1,117 (£1,468 in 2020/21).

32. Officers' Remuneration

The number of employees (including teaching staff) whose remuneration, excluding employer pension contributions, was £50,000 or more, in bands of £5,000 was:

			2020/21			2021/22		
Lower Band		Upper Band	Schools	Other	**Total**	Schools	Other	**Total**
£50,000	-	£55,000	47	90	**137**	49	77	**126**
£55,000	-	£60,000	23	52	**75**	17	52	**69**
£60,000	-	£65,000	16	23	**39**	19	22	**41**
£65,000	-	£70,000	15	13	**28**	7	10	**17**
£70,000	-	£75,000	12	14	**26**	14	5	**19**
£75,000	-	£80,000	3	15	**18**	8	18	**26**
£80,000	-	£85,000	8	4	**12**	8	4	**12**
£85,000	-	£90,000	2	10	**12**	5	9	**14**
£90,000	-	£95,000	2	2	**4**	3	5	**8**
£95,000	-	£100,000	1	4	**5**	1	4	**5**
£100,000	-	£105,000	2	2	**4**	1	3	**4**
£105,000	-	£110,000	1	2	**3**	2	1	**3**
£110,000	-	£115,000		3	**3**		2	**2**
£115,000	-	£120,000			**0**		2	**2**
£120,000	-	£125,000			**0**		1	**1**
£125,000	-	£130,000		1	**1**		1	**1**
£130,000	-	£135,000			**0**			**0**
£135,000	-	£140,000		1	**1**			**0**
£140,000	-	£145,000			**0**			**0**
£145,000	-	£150,000		3	**3**		1	**1**
£150,000+				4	**4**		6	**6**
			132	**243**	**375**	**134**	**223**	**357**

The table includes staff for whom additional disclosures are required, as set out below (Senior Officers Remuneration).

Senior Officers Remuneration

The following table sets out the remuneration disclosures for Senior Officers in accordance with regulation 7 of the Accounts and Audit (England) Regulations 2011. Under the revised regulations, the definitions of Senior Officers which are relevant to the Authority are:

a) the designated head of paid service, a statutory chief officer or non-statutory chief officer of a relevant body as defined under the Local Government Act 1989; or

b) any person having responsibility for the management of the relevant body, to the extent that the person has the power to direct or control the major activities of the body, in particular activities involving the expenditure of money whether solely or collectively with other persons.

This has been determined to mean the Authority's Chief Executive and Senior Leadership Team.

The relevant proportion of the Authority's contribution to the Local Government Pension Scheme which can be related to the Senior Officer is included in the table as required by the regulations.

Post Holder Information	Notes	Salary	Other payments	Total Remuneration excluding pension contributions 2021/22	Employer's pension contribution	Total Remuneration including pension contributions 2021/22
		£	£	£	£	£
Chief Executive - Andrew Blake-Herbert		186,489		**186,489**	28,244	**214,733**
Chief Operating Officer - Jane West	1	157,064		**157,064**	0	**157,064**
Section 151 Officer	2	10,027		**10,027**	1,654	**11,682**
Director of Neighbourhoods - Barry Francis		152,751		**152,751**	25,204	**177,955**
Director of Children's Services		148,329		**148,329**	24,474	**172,803**
Director Adult Services - Barbara Nicholls		157,182		**157,182**	23,806	**180,988**
Director of Public Health		114,012		**114,012**	19,245	**133,257**
Director of Housing - Patrick Odling-Smee		152,751		**152,751**	25,204	**177,955**
Director of Regeneration	3	59,332	180,000	**239,332**	0	**239,332**
Total		**1,137,937**	**180,000**	**1,317,937**	**147,832**	**1,465,769**

Note 1 The Chief Operating Officer left London Borough of Havering on 1st March 2022

Note 2 The Section 151 Officer started on 2nd March 2022

Note 3 The Director of Regeneration post at 0.4 full time equivalent has an equivalent full-time annualised salary of £148,329. The other payment of £180,000 was to the Director's employing company rather than to the Director for the remaining 0.6 FTE.

In addition to this, Simon Pollock, the Executive Director of oneSource, again a shared appointment between Havering and Newham, was paid £153,394.57 which was the full cost between the two Boroughs. He vacated the role on 31st December 2021 and interim arrangements were put in place whilst the role was unoccupied. Further details on the OneSource cost sharing arrangement is reported under note 36, Related Parties.

The comparative figures for 2020/21 are as follows:

Post Holder Information	Notes	Salary £	Other payments £	Total Remuneration excluding pension contributions 2020/21 £	Employer's pension contribution £	Total Remuneration including pension contributions 2021/22 £
Chief Executive - Andrew Blake-Herbert	1	177,204	17,551	**194,755**	27,644	**222,399**
Chief Operating Officer - Jane West	1	154,956	2,399	**157,355**	-	**157,355**
Director of Neighbourhoods	2	57,490	369	**57,859**	8,968	**66,827**
Director of Children's Services	3	120,376	334	**120,710**	18,779	**139,489**
Previous Director of Children's Services	3	77,483	334	**77,817**	12,223	**90,040**
Director Adult Services		146,466	668	**147,134**	22,849	**169,983**
Director of Public Health		109,320	-	**109,320**	15,720	**125,040**
Director of Housing	4	66,763	369	**67,132**	10,415	**77,547**
Director of Regeneration	5	50,591	156,000	**206,591**		**206,591**
Total		**960,649**	**178,024**	**1,138,673**	**116,598**	**1,255,271**

Note 1 As part of his Electoral duties, the Chief Executive received a sum of £17,551 and as part of her Electoral duties, the Chief Operating Officer received a sum of £2,399.

Note 2 The Director of Neighbourhoods commenced post on 1st November 2019.

Note 3 The previous Director of Children's Services left on 30th September 2019. The new Director commenced post on 1st October 2019.

Note 4 The Director of Housing commenced post on 7th October 2019.

Note 5 The Director of Regeneration commenced post on 1st May 2019, at 0.4 FTE and has an equivalent full-time annualised salary of £137,976. The other payment of £156,000 was to the Director's employing company rather than to the Director for the remaining 0.6 FTE.

* In addition to the above, the Executive Director of oneSource, again a shared appointment between Havering, Newham and Bexley Council, was paid £120,214. These costs are the full cost between the three Boroughs. Further details on the OneSource cost sharing arrangement is reported under note

33. External Audit Costs

The following fees relating to external audit and inspection were included in the 2020/21 accounts:

2020/21 £000		2021/22 £000
117	Fees payable with regard to external audit services carried out by appointed auditor	117
31	Certification of grant claims (housing benefit subsidy claim, capital pooling receipts and teachers pension)	37
218	Amounts relating to prior year Statement of Accounts 2018/19 & 2019/20 scale fee variation and extra fees	299
0	Audit fees refunded by the PSAA (Public Sector Audit Appointments Ltd.)	0
366	**Total for year**	**453**

34. Dedicated Schools Grant

The Authority's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately. An overdrawn balance on the DSG account of £2.655million has been transferred to a negative unusable reserve in 2021/22 to emphasise the balance is separate from Council general fund balances. The total negative unusable reserve balance carried forward is now £4.320million

Details of the deployment of DSG receivable for 2021/22 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure £000	Individual Schools Budget £000	Totals £000
Final DSG for 2021/22 before academy and high needs recoupment			250,445
Less academy and high needs figure recouped for 2020/21			(118,945)
Total DSG after academy and high needs recoupment for 2021/22			**131,500**
Plus: brought forward from 2020/21			0
Less: Carry-forward to 2022/23 agreed in advance			0
Agreed initial budgeted distribution for 2021/22	**39,532**	**91,968**	**131,500**
In year adjustments	(398)		(398)
Final budgeted distribution for 2021/22	**39,134**	**91,968**	**131,102**
Less: Actual central expenditure	(41,789)		(41,789)
Less: Actual ISB deployed to schools		(91,968)	(91,968)
Plus: Local authority contribution for 2021/22			0
In year carry forward to 2022/23 (negative DSG Reserve)	**(2,655)**	**0**	**(2,655)**
Plus: Carry forward to 2022/23 agreed in advance			
Carry forward to 2022/23			**(2,655)**
DSG unusable reserve at the end of 2020/21			(1,665)
Addition to DSG unusable reserve at the end of the 2021/22			(2,655)
Total of DSG unusable reserve at the end of 2021/22			(4,320)
Net position at the end of 2021/22			**(4,320)**

Comparative figures for 2020/21 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure £000	Individual Schools Budget £000	Totals £000
Final DSG for 2020/21 before academy recoupment			231,953
Less academy figure recouped for 2020/21			(108,299)
Total DSG after academy recoupment for 2020/21			**123,654**
Plus: brought forward from 2019/20			(1,034)
Agreed initial budgeted distribution for 2020/21	**37,885**	**84,034**	**121,919**
In year adjustments	701	0	701
Final budgeted distribution for 2020/21	**38,586**	**84,034**	**122,620**
Actual central expenditure	(40,251)		(40,251)
Actual ISB deployed to schools		(84,034)	(84,034)
Plus: Carry forward to 2021/22 agreed in advance	(701)		(701)
Carry forward to 2021/22	**(1,665)**	**0**	**(1,665)**

35. Grants and Other Income

a) The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22:

2020/21 £000		2021/22 £000
Credited to Taxation and Non Specific Grant Income		
1,398	Revenue Support Grant	1,406
44,098	Non ring-fenced Grant	29,189
22,119	Capital Grants	38,236
67,615	**Total**	**68,831**
Credited to Services		
42,358	Rent Allowances	34,730
25,730	Rent Rebates	24,071
11,210	Public Health Grant	11,482
124,273	Dedicated Schools Grant	131,060
7,776	Better Care Fund	8,157
7,376	Hospital Discharge Fees	6,214
	NHS 6 weeks Funding	5,405
672	Other Contributions from CCG	411
8,402	Contributions from Other Local Authorities	7,027
	Discretionary Business Support	6,841
4,973	Pupil Premium Grant	4,794
2,702	Universal Free School Meals	2,718
2,230	Other Childrens and Education Funding	4,329
1,165	Unaccompanied Asylum Seeking Children Funding	1,044
1,515	Flexible Homelessness Grant	3,942
4,010	Teachers Pension and Pay Grants	191
7,289	COVID-19 (Contain Outbreak Management Fund)	2,624
6,234	COVID-19 (Infection Control)	6,343
	COVID-19 (Emergency Assistance)	2,556
655	COVID-19 (Lateral Flow Testing)	2,325
3,425	COVID-19 Other Grants	1,817
9,157	Other	6,429
271,152	**Total**	**274,509**

Current Liabilities

b) Capital Grants – receipts in advance:

2020/21 £000		2021/22 £000
9,287	Brought forward	8,094
493	Amounts received in year	5,588
(1,686)	Amounts applied to meet new capital investment	(1,101)
8,094	**Carried forward**	**12,581**

36. 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.

Members

Members of The Authority have direct control over its financial and operating policies. The total of Members' allowances paid in 2021/22 is shown in Note 31.

The table below shows the Related Party interests in other entities as disclosed by Members and the transactions that took place between the Authority and the Related Party. Individual transactions were approved by officers and not by Members named. Information is included to ensure transparent disclosure.

Organisations	Member	Payments to Organisations by the Authority £000	Balance Outstanding £000	Income £000	Income Outstanding £000
BETRA Tenant Management	Paul McGeary	363	0	0	0
Caerus (Hornchurch)	Michael White	0	0	(127)	0
East London Waste Authority	Osman Dervish Robert Benham	11,933	0	(1,163)	0
First Step Charity	Linda Van den Hende	1	0	(8)	0
Friends of Upminster Windmill	Linda Hawthorn	10	0	0	0
Havering Arts Council	Joshua Chapman Jason Frost Tim Ryan Carol Smith Ciaran White	1	0	0	0
Havering Association for People with Disabilities (HAD)	Christine Smith Nic Dodin	92	0	0	0
Havering Mind	Linda Van den Hende	235	0	(20)	0
Havering Sports Council	Viddy Persaud Tim Ryan Dilip Patel Ciaran White	2	0	0	0
Hornchurch Housing Trust	Melvin Wallace Nic Dodin John Mylod Carol Smith	0	0	(7)	0
Local Government Association (LGA)	Damian White Gilian Ford Linda Van den	48	0	0	0
Local Government Information Unit (LGIU)	Robert Benham	13		0	
London Councils	Joshua Chapman Jason Frost Roger Ramsey Damian White	1,942	0	(208)	0
London Riverside BID	Robert Benham	388	0	(22)	0
London Road Safety Council	Robert Benham	5	0	0	0
London Youth Games	Viddy Persaud	8	0	0	0
Romford Town Management Partnership	Joshua Chapman Damian White	653	0	(22)	0
Tapestry	Christine Smith Linda Hawthorn	480	0	0	0
The Havering Theatre Trust Ltd	Paul McGeary	121	0	(25)	0
The Learning Federation - Mead and Broadford Schools	Paul McGeary	8,249	0	(5)	0

Officers

The table below shows the material related party disclosures by officers.

Organisation	Officer	Payments to Organisations by the Authority £000	Balance Outstanding £000	Income £000	Income Outstanding £000
Centre for Engineering and Manufacturing Excellence Ltd (CEME)	Mr N Stubbings	74	0	0	0

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits).

Transactions between the London Borough of Havering and the UK Government; its department, agencies, NHS bodies and other authorities are disclosed elsewhere in the Accounts, most notably:

Note 11 Other operating expenditure: levies;

Note 13 Taxation and Non-specific Grant Income;

Note 30 Pooled budgets;

Note 34 Dedicated Schools Grant; and

Note 35 Grant Income

Entity controlled or significantly influenced by the Authority

Joint Committee with London Borough of Newham (oneSource)

oneSource is a public sector shared back-office support arrangement which is supported by members through a joint committee. The joint committee receive key reports and make strategic decisions about oneSource's operation. oneSource was set up with a view to making savings by eliminating duplication, reducing senior management costs and introducing more efficient processes. oneSource started on 1 April 2014, when the London Boroughs of Havering and Newham contributed almost all their support services for the two authorities including HR, ICT, Finance, Legal services, Exchequer and Transactional services, Asset Management and Business services (Newham's Exchequer service was subsequently removed). On the 1st April 2016 the London Borough of Bexley joined oneSource in a more limited capacity than Havering and Newham, providing Bexley with Finance (excluding procurement) and Exchequer and Financial Transactional services.

On 31st July 2020, the London Borough of Bexley ceased to be part of the Joint Committee and on 6th September 2020 the London Borough of Newham created its sovereign Finance department. During the year Procurement and Finance were also split into two separate departments. During the course of 2021/22 (31st December 2021) the role of Executive Director was vacated and remains unoccupied whilst the two authorities consider the best approach for managing the arrangement in the future.

The oneSource net controllable expenditure for 2021/22 is disclosed below indicating the share falling to each of the authorities. The LBH share is charged against the Consolidated Income and Expenditure Statement.

2020/21 £000	oneSource	2021/22 £000
	Net Expenditure	
7,301	Exchequer and Transactional Services	5,037
7,621	Finance	2,303
2,202	Procurement	1,596
878	Business Services	906
3,302	Legal and Governance	3,517
10,000	ICT	9,006
2,874	Asset Management	2,359
3,446	Strategic and Operational HR	3,633
37,624	**Total Net Expenditure**	**28,357**
	Cost Sharing:	
20,901	London Borough of Newham	14,801
15,596	London Borough of Havering	13,556
1,127	London Borough of Bexley	0

The joint committee council members are; Councillors R Benham, R Ramsey and D White (from Havering Council), Councillors R Fiaz, Z Ali and T Paul (from Newham Council).

The following oneSource Chief Officers have joint managerial responsibility for services across authorities and as such have significant influence over operational effectiveness and decision making of the related parties. These roles are set out below.

Shared oneSource role	**Employing organisation**	**Period**
Executive Director	London Borough of Havering	April 2021 - December 2021
Director of Asset Management	London Borough of Havering	April 2021 - March 2022
Director of Exchequer and Transactional	London Borough of Havering	April 2021 - March 2022
Director of Legal and Governance	London Borough of Newham	April 2021 - March 2022
Director of Human Resources	London Borough of Havering	April 2021 - March 2022
Director of Business Development	London Borough of Newham	April 2021 - March 2022
Director of Finance	London Borough of Havering	April 2021 - March 2022
Director of ICT / Chief Information Officer	London Borough of Newham - Agency	April 2021 - March 2022
Director of Procurement	London Borough of Newham	April 2021 - March 2022

Mercury Land Holdings Ltd

The Authority controls Mercury Land Holdings Ltd through its ownership of 100% of the shares in the company. Further details are included as part of the Group Accounts section in the Statement of Accounts.

The Council has determined that for the financial year ended 31st March 2021, it has a material interest in one of its subsidiaries, Mercury Land Holdings (MLH).

Details of the Council’s other subsidiaries and external bodies together with the associated accounting treatment are also disclosed within Note 36.

MLH is a wholly-owned subsidiary company that was formed in 2016 to facilitate the Authority's construction and investment in private rental properties within the Borough

MLH directors who have held office since 1st April 2018 are as follows:

- Andrew Blake-Herbert
- Anthony Huff
- Garry Green
- Ian Rhodes

Havering and Wates Regeneration LLP

The LLP was formed on 19th April 2018 as a joint venture with two members, Wates Construction Limited and the London Borough of Havering. The LLP’s principal activity is the building and selling of residential apartments and houses in the London Borough of Havering.

The Council influences the joint venture through its 50% share in the LLP. For the financial year ended 31st March 2022, the share of the profit and loss account is a £204k loss. A 50% of the assets and liabilities of the joint venture is shown within the group accounts, this is predominantly a £9.5m property development in progress. The Council's balance sheet includes the Council's loan to the LLP, £6.457m as at 31st March 2022.

Bridge Close Regeneration LLP

The LLP was formed on 4th April 2018 as a joint venture between FB BCR LLP (First Base and Savills Investment Management) and the London Borough of Havering, in order to deliver the comprehensive regeneration of the site at Bridge Close, Romford, including the development and sale of residential and commercial property as well as the development of social infrastructure, a bridge, public realm and environmental improvements to the River Rom.

The Council took full control over the joint venture during 2020/21 by buying First Base/Savill's 50% share of the LLP through a wholly owned company, Bridge Close Regeneration Nominee Company Limited. For the financial year ended 31st March 2021, the Council's share of the profit and loss account was a £19k loss. The balance sheet includes the Council's and nominee company's loan investment in the LLP, £17.916m as at 31st March 2022.

Rainham & Beam Park LLP Joint Venture

The LLP was incorporated on 9th February 2018 as a Limited Liability Partnership. The LLP was set up to partially purchase ten derelict industrial sites in Rainham and Beam Park in the London Borough of Havering for the development of a high density residential scheme. The scheme will consist of 774 units of mixed tenures. The scheme is currently at planning stage, with limited activities on-going. The Council's £2.104m investment is shown on the balance sheet.

Pension Fund

As the administrator of the Pension Fund, the Authority has direct control of the fund. The transactions between the Authority and the Pension Fund are detailed within Note 25 of the Pension Fund Accounts.

37. Capital Expenditure and Capital Financing

The following statement shows how the Authority's capital expenditure was financed and the consequent change in underlying borrowing:

2020/21 £000	Capital Expenditure	2021/22 £000
92,945	Property, Plant and Equipment	133,510
0	Heritage	95
112	Investment fixed assets	0
19	Intangible Assets	15
5,870	Revenue expenditure funded from capital under statute	5,644
7,618	Long Term Investments	5,865
11,130	Long Term Loans	1,925
117,694	**Total capital expenditure**	**147,054**
	Less financed from	
(20,638)	Capital receipts	(10,403)
(17,242)	Major repairs	(14,785)
(3,858)	Revenue funds	(8,732)
(21,052)	Grants and contributions	(37,322)
54,904	**Increase in need to borrow**	**75,812**
(3,688)	Minimum Revenue Provision	(4,705)
(3,140)	Use of Receipts to repay Debt	(3,683)
48,076	**Change in Capital Financing Requirement**	**67,424**

The following statement shows the make-up of the Authority's Capital Financing Requirement under the Prudential Code:

31 March 2021 £000	Capital Financing Requirement	31 March 2022 £000
1,499,031	Tangible fixed assets	1,595,539
29,610	Capital Investments - Equity	34,475
35,645	Capital Investments - Loans	34,019
621	Intangible assets	269
(489,323)	Revaluation Reserve	(476,149)
(674,082)	Capital Adjustment Account	(719,227)
401,502	**Net Requirement**	**468,926**

38. Leases

Operating Leases

Vehicles, Plant and Equipment Leases
The Authority has entered into the following operating leases for vehicles, plant and equipment.
The minimum lease payments charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases were as follows:

2020/21 £000		2021/22 £000
240	Children's and Education Services	622
0	Highways, Roads and Transport Services	0
240	**Minimum Lease Payments**	**622**

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

31 March 2021 £000		31 March 2022 £000
192	Not later than one year	620
324	Later than one year and not later than five years	573
7	Later than five years	19
523	**Minimum Lease Payments**	**1,212**

Property Leases
The Authority has acquired a number of properties by entering into operating leases.
The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2021 £000		31 March 2022 £000
0	Not later than one year	61
0	Later than one year and not later than five years	61
0	**Minimum Lease Payments**	**0**

Changes to accounting standards: IFRS16 Leases

The implementation of IFRS 16 Leases in the Code has been deferred until the 2024/25 financial year..
The main change introduced by IFRS 16 that is likely to impact the Council is accounting as a lessee for what are currently referred to as operating leases. These are where the Council enters into contracts for services with asset implications and / or where it has benefits and use of those assets. Under IFRS 16 the Council will be required to recognise a right of use asset and a lease liability on the Balance Sheet (subject to certain exemptions); currently the Council includes these costs as operating lease payments in the CIES. The Council will update its accounting policy on leases to reflect the changes, including a threshold for exempt low-value leases.

39. Revaluation Gains and Impairment Losses

During 2021/22, the Authority has recognised a net revaluation gain of £6.9m in the Comprehensive Income and Expenditure Statement in relation to its revaluation of assets. A breakdown of the revaluations and impairments by asset class can be found in the table below:

Asset Class	Revaluation Gains Credited to the CI&ES £000	Revaluation Loss Charged to the CI&ES £000
Council dwellings	14,790	0
Other land and buildings	3,039	(7,174)
Community Assets	0	0
Surplus Assets	57	(547)
Total Property Plant and Equipment	**17,886**	**(7,721)**
Investment Properties	84	(3,323)
Assets Held for Sale	0	0
Total (gain) or loss to the CI&ES	**17,970**	**(11,044)**

40. Termination Benefits

The numbers of exit packages with total cost per band, and total costs of compulsory and other redundancies, are set out in the table below:

Exit Package cost band (including special payments	Number of Compulsory Redundancies		Number of Departures Agreed		Total Number of exit packages by Cost Band		Total Cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	15	3	1	20	16	23	100,076	231,665
£20,001 - £40,000	3	1	0	4	3	5	76,405	144,123
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	1	0	1	0	82,624
£100,001 - £150,000	0	0	0	0	0	0	0	0
>£150,000	0	0	0	0	0	0	0	0
Total	**18**	**4**	**1**	**25**	**19**	**29**	**176,481**	**458,412**

41. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers Pensions

Teachers employed by the Authority are members of the Teachers Pension scheme administered by the Teachers Pension Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employer's contribution rates paid by Local Education Authorities (LEAs). However, it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of the Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2021/22 the Authority paid £8.6m (£8.3m 2020/21) to Teachers Pensions in respect of teachers' pension contributions. This represented a contribution rate of 23.68% (23.68% in 2020/21). There were no contributions remaining payable at the end of the period.

The Authority is responsible for the costs of any additional benefits awarded upon early retirements outside the terms of the Teachers' scheme.

NHS Pension Scheme

The Health and Social Care Act 2012, makes provision for the transfer of public health services and staff from primary care trusts (PCTs) to local authorities.

In 2021/22 the Authority paid £57736.66 (£54,955 in 2020/21) to NHS Pensions in respect of public health pension contributions. This represented 16.88% of pensionable pay (16.88% in 2020/21).

42. 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 payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered by London Borough of Havering. This is a funded defined benefit final salary scheme, meaning that Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The London Borough of Havering pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of the Authority. Policy is determined in accordance with the Pensions Fund Regulations. The day to day operations of the Fund have been delegated to the Statutory Section 151 officer, the Chief Operating Officer. The investment managers of the fund are appointed by the committee and consist of the following Investment Fund Managers:

1. Legal & General Investment Management (LGIM)
2. London CIV (Collective Investment Vehicle) Sub funds:
   - Ballie Gifford Global Alpha Paris Aligned Fund
   - Ballie Gifford Diversified Growth
   - Ruffer
   - Infrastructure Renewables Fund
   - Passive Equity Progressive Paris Aligned (PEPPA) Fund
3. Royal London
4. UBS
5. CBRE
6. Stafford Capital
7. JP Morgan
8. Churchill
9. Permira
10. Russell Investments

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities. The amount is included in the IAS 19 figures reported for the Local Government Pension Scheme.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they're earned by employees, rather than when benefits are eventually paid as pensions. However, the charge to be made make against council tax is based on cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and the Housing Revenue Account 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 in the year:

2020/21 £000		2021/22 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
	Service Cost Comprising:	
28,160	Current service cost	44,563
75	Past service costs	164
0	Gain from settlements	0
	Financing and Investment Income and Expenditure	
9,650	Net interest expense	10,999
37,885	**Total post-employment benefits charged to the surplus or deficit on the provision of services**	**55,726**
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
(138,294)	Return on plan assets (excluding the amount included in the net interest expense)	(20,025)
251,973	Actuarial gains and losses arising on changes in financial assumptions	(84,185)
5,914	Other	(5,190)
119,593	**Total post-employment Benefits charges to the Comprehensive Income and Expenditure Statement**	**(109,400)**
	Movements in Reserves Statement	
(37,885)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(55,726)
	Actual amount charged against the General Fund Balance for pensions in the year:	
34,762	Employers' contributions payable to scheme	35,644
(3,123)	**Net movement in Pensions Reserve**	**(20,082)**

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 benefit plans is as follows:

2020/21 £000		2021/22 £000
	Local Government Pension Scheme	
(1,312,492)	Present value of the defined benefit obligation	(1,263,305)
766,681	Fair value of plan assets	806,812
(545,811)	**Net liability arising from defined benefit obligation**	**(456,493)**

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

2020/21 £000		2021/22 £000
	Local Government Pension Scheme	
609,796	Opening fair value of scheme assets	766,681
14,067	Interest income	15,370
	Re-measurement gain (loss):	
138,294	The return on plan assets, excluding the amount included in the net interest expense	20,025
34,762	Contributions from employer	35,644
6,274	Contributions from employees into the scheme	6,481
(36,512)	Benefits paid	37,389
766,681	**Closing fair values of scheme assets**	**881,590**

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

2020/21 £000		2021/22 £000
	Funded liabilities: Local Government Pension Scheme	
1,032,891	Opening balance at 1 April	1,312,492
28,160	Current service cost	44,563
23,717	Interest cost	26,369
6,274	Contributions from scheme participants	6,481
	Re-measurement (gains) and losses:	
251,973	Actuarial (gains)/ losses arising from changes in financial assumptions	(84,185)
5,914	Other	(5,190)
75	Past service cost (Including curtailments)	164
(36,512)	Benefits paid	(37,389)
1,312,492	**Closing balance at 31 March**	**1,263,305**

Local Government Pension Scheme assets comprised:

2020/21				Asset Category	2021/22			
Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %		Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %
				Debt Securities				
84,535		**84,535**	11.00	Corporate bonds (investment grade)	73,834		**73,834**	9.00
3,931		**3,931**	1.00	UK Government	1,916		**1,916**	0.00
32,376		**32,376**	4.00	Other	34,346		**34,346**	4.00
				Real Estate				
36,144		**36,144**	5.00	UK Property	53,997		**53,997**	7.00
				Investment Funds and Unit Trusts				
321,405		**321,405**	42.00	Equities	491,109		**491,109**	61.00
32,312		**32,312**	4.00	Bonds	0		**0**	0.00
39,078		**39,078**	5.00	Infrastructure	49,862		**49,862**	6.00
199,217		**199,217**	26.00	Other	76,816		**76,816**	10.00
				Derivatives				
692		**692**	0.00	Foreign Exchange	(1,905)		**(1,905)**	0.00
				Cash and Cash Equivalents				
16,993		**16,993**	2.00	All	26,837		**26,837**	3.00
766,681		**766,681**	**100.00**	**Totals**	**806,812**		**806,812**	**100.00**

Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Authority Fund being based on the latest full valuation of the scheme as at 31 March 2022

2020/21 £000		2021/22 £000
	Local Government Pension Scheme	
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.8 years	Men	21.6 years
24.1 years	Women	24.0 years
	Longevity at 65 for future pensioners:	
22.9 years	Men	22.6 years
25.9 years	Women	25.7 years
2.85%	Rate of inflation (CPI)	3.20%
3.55%	Rate of increase in salaries	3.90%
2.85%	Rate of increase in pensions	3.20%
2.00%	Rate for discounting scheme liabilities	2.70%

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

Change in assumptions at 31 March 2022	Approximate % increase to Employer Liability	Approximate Monetary amount £000
in Real Discount Rate	2%	23,009
1 Year increase in life expectancy	4%	50,532
in the Salary Increase Rate	0%	1,782
in the Pension Increase Rate	2%	21,057

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2023.

The Authority anticipates to pay £27.201m expected contributions to the scheme in 2022/23.

The weighted average duration of the defined benefit obligation for scheme members is 18 years as 31st March 2022 (18 years 31 March 2021).

43. Contingent Liabilities

MMI Scheme of Arrangement

Municipal Mutual Insurance Limited (MMI), a company limited by guarantee formed by Local Authorities, is subject to a contingent scheme of arrangement which became effective on 21 January 1994. The company has been the subject of an orderly run off since that time. However, the schemes administrators, Ernst and Young, triggered the scheme of arrangement during 2012/13. A 15% levy was imposed based upon the result of an actuarial valuation of claims as at 31 December 2012. In accordance with the Scheme of Arrangement, the Levy Notice was received dated 1 January 2014 and a payment made of £338,000 in respect of the 15% levy due. Following a further review of assets and liabilities a further levy of 10% was made and an additional £285,000 paid by 12 May 2016. This brings the total levy to 25% for past and future claims. Outstanding claims will continue to be paid with a 25% contribution from the Authority in respect of the ongoing levy under the terms of the scheme of arrangement. The total levy to 31 March 2022 is £742,353 with estimated scheme liabilities at the same date of £115,804. Additional demands for further levy contributions above the 25% for past and future liabilities may be made. The Authority has made provision for the levy within the Insurance Earmarked Reserve.

44. Heritage Assets: Five-year Summary of Transactions

There were no acquisitions or disposals of heritage assets within the last five years. Following a review, the Council's assets, Tithe Barn and Coronation Gardens have been identified as meeting the definition of heritage assets. Upminster Windmill was valued £2.1m higher.

45. Trust Funds

The Authority acts as sole trustee for the following trust funds, which are not included in the Comprehensive Income and Expenditure Statement or Balance Sheet and are not subject to separate audit.

	Richard Ballard Charity £	**Lucas Children's Play Site Charity £**
Balance 31 March 2021	6,500	146,360
Receipts	11	244
Payments	(11)	0
Balance at 31 March 2022	**6,500**	**146,604**

The Richard Ballard Charity
Interest on the capital from the sale of two properties sold for a street widening scheme is used for highway repairs.

The Lucas Children’s Play Charity
The income from this charity may be applied towards the provision, maintenance and improvements of children’s playgrounds and equipment in the borough.

Housing Revenue Account

Housing Revenue Account
Income and Expenditure Statement 2021/22

The Housing Revenue Account (HRA) includes all transactions relating to the provision, management and maintenance of the Authority's housing stock. The increase or decrease in the year on the basis of which rents are raised is shown in the movement on the HRA Statement. The Account is "ring-fenced" in accordance with the Local Government and Housing Act 1989. Transfers to and from the General Fund are only permitted in certain specified circumstances.

2020/21 £000		Notes	2021/22 £000
	Income		
(46,168)	Dwelling rents		(47,627)
(395)	Non-dwelling rents		(464)
(7,970)	Charges for services and facilities		(8,582)
(5,926)	Contributions towards expenditure		(26,924)
(60,459)	**Total Income**		**(83,597)**
	Expenditure		
6,821	Repairs and maintenance		9,769
22,615	Supervision and management		20,920
1,103	Rents, rates, taxes and other charges		825
214	Increased provision for bad/doubtful debts		389
(17,480)	Depreciation and Impairment of tangible fixed assets	4	(2,246)
15	Debt management		0
13,288	**Total Expenditure**		**29,657**
(47,171)	**Net expenditure or income of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement**		**(53,940)**
303	HRA Services' share of Corporate and Democratic Core		273
(46,868)	**Net Expenditure of HRA Services**		**(53,667)**
	HRA Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
(5,583)	Net gain on disposal of HRA assets		(7,734)
6,396	Interest payable and similar charges		6,405
(66)	Interest and investment income		(106)
(46,121)	**Deficit/(Surplus) for the year on HRA Services**		**(55,102)**

Movement on the Housing Revenue Account Balance during 2021/22

2020/21 £000		2021/22 £000
(9,832)	**Housing Revenue Account balance brought forward**	**(17,028)**
(46,121)	(Surplus)/deficit for the year on the HRA Income and Expenditure Account	(55,102)
38,668	Adjustments between accounting basis and funding basis under regulations	52,814
(17,285)	**HRA balance before transfer to earmarked reserves**	**(19,316)**
257	Transfers to earmarked reserves	(257)
(17,028)	**Housing Revenue Account balance carried forward**	**(19,573)**

Note to the Statement of Movement on the Housing Revenue Account Balance 2021/22

2020/21 £000		2021/22 £000
Items included in the HRA Income and Expenditure but excluded from the movement in the HRA balance		
Adjustments to the Revenue Resources		
(353)	Pensions costs (transferred from the Pensions Reserve)	(598)
(194)	Holiday pay (transferred to the Accumulated Absences Reserve)	189
10,159	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	(5,065)
9,612	**Total Adjustments to Revenue Resources**	**(5,474)**
Adjustments between Revenue and Capital Resources		
12,752	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	14,751
251	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	294
8,889	Posting of HRA resources from revenue to the Major Repairs Reserve	10,066
2,332	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	7,875
(98)	Deferred Capital Receipt	
24,126	Total Adjustments between Revenue and Capital Resources	**32,986**
4,930	Total Adjustments to Capital Resources:	25,302
38,668	**Adjustments between accounting basis and funding basis under regulations**	**52,814**

Notes to the Housing Revenue Account

1. Information on Housing Fixed Assets

a) Number of Dwellings

2020/21 Number		2021/22 Number
	Flats	
2,709	1 bedroom	2,639
2,252	2 bedrooms	2,135
405	3 bedrooms	330
18	4 & 5 bedrooms	19
	Houses	
322	1 bedroom	324
1,105	2 bedrooms	1,090
2,328	3 bedrooms	2,309
186	4 & 5 bedrooms	185
9,325	**Total Number of Dwellings**	**9,031**

b) Balance Sheet Value of HRA Tangible Fixed Assets

2020/21 £000		2021/22 £000
	Operational	
644,663	Council Dwellings	671,117
18,968	Other Land & Buildings	15,004
0	Community Assets	0
977	Infrastructure	795
36,513	Assets Under Construction	97,861
701,121		784,777
701,121	**Total Tangible Fixed Assets**	**784,777**

c) Valuation of Council Dwellings at Year End

2020/21 £m		2021/22 £m
2,579	Vacant Posession Value	2,684
1,934	Excess of Vacant Posession over Balance Sheet Value	2,013
645	**Balance Sheet value**	**671**

The difference between the vacant possession value of HRA dwellings shown here and the balance sheet value of the dwellings shown in note 1(b) is a measure of the cost to Government of providing council housing at less than market rents.

2. Movement on Major Repairs Reserve

2020/21 £'000		2021/22 £'000
21,732	**Balance brought forward at start of year**	**13,378**
8,888	Total depreciation from Capital Adjustment Account	10,066
(17,242)	less MRR used to fund Capital Expenditure on HRA Dwellings	(14,784)
13,378	**Balance carried forward at end of year**	**8,660**

3. a) Total Capital Expenditure and Funding

2020/21 £'000		2021/22 £'000
	Capital expenditure on HRA property and other assets:	
42,513	Dwellings	46,071
14,193	Assets Under Construction	56,324
2,449	Investments	18,900
59,155	**Total expenditure**	**121,295**
	Financed from:	
17,242	Major Repairs Reserve	14,785
4,724	Grants and contributions	25,307
2,332	Revenue contributions	7,875
16,797	Capital receipts	6,112
18,060	Borrowing	67,216
59,155	**Total funding**	**121,295**

b) HRA Capital Receipts

2020/21 £'000		2021/22 £'000
10,295	Right to Buy sales	14,470
2,958	Other property sales	666
13,253	**Total cash receipts**	**15,136**
(1,243)	Transferred for Pooling	(1,107)
12,010	**Total income**	**14,029**

4. Depreciation and Impairment Charge

The depreciation charged to the HRA breaks down as follows:

2020/21 £'000		2021/22 £'000
8,460	Dwellings	9,635
210	Other buildings	249
0	Equipment	0
218	Infrastructure	182
8,888	**Total HRA depreciation**	**10,066**
(26,369)	Revaluation credit/debit	(12,312)
(17,481)	**Total HRA depreciation and Revaluation charge**	**(2,246)**

5. Rent Income, Arrears and Bad Debts

2020/21 £'000	Rent	2021/22 £'000
105.98	Average weekly rent (including service charges unpooled)	104.92

31 March 2021 £000	Arears and Bad Debts	31 March 2022 £000
3,670	Rent arrears at 31 March	4153
(3,445)	Bad debts provision at 31 March	(3,834)
225	**Total**	**318**

Collection Fund Account

Collection Fund 2021/22

These Accounts represent the transactions of the Collection Fund and have been consolidated with the Authority's main Accounts. The Accounts have been prepared on an accruals basis except in respect of sums due to or from the General Fund and the Greater London Authority (GLA) for their share of the Collection Fund surplus and deficit.

Income and Expenditure Statement 2021/22

2020/21			2021/22	
Business Rates £000	Council Tax £000		Business Rates £000	Council Tax £000
		Income		
	(161,108)	Income from Council Tax		(170,513)
(36,817)		Income from Business Rates	(63,842)	
(17)		Transitional relief	328	
(1,054)		Income collectable from Business Rate Supplement	(1,840)	
		Previous Year Deficit recognised in the CI&ES		
(1,331)		London Borough of Havering	(14,149)	(815)
(528)		Central Government	(15,475)	(185)
(749)		Greater London Authority	(17,347)	
(40,496)	**(161,108)**	**Total Income**	**(112,325)**	**(171,513)**
		Expenditure		
		Previous Year Surplus recognised in the CI&ES		
	0	London Borough of Havering		
		Central Government		
	0	Greater London Authority		
		Precepts		
23,809	130,104	London Borough of Havering	23,953	134,980
26,189		Central Government	26,348	
29,364	29,515	Greater London Authority	29,542	32,090
		Charges to Collection Fund		
195	796	Write-offs	622	564
198	3,692	Increase/(decrease) in bad debt provision	804	1,109
11,887		Increase/(decrease) in provision for appeals	(660)	
267		Cost of collection	262	
		Business Rate supplement		
1,048		Payment to Greater London Authority	1,834	
6		Cost of Collection	6	
92,963	**164,107**	**Total Expenditure**	**82,711**	**168,743**
52,466	3,000	Movement in fund balance	(29,615)	(2,769)
2,928	0	Net deficit/(surplus) at start of year	55,394	3,000
55,394	**3,000**	**Net deficit/(surplus) carried forward notes 3a) & 3b)**	**25,779**	**231**

Notes to the Collection Fund Account

1. Income from Council Tax

Council Tax is based partly on the valuation of domestic properties and is partly a Personal Tax with discounts for single occupiers. The Authority set the level of council tax in 2021/22 at £1,893.30 for band D properties. The number of band D equivalent properties in each band making up the council tax base was as follows:

Band	Number of Band D Equivalent Properties
A1	5
A	2,018
B	5,480
C	19,926
D	31,128
E	16,835
F	8,639
G	4,749
H	626
Allowance for losses in collection 1.30%	(1,163)
Tax Base	**88,243**

2. Income from Business Rates

Under the arrangements for uniform business rates, the Authority collects Non-Domestic Rates (NNDR) for its area. These are based on local rateable values of £202.8m at 31 March 2022 (£201.4m at 31 March 2021) multiplied by uniform rates for large and small businesses. In 2021/22 the rate was 51.2p for large businesses (51.2p in 2020/21) and 49.9p for small businesses (49.9p in 2020/21). The total amount, less certain reliefs and other deductions, are shared between Central Government, Havering and The Greater London Authority (GLA). In addition to the multiplier used to calculate business rates, all London local authorities are required to collect from businesses with a rateable value in excess of £70,000 an additional 2p supplement, which is payable to the GLA. Under these arrangements the amounts included in these Accounts can be analysed as follows

2a) Income collectable from Non Domestic Rates

2020/21 £000		2021/22 £000
97,829	Gross NNDR due in year	98,603
(61,012)	Less: Allowances and other adjustments	(34,761)
36,817	**Net NNDR Yield**	**63,842**

2b) Income collectable from Business Rate Supplement

2020/21 £000		2021/22 £000
2,416	Gross Supplement due in year	2,398
(1,363)	Less: Allowances and other adjustments	(558)
1,053	**Net Business Rate Surplus Yield**	**1,840**

From 2018/19, Havering has been a member of the London Business Rates Pool overseen by the GLA. The reduction in collectable NNDR has led to the pool being disbanded for 2021/22.

The deficit on the Collection Fund will be met by the precepting authority and the billing authority in the following proportions and will be recovered by adjusting the level of precepts and demands in future financial year. The Government has allowed the deficit charge estimated at January 2021 to be spread over three years.

3a) Council Tax

2020/21 £000		2021/22 £000
2,424	London Borough of Havering	184
576	Greater London Authority	47
3,000	**(Surplus) / Deficit**	**231**

3b) Business Rates

2020/21 £000		2021/22 £000
16,676	London Borough of Havering	7,734
18,283	Central Government	8,536
20,435	Greater London Authority	9,510
55,394	**Deficit**	**25,780**

Pension Fund Account

Fund Account, Net Asset Statement

Pension Fund Account for the year ended 31 March 2022

2020/21 £000		Notes	2021/22 £000
	Dealings with members, employers and others directly involved in the fund		
47,418	Contributions receivable	7	49,112
4,896	Transfers in from other pension funds	8	4,204
52,314			53,316
(38,804)	Benefits	9	(37,551)
(44,630)	Payments to and on account of leavers	10	(4,618)
(83,434)			(42,169)
(31,120)	**Net additions (withdrawals) from dealings with members**		**11,147**
(4,428)	Management expenses	11	(5,474)
(35,548)	**Net additions/(withdrawals) including fund management expenses**		**5,673**
	Returns on investments		
15,539	Investment income	12	14,977
-	Taxes on Income	13	-
165,548	Profit and losses on disposal of investments and changes in the market value of investments	14a	25,198
181,087	**Net returns on investments**		**40,175**
145,539	**Net increase (decrease) in the net assets available for benefits during the year**		**45,848**
728,696	Opening net assets of the Fund at start of year		874,235
874,235	**Closing net assets of the Fund at end of year**		**920,083**

Net Asset Statement for the year ended 31 March 2022

2020/21 £000		Notes	2021/22 £000
150	Long Term Investments	14	150
858,410	Investment Assets	14	907,290
(263)	Investment Liabilities	14	(2,220)
858,297	**Total net investments**		
16,403	Current Assets	21	15,612
(465)	Current Liabilities	22	(749)
874,235	**Net assets of the Fund available to fund benefits at end of the reporting period**		**920,083**

The financial statements summarise the transactions of the Fund and the net assets of the Fund. They do not take account of obligations to pay pensions and other benefits which fall due after the financial year end. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard IAS19 basis is disclosed at Note 19 of these accounts.

Notes to the Pension Fund Accounts

1 Description of the Fund

The Havering Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Havering. Responsibility for management of the Pension Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer.

The following description of the scheme is a summary only. For more details on the operation of the Pension Fund, reference should be made to the Havering Pension Fund Annual Report 2021/22 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the (LGPS) Regulations.

a) General

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

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

The Fund is a contributory defined benefits scheme, which provides pensions and other benefits for pensionable employees of Havering Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Local Pension Board and the London Borough of Havering Pensions Committee, which is a committee of the Council.

b) Membership

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

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Designated bodies, which are non-community schools, whose employer has changed from the Authority to a Board of Governors. Designated body status allows continued membership in the LGPS for non-teaching staff at non-community schools. These have been accounted for within the London Borough of Havering.

There are 56 employer organisations with active members within the Havering Pension Fund including the Authority.

The membership profile is detailed below.

31 Mar 2021		31 Mar 2022
56	**Number of employers with active members**	**56**
	Number of employees in scheme	
4,650	London Borough of Havering	4,783
1,697	Scheduled bodies	1,810
79	Admitted bodies	82
6,426	**Total**	**6,675**
	Number of pensioners and dependants	
6,014	London Borough of Havering	6,110
369	Scheduled bodies	406
29	Admitted bodies	32
6,412	**Total**	**6,548**
	Deferred pensioners	
5,179	London Borough of Havering	5,680
791	Scheduled bodies	966
50	Admitted bodies	43
6,020	**Total**	**6,689**
18,858	**Total number of members in pension scheme**	**19,912**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the year ended 31 March 2022. Employer contributions are set based on triennial actuarial funding valuations. Current employer contribution rates range from 14.2% to 40.8% of pensionable pay.

A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay. Havering Council pay a monetary value, other employers as a percentage of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table:

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

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

There are a range of other benefits provided under the scheme including early retirements, disability pensions and death benefits. For more details please refer to the LGPS pension website https://www.lgpsmember.org/.

2 Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2021/22 financial year and its position at year end as at 31 March 2022. 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, and guidance on Investment Valuations issued by the Pensions Research Accounts Group (PRAG).

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet into the Balance Sheet of Lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

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

The Administering Authority is satisfied that Havering Pension Fund is a going concern. The one-year return for 2021/2022 of 4.59% and the three-year period since the 2019 valuation of 8.75% is greater than the actuary's long term target return for the Fund of +3.3% pa. The returns over all time periods were ahead of the long term absolute return deemed sufficient to support an affordable and stable level of contributions. The next actuarial valuation is based on data as at 2022, which will include a recovery period necessary to make good any potential increases in the funding deficit. The Fund's cash flow remains robust. The Fund held cash of £31.3m at the Balance Sheet date, equivalent to 3.6% of the Fund Assets. In addition, the Fund held £761m in Level 1 and Level 2 investment assets, which could be realised within 3 months if required. However, based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any of these investments. As such, the accounts have been prepared on a going concern basis.

3 Summary of Significant Accounting Policies

Fund Account – revenue recognition

(a) Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all that arise according to pensionable pay
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate

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

Additional employers' contributions in respect of ill-health and early retirements (augmentation) are accounted for in the year the event rose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

(b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund.

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

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. The date set for the transfer of assets and liabilities is the date it becomes recognised in the fund account.

(c) Investment Income

i) Interest Income

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

ii) Dividend Income

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distribution from Pooled Funds

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

iv) Property - Related Income

Property related income consists primarily of rental income and is recognised at the date of issue.

v) Movement in the Net Market Value of Investments

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

Fund Account – Expense Items

(d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities, providing the payment has been approved.

(e) Taxation

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

(f) Management Expenses

The Fund discloses its pension fund management in accordance with the CIPFA guidance "*Accounting for Local Government Pension Scheme Management Expenses (2016").* All items of expenditure are charged to the fund on an accruals basis as follows

Administrative Expenses

All staff costs of the pension's administration team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance Council policy and charged as expenses to the Fund.

Oversight and Governance Costs

All costs associated with oversight and governance are separately identified and recharged to the Fund and charged as expenses to the Fund.

Investment Management Expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments.

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

The cost of obtaining investment advice from external consultants is included in investment management charges.

Officers' time spent on investment management functions are also charged to the Fund.

(a) Lifetime Allowances

Members are entitled to request the Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduced pension.

Where the Fund pays members tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

Net Assets Statement

(h) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund. Any amounts due or payable in respect of trades entered but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14a.

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

(i) Foreign Currency Transactions

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

(j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in the change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

(k) Cash and Cash Equivalents

Cash comprises cash in hand (Fund's Bank Account) and includes amounts held by the Fund's external managers.

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

(l) Financial Liabilities

A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised by the fund account as part of the change in value of investments.

(m) Actuarial Present Value of Promised Retirement Benefits

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

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

(n) Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for it members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential and Standard Life as their AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors.

AVC's 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 but are disclosed as a note only (Note 23)

(o) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

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

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

4. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates provided to the admitted and scheduled bodies in the Fund, as requested, in the intervening years. The methodology used in the annual updates is in line with accepted guidelines.

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

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

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 reported amounts. Estimates and assumptions take account historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount £m)
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund's assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied	The effects on the present value of promised retirement benefits of changes in actuarial assumptions can be significant. Changes in assumptions could have the approximate following impacts on the Fund's employer liability as follows: • 0.1% p.a. decrease in the Real Discount rate could result in an increase of 2% • 0.1% p.a. increase in the Pension Increase Rate could result in an increase of 2% • 0.1% p.a. increase in Salary Increase Rate (CPI) could result in an increase of 0% • 1 Year increase in member life expectancy could result in a 4% increase	26 23 3 57
Level 3 Investments (Note 16a)	Level 3 investments can be determined by Fund Managers in accordance with guidelines and principles set out in the International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Level 3 investments total £206m, which represents 22% of the total Fund value of £920m.	Sensitivity Analysis shows that the £206m valuation could decrease or increase within the range of £89m and £120m

6. **Events after the Reporting Date**

The Present Value of Promised Retirement Benefits (note 20) includes an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31 March 2020 IAS26 reporting and is continued to be allowed for within the liabilities this year. There will be changes made to scheme regulations that will remove age discrimination from the LGPS and it is anticipated that these regulations will come into force from 1 April 2023.

The Fund has valued its assets based on the 31 March 2022 position as reported by its investment managers. However, there is uncertainty over asset valuations, in particular for real and private market assets. The Fund believes that these valuations are the most reliable, as there are not alternative reliable estimates given the absence of trading in these asset classes.

Global growth forecasts continued to slide since March 2022 whilst inflation forecasts edged higher as existing inflation and supply chain issues are worsened by the ongoing Russia- Ukraine conflict and Chinese COVID lockdowns. Global Markets remain volatile, it is expected that higher energy and food prices, alongside financial market, and trade disruption to negatively impact global growth going forward. We believe the Fund is well positioned to manage uncertainties created by the invasion and for the purposes of these financial statements this is considered a non- adjusting event.

7. Contributions Receivable

By category

2020/21 £000		2021/22 £000
	Employees' contributions	
	Normal:	
6,268	London Borough of Havering	6,541
1,442	Scheduled Bodies	1,489
73	Admitted Bodies	75
	Additional contributions:	
6	London Borough of Havering	6
7,789	**Total Employees' Contribution**	**8,111**
	Employers' contributions	
	Normal:	
14,716	London Borough of Havering	16,341
5,545	Scheduled bodies	4,939
311	Admitted bodies	263
	Deficit funding:	
18,677	London Borough of Havering *	18,407
-	Scheduled bodies	667
	Augmentation	
341	London Borough of Havering	344
37	Scheduled bodies	50
2	Admitted Bodies	29
39,629	**Total Employers' Contributions**	**41,001**
47,418	**Total Contributions Receivable**	**49,112**

* The 2021/22 figure reflects additional contributions made by the Authority to the Pension Fund: consists of £12.650m secondary contributions and £6.044m voluntary planned contributions.

By authority

2020/21 £000		2021/22 £000
40,008	London Borough of Havering	41,613
7,024	Scheduled bodies	7,145
386	Admitted Bodies	354
47,418	**Total Contributions Receivable**	**49,112**

8. Transfers in from Other Pension Funds

2020/21 £000		2021/22 £000
4,896	Individual transfers	4,204
4,896	Transfers In from Other Pension Funds	**4,204**

9. Benefits Payable

By category

2020/21 £000		2021/22 £000
	Pensions	
30,798	London Borough of Havering	30,620
1,692	Scheduled Bodies	1,324
881	Admitted Bodies	936
33,371	**Pension Total**	**32,880**
	Commutation and Lump Sum Retirements	
3,577	London Borough of Havering	3,609
344	Scheduled Bodies	336
394	Admitted Bodies	-22
4,315	**Commutation and Lump Sum Retirements Total**	**3,923**
	Lump Sum Death Benefits	
976	London Borough of Havering	575
110	Scheduled Bodies	173
32	Admitted bodies	-
1,118	**Lump Sum Death Benefits Total**	**748**
38,804	**Total Benefits Payable**	**37,551**

By authority

2020/21 £000		2021/22 £000
35,351	London Borough of Havering	34,804
2,146	Scheduled bodies	1,833
1,307	Admitted Bodies	914
38,804	**Total Benefits Payable**	**37,551**

10. Payments To and On Account of Leavers

2020/21 £000		2021/22 £000
70	Refunds to members leaving service	81
40,438	Group Transfers*	-
4,122	Individual transfers	4,537
44,630	**Payments to and on Account of Leavers**	**4,618**

* 2020/21 College Transfer Settlement

11. Management Expenses

2020/21 £000		2021/22 £000
601	Administrative Costs	709
3,412	Investment Management Expenses	4,241
398	Oversight and Governance Costs	443
16	Oversight and Governance Costs - External Audit costs	78
1	Local Pension Board	3
4,428	**Management Expenses**	**5,474**

This analysis of the costs of managing the Fund during the period has been prepared in accordance with CIPFA guidance.

The investment management expenses above include £0.116m (2020/21 £0.102m) in respect of performance-related fees paid/payable to the fund's investment managers. It also includes £0.097m in respect of transaction costs (2020/21 £0.067m).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 14).

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

11a. Investment Management Expenses

2021/22	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2021/22 Total £000
Bonds	147	-	-	147
Fixed Interest Unit Trust	128	-	-	128
Diversified Growth Funds	598	-	15	613
Infrastructure	598	-	-	598
Global Equity	1,637	-	82	1,719
Other Investments				
Pooled Property	513	117	-	630
PrivateDebt	314	-	-	314
Derivatives – Forward Currency Contracts	19	-	-	19
	3,954	**117**	**97**	***4,168**
Custody Fees				42
Performance Measurement Fees				31
Other Investment Fees				-
Investment Management Expenses				**4,241**

*Includes £2.238m charged for assets in the London CIV pool (£2.086m 2020/21)

2020/21	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2020/21 Total £000
Bonds	162	-	-	162
Fixed Interest Unit Trust	106	-	-	106
Diversified Growth Funds	622	-	15	637
Infrastructure	313	-	-	313
Global Equity	1,445	-	52	1,497
Other Investments				
Pooled Property	304	102	-	406
Private Debt	190	-	-	190
Derivatives – Forward Currency Contracts	17	-	-	17
	3,159	**102**	**67**	***3,328**
Custody Fees				37
Performance Measurement Fees				33
Other Investment Fees				14
Investment Management Expenses				**3,412**

* Includes £2.086m charged for assets in the London CIV asset pool (£1.732m 2019/20)

12. Investment Income

2020/21 £000		2021/22 £000
8,101	Pooled Investments – unit trusts and other managed funds	9,542
1,881	Income from Bonds*	1,339
1,887	Pooled Property Investments	2,580
3,841	Income from derivatives (Foreign Exchange Gains/(losses))	2,294
126	Interest on Cash Deposits	43
(297)	Other Income**	(821)
15,539	**Investment Income**	**14,977**

* Income includes Index linked Interest of £0.208m (2020/21 £0.137m)
** Management expenses to offset against gross income

13. Taxes on Income

2020/21 £000		2021/22 £000
-	Withholding Tax	-
-	**Taxes on Income**	**-**

14. Analysis of Investments

2020/21 £000		2021/22 £000
	Investment Assets	
150	**Long Term Investments**	150
150		**150**
	Bonds	
39,001	Fixed Interest Securities	22,977
36,897	Index-Linked Securities	39,097
75,898		**62,074**
	Pooled Investment	
61,822	Fixed Interest Unit Trust	63,252
87,978	Diversified Growth Fund	85,428
44,536	Infrastructure	56,760
477,416	Global Equity	473,469
671,752		**678,909**
	Other Investments	
68,986	Pooled Property	93,775
36,825	Private Debt	55,134
1,148	Derivatives – Forward Currency Contracts	50
106,959		**148,959**
3,321	Cash deposits Managers	16,985
480	Investment income due	363
3,801		**17,348**
858,560	**Total Investment Assets**	**907,440**
	Investment Liabilities	
	Derivative Contracts	
(262)	Forward Currency Contracts	(2,218)
(1)	Income Receivable	(2)
(263)	**Total Investment Liabilities**	**(2,220)**
858,297	**Total Net Investments**	**905,220**

14a. Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2022
	£000	**£000**	**£000**	**£000**	**£000**
Fixed Interest Securities	39,001	18,071	(31,277)	(2,818)	22,977
Index-linked Securities	36,897	39,955	(39,380)	1,625	39,097
Pooled Investment Vehicles	671,902	88,999	(94,293)	12,451	679,059
Other Investments	105,811	29,213	(2,280)	16,165	148,909
	853,611	**176,238**	**(167,230)**	**27,423**	**890,042**
Derivatives – forward currency contracts	886	127,525	(127,525)	(3,054)	(2,168)
	854,497	**303,763**	**(294,755)**	**24,369**	**887,874**
Other Investment Balances:					
Cash Deposits (fund managers)	3,321				16,985
Investment income due	479				361
	858,297				**905,220**

	Market Value at 31 March 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2021
	£000	**£000**	**£000**	**£000**	**£000**
Fixed Interest Securities	49,206	19,163	(32,774)	3,406	39,001
Index-linked Securities	40,033	95,380	(99,896)	1,380	36,897
Pooled Investment Vehicles	519,985	33,363	(43,672)	162,226	671,902
Other Investments	89,760	23,815	(4,685)	(3,079)	105,811
	698,984	**171,721**	**(181,027)**	**163,933**	**853,611**
Derivatives – forward currency contracts	(728)	94,996	(94,996)	1,614	886
	698,256	**266,717**	**(276,023)**	**165,547**	**854,497**
Other Investment Balances:					
Cash Deposits (fund managers)	6,778				3,321
Investment income due	724				479
	705,758				**858,297**

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 during the year.

Purchases and Sales of derivatives (forward current contracts) are recognised in Note 14a above for contracts settled during the period are reported on a gross basis as gross receipts and payments.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £0.097m (2020/21 £0.067m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

The investments analysed by fund managers and the market value of assets under their management as at 31 March 2022 were as follows:

14b. Investments analysed by Fund Manager

Value 31 March 2021		Manager	Mandate	Value 31 March 2022	
£000	%			£000	%
Investments managed by London CIV asset pool:					
150	0.01	London CIV	Equities unquoted	150	0.02
111,270	12.96	Ruffer	Pooled Absolute Return Fund	119,358	13.19
191,042	22.27	Baillie Gifford	Pooled Global Alpha Growth Fund	-	0.00
-	-	Baillie Gifford	Pooled Global Alpha Growth Paris Aligned Fund	155,312	17.16
87,978	10.25	Baillie Gifford	Pooled Diversified Growth Fund	85,428	9.44
-	-	State Street Global Advisors	Pooled Passive Equity Progressive Paris Aligned (PEPPA)	44,694	4.94
-	-	Foresight, Blackrock, Quinbrook & Stonepeak	Pooled Infrastructure Renewable	6,916	0.76
390,440	**45.49**			**411,858**	**45.51**
PLUS Life Fund Investments aligned with London CIV asset pool:					
175,105	20.41	Legal & General Investment Management	Passive Global Equities/ Emerging Markets/Future World	166,105	18.35
565,545	**65.90**	**London CIV Total**		**577,963**	**63.86**
Investments managed outside of the London CIV asset pool:					
38,731	4.51	Royal London Index linked Bonds Fund	Investment Grade Bonds	40,456	4.47
37,958	4.42	Royal London Corp Bond Fund	Investment Grade Bonds	22,257	2.46
61,822	7.20	Royal London Multi Asset Credit Pooled Fund	Fixed Interest Unit Trust	63,251	6.99
41,034	4.78	UBS Property	Pooled Property	61,467	6.79
27,793	3.24	CBRE	Global Pooled Property	32,308	3.57
19,118	2.23	Stafford Capital SISF II	Overseas Pooled Infrastructure	20,304	2.24
1,557	0.18	Stafford Capital SISF IV	Overseas Pooled Infrastructure	7,487	0.83
23,861	2.78	JP Morgan	Overseas Pooled Infrastructure	23,302	2.57
19,138	2.23	Churchill II	Overseas Pooled Private Debt	20,855	2.30
-	-	Churchill IV	Overseas Pooled Private Debt	7,756	0.86
17,687	2.06	Permira PCS4	Overseas/UK Pooled Private Debt	26,524	2.93
2,666	0.31	Russell Investments	Currency Management	(1,538)	(0.17)
1,387	0.16	Other	Other	2,828	0.31
292,752	**34.10**	**Managed outside asset pool Total**		**327,256**	**36.15**
858,297	**100.00**	**Total Fund**		**905,220**	**100.00**

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

Market Value 31 Mar 2021 £000	% of Total Fund	Security	Market Value 31 Mar 2022 £000	% of Total Fund
191,042	21.85	London CIV Global Alpha Fund	-	-
-	-	London CIV Global Alpha Paris Aligned Fund	155,312	17.16
111,270	12.73	London CIV Ruffer Absolute Return Fund	119,358	13.19
-	-	LGIM Future World Fund	93,296	10.31
87,978	10.96	London CIV Diversified Growth Fund	85,428	9.44
61,822	7.07	Royal London Multi Asset Credit Pooled Fund	63,251	6.99
-	-	UBS Property	61,467	6.79
71,550	8.18	LGIM All World Equity Index	-	-
64,316	7.36	LGIM FTSE RAFI AW 3000 Index	-	-
597,978		**Total Fund**	**578,112**	**63.88**

14c. Stock Lending

We do not carry out stock lending directly. We are investors of a pooled fund with the passive equity manager, Legal and General Investment Management (LGIM), who carry out stock lending as part of the Fund's activities. Stock Lending occurs in limited number of overseas equities index funds.

The Stock Lending programme is managed and administered by the custodian of the funds (Citibank) within the risk control parameters set by LGIM. The programme has been operating for over 10 years and enjoys an indemnity from Citibank. Stock lending is only undertaken with counterparties who have satisfied the requirements in terms of market capability and minimum credit standing.

All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2022, the value of quoted equities on loan was £2.195m (31 March 2021 £3.233m). These equities continue to be recognised in the fund's financial statements.

15. Analysis of derivatives

Objectives and policies for holding derivatives

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

Forward foreign currency

The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts are Royal London. A breakdown of forward contracts held by the Fund as at 31 March 2022 is given below:

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value (Unrealised Gain)	Liability Value (Unrealised Loss)
		000		000	£000	£000
Up to One month	**GBP**	17,087	**EUR**	(17,234)	-	(147)
	GBP	22,386	**USD**	(22,994)	4	(612)
	GBP	2,046	**AUD**	(2,198)	-	(152)
	USD	113	**GBP**	(110)	3	-
	EUR	1,603	**GBP**	(1,590)	13	-
Up to Two months	**GBP**	15,950	**EUR**	(16,132)	-	(182)
	GBP	23,042	**USD**	(23,745)	-	(703)
	GBP	2,138	**AUD**	(2,307)	-	(169)
	USD	354	**GBP**	(346)	8	-
	EUR	938	**GBP**	(933)	5	-
	AUD	333	**GBP**	(316)	17	-
Up to Three months	**GBP**	17,171	**EUR**	(17,391)	-	(220)
	GBP	20,492	**USD**	(20,523)	-	(31)
	GBP	2,693	**AUD**	(2,695)	-	(2)
	USD	643	**GBP**	(643)	-	-
	EUR	332	**GBP**	(332)	-	-
	AUD	204	**GBP**	(204)	-	-
Open forward currency contracts at 31 March 2022					**50**	**(2,218)**
Net forward currency contracts at 31 March 2022						**(2,168)**
Gross open forward currency contracts at 31 March 2021					**1,148**	**(262)**
Net forward currency contracts at 31 March 2021						**886**

16. Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, where possible using market based information. There has been no change in the valuation techniques used during the year.

Asset and Liability valuations have 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, comprising quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Where quoted market prices are not available or where valuation techniques are used to determine fair value based on observable 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.

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

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled Quoted	Level 2	Published bid	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled Unquoted investments	Level 2	Developed using Market Data	No material difference between the value of assets & liabilities and their fair value	Not Required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
UK Pooled instruments-property funds	Level 3	Valuations carried out by the property funds external valuers, Knight Frank LLP	Market value in accordance with the "RICS" Appraisal and Valuation Standards	Valuations could be affected by significant differences in rental value and rent growth
Overseas Pooled instruments property funds (CBRE)	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	Estimated fair values are determined by the Advisor at valuation date and independently appraised on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. For this fund, Income approach was used based on Unobservable input of Discount/WAAC rate and Exit EBITDA Multiples.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled Instruments Infrastructure Funds (Stafford Capital)	Level 3	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount.
Overseas Pooled instruments Private Debt Funds (Churchill)	Level 3	Valuations undertaken quarterly and determined by the Investment Manager. To determine the value the manager relies on guidance by various regulatory and industry organisations and authorised to use independent third party pricing services and valuation firms.	Unobservable inputs are determined by the Investment Manager and shall take into account items that it reasonably believes would impact the valuation (such as expenses and reserves).	Significant increases (decreases) in discount yields could result in lower (higher) fair value measurement. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Private Debt Funds (Permira)	Level 3	Fair Value is determined by the AIFM based on advice from Portfolio Manager and based on the International Private Equity and Venture Capital guidelines or other standards agreed by the Senior Fund Advisory Committee.	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant on the valuations. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Renewable Infrastructure (LCIV)	Level 3	Fair Values are calculated in whole or in part using techniques based in assumptions using IA SORP	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant on the valuations. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent performance measurement service , the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range (+/-) %	Value at 31 March 2022 £000	Value on increase £000	Value on decrease £000
Pooled Property Funds	4.65	93,775	98,135	89,414
Pooled unit Trusts	7.60	111,894	120,399	103,391

16a. Fair Value Hierarchy

The following tables provides an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which fair value is observable.

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2022	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial assets at fair value through profit and loss	196,572	566,664	144,202	**907,438**
Financial Liabilities				
Financial assets at fair value through profit and loss	0	(2,218)	0	**(2,218)**
Net Financial Assets	**196,572**	**564,446**	**144,202**	**905,220**

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2021	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial assets at fair value through profit and loss	435,511	272,703	150,346	**858,560**
Financial Liabilities				
Financial assets at fair value through profit and loss	-	(263)	-	**(263)**
Net Financial Assets	**435,511**	**272,440**	**150,346**	**858,297**

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

16b Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2021	Transfer Into Level 3	Purchases	Sales	Unrealised gains/losses	Realised gains/losses	Market Value 31 March 2022
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Property Funds	68,985	10,000	-	(94)	14,884	-	93,775
Infrastructure	44,536	14,274	1,257	(4,272)	1,105	(140)	56,760
Private Debt	36,825	27,993	1,220	(2,186)	1,331	(49)	55,134
Total	**150,346**	**42,267**	**2,477**	**(6.552)**	**17,320**	**(189)**	**205,669**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account

(a) Transferred from Level 1 to Level 3 due to progressing the change in investment strategy - disinvestment from Level 1 to invest in Infrastructure Level 3

(b) Transferred from Level 1 to Level 3 due to progressing the change in investment strategy - disinvestment from Level 1 to invest in Private Debt Level 3

(c) All transfers between levels are recognised in the month in which they occur.

17 Financial Instruments

(a) Classification of financial instruments

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

31 Mar 2021				31 Mar 2022		
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial Assets			
150	-	-	Long Term Investments	150	-	-
39,001	-	-	Bonds -Fixed Interest Securities	22,977	-	-
36,897	-	-	Bonds - Index linked securities	39,097	-	-
1,148	-	-	Derivative contracts	50	-	-
671,752	-	-	Pooled investment Vehicles	678,909	-	-
36,825	-	-	Private debt	55,134	-	-
68,986	-	-	Property	93,775	-	-
-	3,321	-	Cash	-	16,985	-
-	480	-	Other Investment Balances	-	363	-
-	16,403	-	Debtors	-	15,612	-
854,759	**20,204**	**-**	**Financial Assets Total**	**890,092**	**32,960**	**-**
			Financial Liabilities			
(1)	-	-	Other Investment Balances	(2)	-	-
(262)	-	-	Derivative contracts	(2,218)	-	-
-	-	(465)	Creditors	-	-	(749)
(263)	**-**	**(465)**	**Financial Liabilities Total**	**(2,220)**	**-**	**(749)**
854,496	**20,204**	**(465)**	**Grand total**	**887,872**	**32,960**	**(749)**
874,235				**920,083**		

(b) Net Gains and Losses on Financial Instruments

202021 £000		2021/22 £000
	Financial assets	
165,548	Fair value through profit and loss	25,198
165,548	**Total**	**25,198**

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

18. 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 Authority manages these investment risks as part of its overall pension fund risk management programme.

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

(a) Market Risk

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

The objective is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investing return.

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

Other Price Risk

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

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

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movements during the financial year, in consultation with Pensions & Investments Research Consultants (PIRC) , it has been determined that the following movements in market price risk are reasonably possible for the 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2022 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	536,871	15.30	619,012	454,730
Total Bonds	62,074	7.00	66,419	57,729
Pooled Overseas Unit Trusts	111,894	7.60	120,398	103,390
Global Pooled inc.UK	85,428	4.70	90,810	80,046
Pooled Property	93,775	6.30	98,182	89,368
Cash	15,178	0.50	15,254	15,102
Total	**905,220**		**1,010,075**	**800,365**

Asset Type	Value as at 31 March 2021 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	539,389	15.6	623,532	455,243
Total Bonds	75,898	7.7	81,743	70,054
Pooled Overseas Unit Trusts	81,361	7.8	87,707	75,015
Global Pooled inc.UK	87,978	6.5	93,697	82,260
Pooled Property	68,985	3.4	71,331	66,640
Cash	4,686	0.6	4,714	4,658
Total	**858,297**		**962,724**	**753,870**

Interest Rate Risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund’s risk management strategy.

Interest Rate Risk Sensitivity Analysis

The analysis that follows assumes all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1%) change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk

Assets exposed to interest rate risk	Value as at 31 March 2022 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on Decrease £000
Bond Securities	62,074	621	62,695	61,453
Cash and Cash Equivalents	15,178	152	15,330	15,026
Cash Balances	14,260	143	14,403	14,117
Total Change in Asset Value	**91,512**	**916**	**92,428**	**90,596**

Assets exposed to interest rate risk	Value as at 31 March 2021 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on Decrease £000
Bond Securities	75,898	759	76,657	75,140
Cash and Cash Equivalents	4,686	47	4,733	4,639
Cash Balances	15,963	160	16,123	15,804
Total Change in Asset Value	**96,547**	**966**	**97,513**	**95,583**

Currency Risk

Currency risk represents the risk that fair value of future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling.

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with PIRC, it has been determined that a likely volatility associated with foreign exchange rate movements is 7.34% over a rolling 36-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 7.34% strengthening and weakening of the pound against the various currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Value as at 31 March 2022 £000	Potential Market movement at 7.34% £000	Value on increase £000	Value on Decrease £000
Overseas Pooled	110,762	8,130	118,892	102,632
Overseas Cash	1,169	86	1,255	1,083
Total change in assets available to pay benefits	**111,931**	**8,216**	**120,147**	**103,715**

Assets exposed to currency risk	Value as at 31 March 2021 £000	Potential Market movement at 8.40% £000	Value on increase £000	Value on Decrease £000
Overseas Pooled	91,468	7,683	99,151	83,784
Overseas Cash	541	45	587	496
Total change in assets available to pay benefits	**92,009**	**7,728**	**99,738**	**84,280**

(b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values 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 assets and liabilities.

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

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

Cash not needed to settle immediate financial obligations are invested by the Authority in accordance with the Treasury Investment Strategy. The Treasury Investment Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk.

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments.

The Fund's cash holding under it treasury management arrangements as at 31 March 2022 was £14.260m (31 March 2021 £15.963m). The Pension Fund has immediate access to its cash holdings that are invested by the Authority and periodic cash flow statements are prepared to manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund's cash management policy and in line with the Fund's strategy holds assets that are considered readily realised.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2022 the value of liquid assets was £714m, which represented 78% of the total Fund (31 March 2021 £724m, which represented 83% of the total fund assets).

(d) Refinancing Risk

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

19. Funding Arrangements

Actuarial Statement for 2021/22

This statement has been prepared in accordance with Regulation 57(1) (d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The Funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated December 2019. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by council tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £733 million, were sufficient to meet 70% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £320 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Assumptions	31 March 2019 %
Discount Rate for Period	3.3
Salary increases assumption	3.0
Benefit increase assumption (CPI)	2.3

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a for males and females. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.6 years	23.7 years
Future Pensioners*	22.4 years	25.2 years

** Aged 45 at the 2019 Valuation*

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administrating Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at March 2022 is likely to be better than reported at the previous formal valuations as at March 2019.

It is important to note that the formal triennial valuation exercise is as 31 March 2022 and this may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation exercise.

Updated Triennial Valuation

The triennial valuation is performed by the actuary every three years. The valuation was last updated using data as at 31 March 2022 which came into effect 1 April 2023. Whilst the information is more current, Note 19 Funding Arrangements financial information and assumptions used are those in the 2019 valuation. The 2022 valuation can be found on the Havering website or by clicking this link https://www.havering.gov.uk/downloads/file/6134/pension-valuation-report-2022

The material assumptions differ as follows: Financial Assumptions	31 March 2019 %	31 March 2022 %
Discount rate for period	3.3	3.5
Salary increases assumptions	3.0	3.4
Benefit increase assumption (CPI)	2.3	2.7

Future Life Expectancy			31 March 2022	
	Males	Females	Males	Females
Current pensioners	21.6 years	23.7 years	21.7 years	24.3 years
Future pensioners	22.4 years	25.2 years	22.6 years	25.8 years

Funding Position	31 March 2019 £m	31 March 2022 £m
Market value of assets	733	920
Value of liabilities	1,054	938
Surplus/(Deficit)	(320)	(18)
Funding level on SAB basis	80%	98%

Table does not add down due to rounding

20. Actuarial Present Value of Promised Retirements

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities to disclose the actuarial present value of retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

31 March 2021 £m	Year Ended	31 March 2022 £m
1,557	Present Value of Promised Retirement Benefits	1,435
874	Fair Value of Scheme assets (bid value)	920
683	**Net Liability**	**515**

The promised retirement benefits at 31 March 2022 are based on the results of the 31 March 2022 funding valuation using the Fund's membership as at 31 March 2022.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, the actuary has not made any allowance for unfunded benefits.

It should be noted that the above figures are appropriate for the Administrating Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2022 and 31 March 2021. It is estimated that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £105m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £12m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2021 % p.a.	Year Ended	31 March 2022 % p.a.
2.85	Pension Increase Rate	3.20
3.55	Salary Increase Rate	3.90
2.00	Discount Rate	2.70

Demographic assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.7 years	24.3 years
Future Pensioners	22.6 years	25.8 years

Please note that the longevity and other demographic assumptions are in line with 31 March 2022 funding valuation. The assumptions have changed since the previous IAS26 disclosure for the Fund as at 31 March 2021.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions at 31 March 2020	Approximate % increase to promised retirement benefits %	Approximate monetary amount £m
0.1% p.a. decrease in the Real Discount Rate	2	26
1 year increase in member life expectancy	4	57
0.1% p.a. increase in the Salary Increase Rate	0	3
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	23

Professional notes

These notes accompany the covering report titled 'Actuarial Valuation as at 31 March 2022, which identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

21. Current Assets

2020/21 £000		2021/22 £000
	Debtors:	
307	Contributions due from employers	676
79	Contributions due from employees	195
116	Pension Fund Bank Account Balances	117
9	Sundry Debtors	326
15,876	Cash deposit with LB Havering	14,167
16	Holding Accounts	131
16,403	**Current Assets**	**15,612**

22. Current Liabilities

2020/21 £000		2021/22 £000
	Creditors:	
(252)	Benefits Payable	(301)
(169)	Sundry Creditors	(293)
(44)	Holding Accounts	(155)
(465)		**(749)**

23. Additional Voluntary Contributions

Market Value 2020/21 £000	AVC Provider	Market Value 2021/22 £000
841	Prudential*	810
144	Standard Life	148

Some employees made additional voluntary contributions (AVC's) of £31,422 (2020/21 £31,030) excluded from these statements. These are deducted from the employees' salaries and forwarded to the stakeholder pension schemes provided by the Prudential and Standard Life. The amounts forwarded during 2021/22 were £29,022 (2020/21 £28,730) to the Prudential and £2,400 (2020/21 2,400) to Standard Life.

24. Agency Services

The Fund pays discretionary awards to the former employees of Havering. The amounts paid are fully reclaimed from the employer bodies.

2020/21 £000		2021/22 £000
1,329	Payments on behalf of Havering Council	1,270

25. Related Party Transactions

The Fund is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Fund, or to be controlled or influenced by the Fund.

The Fund is administered by the London Borough of Havering. During the reporting period, the council incurred costs of £0.682mm (2020/21 £0.538m) in relation to the administration and management of the fund and was reimbursed by the Fund for these expenses.

The Authority is also the largest employer in the Fund and in 2021/22 contributed £34,643m (2020/21 £32.392m) to the Pension Fund in respect of employer's contributions. All monies owing to and due from the fund were paid in year.

Part of the Pension Fund internal cash holdings are invested on the money markets by the treasury management operations of the London Borough of Havering, through a service level agreement. As at 31 March 2022 cash holdings totalled £14.167m (2020/21 £15.837m), earning interest over the year of £0.043m (2020/21 £0.126m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.150m at 31 March 2022 (2020/21 £0.150m) are included as long term investments in the net asset statement. A mixed portfolio of pension fund investments is managed by the London CIV as shown in Note 14b. During 2021/22 a total of £2.238m was charged to the Fund by the London CIV in respect of investment management services (2020/21 £2.086m).

Governance

Responsibility for management of the Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer and the Managing Director of oneSource.

No members of the Pension Fund Committee are in receipt of pension benefits from the Havering Pension Fund.

Each member of the Pension Fund Committee and Local Pension Board are required to declare their interests at each meeting.

During the year no Member or Council officer with direct responsibility for Pension Fund issues has undertaken any declarable material transactions with the Pension Fund.

The members of the Pensions Committee do not receive fees in relation to their specific responsibilities as members of the Pensions Committee.

The members of the Local Pension Board receive an attendance allowance for each meeting and these costs are included within Note 11.

Note 25a Key Management Personnel

Paragraph 3.9.4.4 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and member's allowances detailed in section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit Regulations 2015 satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 244. This applies in equal measure to the accounts of the Havering Pension Fund.

The disclosures required by the above legislation can be found in the main accounts of Havering Council.

26. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2022 were £117.36m (31 March 2021 £50.62m). These commitments relate to outstanding capital call payments due on unquoted limited partnership funds held in Private Debt and Infrastructure parts of the portfolio.

Following the Freedom and Choice provisions announced in the 2014 Budget, the Pension Fund has seen some enquiries from members about transferring benefits out of the LGPS. There are potential liabilities of £0.396m in respect of individuals transferring out of the pension Fund upon whom the Fund is awaiting final decisions. Information is not available which shows how much of this is attributable to Freedom and Choice provisions.

Four admitted bodies in the Pension Fund hold insurance bonds or guarantees in place to guard against the possibility of being unable to meet their pension obligations. These bonds total £1.34m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Six admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £0.41m.

The Fund, in conjunction with the other borough shareholders in the London CIV, has entered into an exit payment agreement with the London CIV, acting as a Guarantor. The Fund will meet any exit payments due should the London CIV cease its admission arrangements with the City of London. Should the amount become due the Fund will meet 1/32 share of the costs.

Glossary

Accounting Policies Those principles, bases, conventions, rules and practices applied by an entity that specify how the effect of transactions and other events are to be reflected in its financial statements through:

(i) recognising

(ii) selecting measurement bases for, and

(iii) presenting assets, liabilities, gains, losses and charges to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Accruals The amounts by which receipts or payments are increased (or reduced) in order to record the full income and expenditure incurred in an accounting period.

Actuary An independent consultant who advises on the financial position of the Pension Fund.

Actuarial Valuation Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Authority on the Fund's financial position and recommended employers' contribution rates.

Agency Arrangement An arrangement whereby an authority (the agent) acts on behalf of another (the principal) to collect income or incur expenditure on the behalf of the principal. Such income or expenditure is not included in the agent's accounts other than any commission paid by the principal.

Amortisation The writing off of an intangible asset or loan balance over a period of time.

Appropriation The transfer of ownership of an asset from one service to another at an agreed (usually market) value.

Balance Sheet A statement of all the assets, liabilities and other balances of the Authority at the end of an accounting period.

Bid Price The purchase price that a buyer is willing to pay for an asset.

Budget A forecast of future expenditure plans for the Authority. Detailed revenue budgets are prepared for each year and it is on the basis of these figures that the council tax is set. Budgets are revised towards the year end to take account of inflation, changes in patterns of services, and other factors.

Capital Expenditure Expenditure on the acquisition of fixed assets or expenditure which adds to the value of an existing fixed asset.

Capital Financing Requirement The measure of an authority's capital borrowing need under the Prudential Code and the Local Government Act 2003. It is made up of the total value of the Authority's fixed assets and intangible assets less the sums accumulated in the revaluation reserve, deferred grant reserve and capital adjustment accounts.

Capital Receipt Income received from the sale of a capital asset such as land or buildings.

Code of Practice on Local Authority Accounting in the United Kingdom (The Code) Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper practices'. This includes, for the purposes of local government legislation, compliance with the terms of the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code), prepared by the CIPFA/LASAAC Local Authority Accounting Code Board. The Code is reviewed continuously and is issued annually.

Collection Fund A Statutory Account which receives council tax and non-domestic rates to cover the costs of services provided by Havering and its precepting authorities.

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

Comprehensive Income and Expenditure Statement A statement showing the income and expenditure for the year of all the functions for which the Authority is responsible and complies with accounting practices as required under International Financial Reporting Standards (IFRS).

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 Liability A possible liability to future expenditure at the balance sheet date dependent upon the outcome of uncertain events.

Defined Benefit Scheme A pension scheme which defines benefits independently of the contributions payable. Benefits are not directly related to the investments of the Pension Fund.

Depreciation The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Earmarked Reserves Amounts earmarked to fund known items of anticipated expenditure for which the liability is not chargeable to the current year's Accounts.

Effective Interest Rate The rate of interest needed to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount at the initial recognition.

Finance Lease A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Asset A right to future economic benefits controlled by the Authority that is represented by:

- Cash
- An equity instrument of another entity
- A contractual right to receive cash (or other financial asset) from another entity.
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

Financial Instrument A contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another

Financial Liability An obligation to transfer economic benefits controlled by the Authority that is represented by:

- A contractual obligation to deliver cash (or other financial asset) to another entity
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

General Fund (GF) Havering's main Revenue Account from which is met the cost of providing most of the Authority's services.

General Fund Working Balance Revenue Funds which are uncommitted and available to support general funding pressures not otherwise specifically covered by planned budget or earmarked reserves.

Historic Cost The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Revenue Account (HRA) A Statutory Account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Impairment The reduction in value of a tangible or intangible fixed asset reflecting either (i) the consumption of economic benefits such as obsolescence or physical damage or (ii) a general fall in prices. In the former case, the impairment is a charge to the revenue account; in the latter, the impairment is a charge to the Revaluation Reserve or Capital Adjustment Account.

Infrastructure Assets Assets which have an indeterminate life and although valuable do not have a realisable value e.g. roads.

London Collective Investment Vehicle (CIV) was launched in December 2015, is the first fully authorised and regulated investment management company set up by Local Government in the UK. They have been established as a collective vehicle for investments for Local Government Pension Scheme Funds.

Long Term Assets – assets that yield benefit to the Authority and the services it provides for a period of more than one year. Fixed Assets are sub-divided into **Tangible** and **Intangible**: the former are physical assets such as land, buildings and equipment; the latter are assets such as computer software or marketable research and development. Long term assets were previously called **fixed assets** on the balance sheet.

Minimum Revenue Provision (MRP) The Authority is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). The MRP is based on the Council's capital financing requirement.

Movements in Reserves Statement (MiRS) This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services.

Net Book Value The amount at which fixed assets are included in the balance sheet after depreciation has been provided for.

Net Current Replacement Cost The current cost of replacing or recreating an asset in its existing use, adjusted for the notional depreciation required to reflect the asset's existing condition and remaining useful life.

Net Realisable Value The open market value of the asset less the expenses to be incurred in realising the asset.

Non-Operational Assets Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of its services. Examples include investment and surplus properties.

Non Distributed Costs Costs which are not chargeable to services and comprise of:

- Retirement benefit costs (past service costs, settlements and curtailments)
- Unused share of IT facilities

The costs of shares of long term unused but unrealisable assets.

oneSource A partnership between the London Boroughs of Bexley, Havering and Newham through a joint-committee arrangement to deliver support services. This will release resources to be applied to the protection of front-line services.

Operational Assets Fixed assets held, occupied, used or consumed by the Authority in the direct delivery of its services.

Operating Lease A lease other than a finance lease, i.e. a lease which permits the use of the asset without substantially transferring the risks and rewards of ownership.

Outturn The actual level of expenditure and income for the financial year.

Post Balance Sheet Events Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts are approved for issue by the Chief Operating Officer

Precept The charge made by one authority (e.g. Greater London Authority) on another authority (e.g. Havering) to finance its net expenditure.

Provisions Amounts set aside to fund known liabilities chargeable to the current year's Accounts where the exact amount or timing of the payment are not yet certain.

Prudential Code Since April 2004 local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities freedom to determine how much capital investment they can afford to fund through borrowing. The objectives of the code are to ensure that authorities' capital spending plans are affordable, prudent and sustainable, with authorities being required to set specific prudential indicators.

Public Works Loans Board (PWLB) Central Government Agency which funds much of Local Government borrowing.

Revenue Expenditure The day to day expenditure of the Authority, e.g. salaries, depreciation, goods and services.

Revenue Expenditure Funded from Capital Under Statute Expenditure which would otherwise be classified as revenue, but which is classified as capital expenditure for control purposes. Examples include items such as improvement grants and loan redemption expenses.

Revenue Support Grant The main grant paid by the Government to local authorities.

Supported Borrowing supported by central government grant towards the financing costs, mainly through Revenue Support Grant.

Havering
LONDON BOROUGH

APPENDIX F

APPENDIX E

Statement of Accounts 2022/23

CONTENTS

Dear residents,

We continue to face some of the most challenging years we have ever seen. The Council's focus remains on helping the residents of our borough cope with these extremely difficult circumstances. This includes the rising cost of living and rate of inflation, the lingering economic and health impacts of the pandemic and the huge increase in local care needs.

I am confident that the Council, and its staff, continue to go above and beyond to respond to these difficult circumstances, and despite all this have carried on delivering your vital front line services.

This year, we have the challenge of presenting a balanced budget set against a backdrop of enormous financial pressures. In fact, it is probably one of the toughest budgets over many decades, particularly during this cost of living crisis and period of high inflation, which is making it even more expensive to deliver key services.

Due to the increase in older and younger people social care costs, our spending pressures are going up, so that for every pound that we spend as a Council, 70p of it goes on statutory services for adults and children. Furthermore, 80% of what we spend is funded from Council taxpayers.

Although the Council has approved a balanced budget, it has had to put forward considerable savings to do so. This will be through becoming more efficient, changing how we fund and provide services, increasing our income and reducing or stopping some services.

It is fair to say we have had a slightly better settlement from the Government with a 9% increase from last year, but this is unlikely to meet the rapid increase in our social care costs. We therefore have no choice but to put forward a 4.99% increase in Council Tax which will include 2.99% for the Council budget plus 2% social care precept which is part of the 9% increase in Government funding

We understand that this increase is unwelcome at a time when many are struggling with the general cost of living but this is the only way we are able to deliver a balanced budget, which we must do by law.

However, while this budget focuses on savings and steadying the ship, it also listens and responds to the priorities residents tell us matter most. Therefore, we will invest £6 million to improve roads and pavements across the borough. We will bring back the 30-minute on-street free parking in Hornchurch and Upminster town centres to support our local businesses. We will replace and upgrade old lampposts to be more energy efficient and to offer electric vehicle charging.

We know that feeling safe is important to our residents, so we will continue to fund the excellent Section 92 police officers, as well as upgrading CCTV in the borough.

There is money to improve school classrooms and buildings, disabled facilities in homes and for school cycling and scooter schemes.

We will also remove the North Street Roundabout at Romford and the underpass to improve safety and create a much more pleasant green space, and we will be delivering a large number of new homes.

So, despite the extreme financial pressures we find ourselves under, this Council has produced a balanced budget that maintains front line services, improves safety, the environment, our infrastructure and provides more homes.

This is all while making huge savings and looking to find more efficient ways to deliver our services to residents. Together, I hope we can make the borough - the Havering you want to be part of.

Andrew Blake-Herbert

Chief Executive, London Borough of Havering

2022/23: An Overview

Introduction

The Council's Statement of Accounts represent the financial performance of the past year and the overall financial position of the authority but it is not the whole story. It does not explain how we got here, where we want to go and how we plan to get there. It is also important to understand how service performance has driven income and expenditure and led to the end of year financial position. This narrative report will attempt to give you some insights into what it all means through linking financial facts to other data sources and our corporate objectives that are set by councillors.

Dave McNamara, Section 151 Officer, London Borough of Havering

In a report to Cabinet in September 2022, as we reflected on the 2021/22 outturn, the monitoring position for 2022/23 and the prognosis for the medium term I described the Council's financial position as acute. Whilst the challenges facing the Council were real and significant and have not gone away the administration's response and the ability of senior officers to curb in-year expenditure has improved the Council's overall financial outturn and positions it as vulnerable, but not threatened. Overall there is a real degree of optimism looking forward.

The fundamental issue with the Council's finances is not one of financial stewardship but that we simply do not receive enough Government support relative to the needs of the residents of Havering. Until that fundamental issue is addressed then it will remain a challenge to balance the Council's budget.

This is not necessarily the case across the Local Government community and indeed across London. Whilst the total balances of Local Government increases, Havering Council's balances have reduced. The Government's review of balances across local authorities will need to conclude that Government resources need to be directed to the areas that require it more, such as Havering; Levelling up starts with Outer London.

Specifically for Havering, we would look to move towards distribution formulae that reflects the 2021 census and an updated needs analysis for the distribution of Adult Social Care funds. Taken together this would yield £10m additional resources per year for residents of Havering. A far more fundamental review of Local Government finance would surely end the national subsidy for London Councils that have the lowest Council Tax values and the highest land values.

There is a crisis of confidence with regard to the audit of Local Government accounts and there is currently a Parliamentary inquiry by the Public Accounts Committee on the Timeliness of Local Auditor Reporting. This is on the back of a large majority of accounts for 2021/22 not being audited and a proportion of 2020/21 audits not being completed either. LB Havering fall in to the latter category. We hope to resolve all of these issues and to complete the audit process for 2020/21 by the end of June.

The passage of time from the production of the 2020/21 accounts and the litany of Local authority failures has raised the bar with regard to independent audit and scrutiny. Essentially auditors are learning from the mistake of other authorities to understand if the same conditions may exist within Havering. Whilst I appreciate the concerns I do not believe that Havering Council has suffered from similar governance failures and am confident that the accounts produced represent a fair and balanced position of the Council's account as at 31st March 2023.

However, the Council does have two outstanding audits and it is appropriate to consider whether the Council should produce a further draft statement of accounts rather than ensure those accounts are signed off. Essentially there are two outstanding issues with regard to the 2020/21 accounts; In reaching my decision to publish the 2022/23 accounts I have considered the following:

The reporting on the Council's subsidiary accounts such as the joint venture companies that the Council is involved in, and Mercury Land Holdings; and

The accounting for grants as reported within the 2020/21 accounts.

In both instances I am content that should the Council be required to address the reporting of disclosures for its 2020/21 accounts, neither issue would have a material impact on the true and fair presentation of the Council's Statement of Accounts for 2022/23.

Incidental to the process of producing the Statement of Account is their substance and how these should be interpreted.

Whilst the Council set a balanced budget in March 2022, literally within weeks the budget was obsolete, as social care pressures including SEN travel costs exceeded the growth that had been set aside and high level inflation arrived as an early indicator of the cost of living crisis that enveloped all of last year and continues to impact as we enter 2023/24.

In September 2022 the forecast outturn was an adverse budget variance of £19m; at the end of 2022/23 the service overspend had been contained to £11.662m, variances within corporate budgets meant that the overall overspend was £7.788m.

At the beginning of 2022/23 the General Fund balance was £10.942m and whilst there were some contributions during the year, having to fund the overspend depleted the reserve to approximately £5m. This is not a sufficient level to enter in to 2023/24 and we have reviewed and made adjustments to specific ear-marked reserves such as the Insurance and Regeneration reserves to replenish the General Fund reserve to £8.16m. Even this figure is lower than I would like and further work is being done to ensure that the General Fund reserve can be set at £10m for 2023/24. Any adjustment relating to 2022/23 will be reported as a post Balance Sheet event and will be discussed with the Audit Committee and the external auditor. Over time, the MTFS provides for a General Fund reserve of £20m.

Given the scale of the Regeneration Programme it is important to monitor the capital health of the Council and to continue to review the costs of individual schemes, particularly given enhanced inflationary pressures on the building industry and increasing interest rates that has the capacity to flatten demand for new homes. All programmes are regularly reviewed and their impact on the revenue programme reflected in budget setting. For 2023/24 the proportion of the Council's net Budget spent on financing the Capital Programme is 6.72%. This proportion should be reviewed on a regular basis.

Whilst the current position is far from ideal I remain confident that the future for LB Havering is bright. The council has set a balanced budget for 2023/24 and addressed a number of the service areas where there has been significant and sustained cost pressures; we have a robust Medium Term Financial Strategy that sets deliverable challenges to services that should enable

The one caveat to that is that overall Government funding must match the demands in social care and other areas and further inflationary pressures whilst changes to distribution of funding can only be beneficial to Havering.

The Council adopted a new vision in November 2022. The Havering you want to be part of framed by three core principles:

1. People - Things that matter for residents.

2. Place - A great place to live, work and enjoy.

3. Resources - A well run Council that delivers for People and Place.

With secure funding in place, a revised target operating model and appropriate oversight and assurance the Council will be positioned to deliver on that vision.

Finally, I would like to give thanks to my officers and all of those who contributed to the production of the draft Statement of Accounts in line with the statutory deadline that is 2 months earlier than last year; a number of authorities for a number of reasons will not be able to produce their statement by the 31st May.

Review

The combined effects of the recovery from the COVID pandemic and the current economic crisis has placed pressure on the Council's finances. In March 2022 the Council set a balanced budget for 2022/23 but since then the combined effect of increased demand in Social Care, rising costs and inflation have caused the Council to overspend significantly.

The 2022/23 budget was set based on inflation and interest rates available in January 2022. The Government financial settlement for 2022/23 assumed similar inflation rates of around 2% in the external funding they provided. The global economic situation has caused increased costs across virtually all Council services. The Council continues to work hard to minimise the cost of services it procures but inevitably rising inflation put pressure on the Council's budget during the year and resulted in overspends.

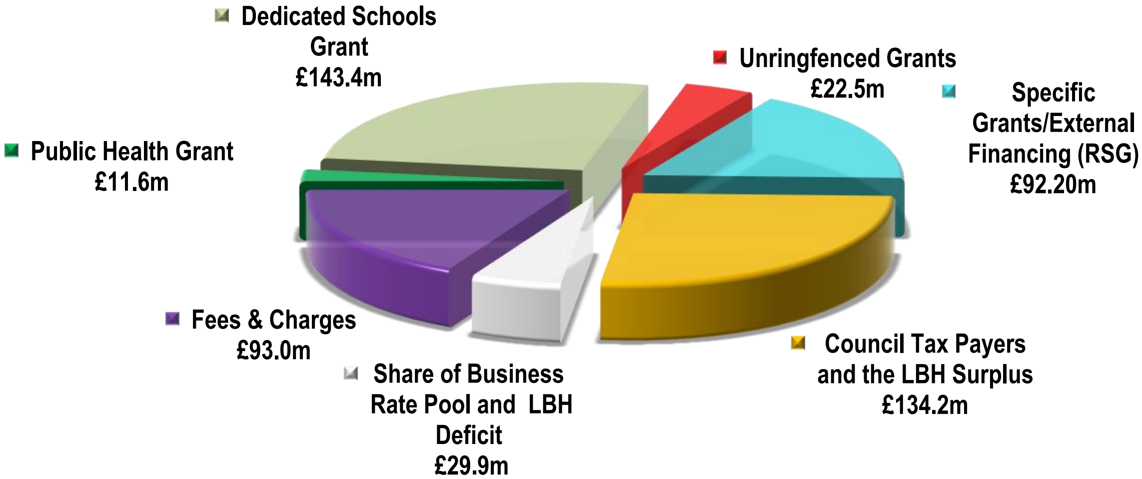
In the Period 3 monitoring report to cabinet in September 2022 the Council was projecting an overspend on revenue of £19.1m. The Council has taken decisive action since that report with all Departments closely scrutinising spend in order to contain costs. As a result, the Departmental Overspend has reduced from £18.1m to £11.7m. The biggest reductions were in Adults and Childrens where a series of actions were undertaken to review placements and contain demand.

The delays to the Capital programme together with higher interest rates meant the Council did not take any external borrowing until February. The high interest rates also improved yields on short term cash lending. These factors combined with the release of the £1m contingency improved the corporate position by £4.9m over the same period.

The robust action of the Council has reduced the overspend at year end to £7.8m from the previous project at period 3 of £19.1m. Much of the remaining overspend is due to underlying ongoing issues and to reflect this the Council provided £10m of growth in setting the 2023/24 budget. This growth will be carefully allocated to address these pressures to stabilise the budget

There are still risks moving forward as inflation is still at a high rate which if it were to continue through 2023/24 would cause further pressures. This will be monitored very closely through 2023/24

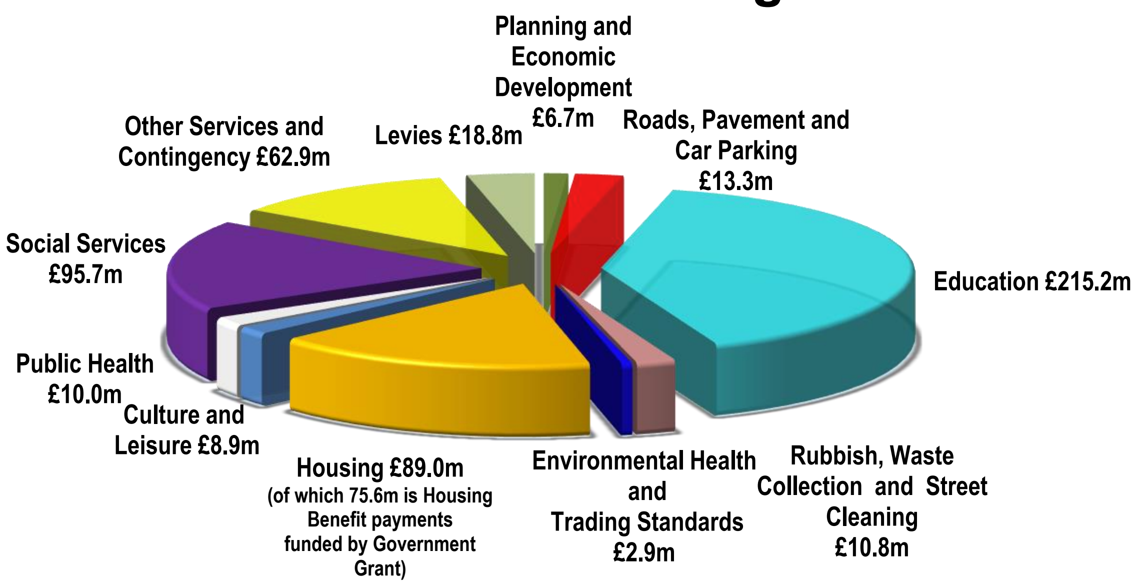
Where the money comes from ...



Cash In and Cash Out

Understanding the financial picture requires an understanding of where we receive our income and how we spend it. Approximately half of the monies such as Dedicated Schools Grant (£143.4m) are tied to a specific purpose; in this instance education, with the vast majority being passported to schools directly. These grants must only be spent on specific activities. The services for which there are no specific grants, such as highways and a lot of social care spends, is funded by the council tax, non-ring-fenced grants, fees and charges and business rates income. General Fund income totals nearly £534m but demand is continually rising, particularly in adult social care and children's services. Living longer is obviously a good thing but social care and health spend is rising inexorably and this is why Havering is always searching for new ways to generate resources to pay for services that residents demand. The chart below shows where Havering's funding was allocated in 2022/23.

... and where it goes



Medium Term Financial Strategy 2023-27

The Council prides itself on its record of creating balanced budgets, delivering challenging savings programmes and carefully managing its finances within each financial year. It is this track record which has helped to build the foundations enabling the budget to be set for 2022/23.

In March 2023 Full Council agreed a balanced budget for 2023/24. In setting the 2023/24 budget the Council has developed its medium term financial strategy for future years. The plan makes assumptions about future pressures such as demographic growth, inflation and future government funding as well as including the full year effect of saving proposals already developed.

The March budget report included a snapshot of the medium term financial strategy but the plan is in reality a live document which is continually updated as new information becomes available. The Council has an annual process which commences during the spring and summer using the medium term financial strategy to establish the extent of savings and efficiencies that will be needed to balance the following year's budget.

The table below shows the medium term financial strategy set out in the March 2023 budget report to Council

	2023/24	2024/25	2025/26	2026/27	4 Year Plan
	£m	£m	£m	£m	£m
Waste Collection and Disposal	1.583	3.437	2.535	1.654	**9.209**
Concessionary Travel increased costs	1.074	1.600	1.300	0.300	**4.274**
Capital Financing Costs	2.287	3.957	1.403	2.098	**9.745**
Other Corporate Pressures/reductions	0.135	2.088	-1.000	0.000	**1.223**
Homelessness Pressure	0.500	0.000	0.000	0.000	**0.500**
Childrens inflation and Demographics	8.162	1.000	1.000	1.000	**11.162**
Adults Inflation and Demographics	9.486	3.472	3.472	3.472	**19.902**
Public Health Future Burdens	0.000	0.000	0.000	0.867	**0.867**
Other Inflation including Pay and Energy	7.145	5.535	5.035	5.035	**22.750**
Futute cost of Care over assumed Govt Funding	0.000	0.000	1.000	3.000	**4.000**
Savings agreed in 2022 budget	-1.850	-1.773	-1.600	-1.600	**-6.823**
TOTAL PRESSURES	**28.522**	**19.316**	**13.145**	**15.826**	**76.809**
Government Settlement Funding	-13.811	-3.991	6.015	0.000	**-11.787**
New Savings proposals (Appendix A)	-9.626	-3.735	-3.092	-2.980	**-19.433**
Future year indicative savings	0.000	-1.450	-4.364	-3.600	**-9.414**
Provision for non delivered savings	2.000	0.000	0.000	0.000	**2.000**
GAP Before Council Tax Decisions	**7.085**	**10.140**	**11.704**	**9.246**	**38.175**
Adult Social Care Precept 2%	-2.840	0.000	0.000	0.000	**-2.840**
General Council Tax 2.99%	-4.245	0.000	0.000	0.000	**-4.245**
FINANCIAL POSITION	**0.000**	**10.140**	**11.704**	**9.246**	**31.090**

The 2023/24 budget included a package of £9.6m of new savings which had been developed and reviewed throughout the budget process. The Council will closely monitor the progress on these savings and indeed any pressures that may emerge as part of the monthly revenue monitoring process in 2022/23. The budget also included a full appendix setting out the proposed fees and charges for the year.

The Council's financial position has changed in a way nobody could have imagined over the last few years firstly due to the pandemic then the increased cost of living driven by rising inflation levels. The Government have provided additional grant to help authorities address Social Care pressures but Councils are still faced with sharply rising costs and increases in demand. There are also opportunities and the Council as part of its recovery plan is reviewing the way it provides all services to ensure a continued high quality service, efficiency and changed delivery methods where appropriate. It is expected this review will identify efficiency possibilities particularly through the Council's digital offer and the new target operating model being developed.

The Medium Term Financial Position continues to be directly impacted by the following items:

- Demographic Pressures

The Council continues to experience demographic pressures particularly across social care but also across other services as the population increases each year. The Government has provided funding to help combat these pressures and has allowed the use of an ASC precept to raise further income

- Inflation

Staff pay awards are negotiated nationally and so the Council needs to plan assuming rises will be agreed. The Council also plans for contractual inflation on our main contracts and social care providers. Inflation has been at over 10% for much of the last year which has resulted in pressures to the 2022/23 financial position. Growth has been built into the 2023/24 budget to help combat these increases. The Council has also set aside funds to recognise the current increases in energy prices. This will be monitored very closely given the current volatility in this area.

- Government funding

The Government is expected to announce a further one year settlement in December 2023 for the financial year 2024/25. It is unclear at this stage whether this will be impacted by the Governments initiatives to deliver the Levelling Up agenda. The MTFS also plans for the impact of the fair funding review which is now not expected until the 2025/26 settlement at the earliest. There is also potential re-distribution of funds if the data is updated to reflect the 202021 Census. Havering has a disproportionately large population increase particularly in under 15's and so would potentially benefit if and when the new data is used

- The revenue cost of the capital programme

The Capital programme will bring long term financial benefits particularly through the successful completion of the Council's ambitious regeneration programme. The IT programme will also upgrade the Council's digital offer and enable efficiencies in the medium term. In the short term however there are borrowing and repayment costs which are fully factored into the Council's medium term financial planning. The Capital programme is reviewed quarterly as part of the Council's monitoring process each year.

The Council will only use general balances and earmarked reserves as a last resort to finance in year overspends. In setting the 2023/24 budget and medium term financial strategy the Council has included planned contributions to contribute towards the target of £20m in general balances the Council is aiming to reach. The Council will continue to review all expenditure and income streams to improve the financial position and will engage with central government at every available opportunity to demonstrate the need for further funding, particularly as a result of current demographic demand

and inflation levels.

Earmarked reserves, as detailed in Note 10 of the accounts, have been established to meet planned projects. These Earmarked Reserves are being reviewed to ascertain what can be made available to mitigate any revenue overspend in 2022/23.

Earmarked Reserves Position

	Balance as at 31 3 2021	Movement In-Year	Balance as at 31 3 2022	Movement In-Year	Balance as at 31 3 2023
	£000	£000	£000	£000	£000
General Fund Earmarked Reserves	71,791	(9,137)	62,654	(18,344)	44,310
Schools Balances	6,811	(468)	6,343	(819)	5,524
Total Earmarked Reserves[1]	**78,602**	**(9,605)**	**68,997**	**(16,163)**	**49,834**

[1] In line with the Council's financial strategy, a considerable degree of professional judgement has gone into determining the level of reserves required to be held by the Council and how reserves are utilised. Amongst the earmarked reserves are specific ones put aside to manage known major contractual and legal liabilities in the medium term. In 2022/23 the level of earmarked reserves has reduced by £16.1m, this is mainly due to the increasing pressures of rising costs and inflation.

Against the Council's challenging financial background, it will be crucial that reserves, both general and earmarked, continue to be managed in the medium term in a way that gives due regard to the need to set a legally balanced budget.

Havering's Balance Sheet

As can be seen below, Havering has a strong balance sheet with a debt to equity ratio consistently below 50%. Nonetheless, only by careful management is it able to undertake carefully considered capital investments across the Borough by increasing the level of borrowing and it still needs to take into account the cost of that borrowing and the payback period.

	31/03/2021	31/03/2022	31/03/2023
	£'000s	£'000s	£'000s
Long-term assets	1,565,506	1,662,531	1,692,679
Current assets	185,583	224,765	108,279
Current liabilities	(123,570)	(154,959)	(130,156)
Long-term liabilities	(828,984)	(812,562)	(473,719)
Net Assets	**798,535**	**919,775**	**1,197,083**
funded by:			
Usable reserves	208,998	216,673	209,329
Unusable reserves	589,537	703,102	987,754
Total Reserves	**798,535**	**919,775**	**1,197,083**
Borrowing	276,366	314,123	314,776
Debt to Equity Ratio	34.6%	34.1%	26.3%

Before we get into the detail of the financial performance, here is just a brief look back at past year achievements and highlights, linked to the core priorities for 2022/23:

Communities

In 2022/23 building projects delivered an additional 40 places for pupils with special education needs and disability in purpose built units at our mainstream schools.

2022/23 saw a continued improvement in Ofsted outcomes for schools with 100% of our primary, secondary and special schools graded as 'Good' or better by the end of the financial year. 96% of our early years registered providers inspected during the year were judged by Ofsted to be 'Good' or better.

Children's services last received a full Ofsted inspection in 2018 and are currently rated 'Good' overall. The most recent local area SEND inspection (also in 2018) did not result in any 'written statements of action.' The most recent focussed Ofsted visit of Children's Social Care in May 2021 recognised our continued progress and did not recommend any 'areas for priority action'. In August 2022 Havering's Youth Justice Service received an overall rating of "Good" following an inspection by HM Inspectorate of Probation.

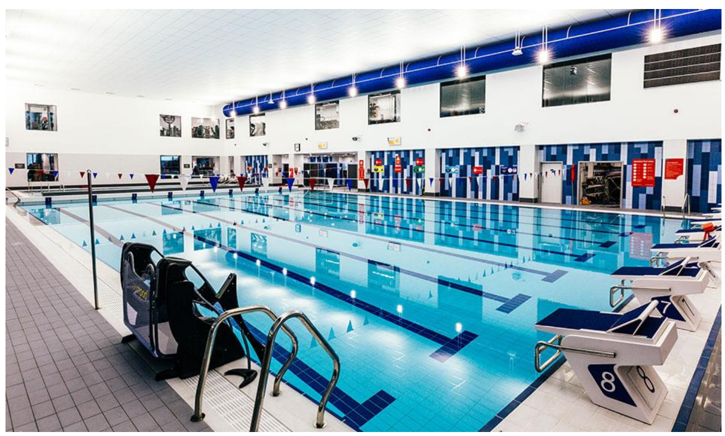
Places

In 2022 we have successfully retained them each year our number of Green flags at 16.

Our results in the prestigious 2022 London in Bloom competition were also outstanding with Havering achieving Gold award status along with twelve other gold awards for individual parks and four category winners.

We have once again finished amongst the highest achieving boroughs in the Parks for London 'Good Parks for London' report.

The Council's leisure centres, managed by Everyone Active, including Harrow Lodge Leisure Centre, Central Park Leisure Centre, Sapphire Ice and Leisure and Noak Hill Sports Complex attracted over 2.3 million visits in 2022/23. This is expected to increase even further once the new Rainham Leisure Centre opens in Summer 2023.



The construction phase of Rainham Leisure Centre has attracted interest from around the country due to its modern method of construction that results in a reduced build cost. A number of Councils from as far away as Ireland have visited the site, and a small number of councils are now progressing their own developments based on the Rainham model.

Opportunities

The Council is committed to building more affordable homes and increasing social housing in the Borough. This includes:

- 12 Estates: Havering Council and joint venture partner Wates Residential have continued to work on a project to build around 3,300 high quality homes for local people across 12 of Havering Council's estates. As part of the project, the Council is investing in education, training and skills in support of their commitment to deliver a Borough-wide legacy. New Green has already been completed and occupied, whilst the scheme at Park Rise should complete towards the end of 2023.

- Rainham and Beam Park: Joint venture project with Notting Hill Genesis will deliver 910 homes, transform the A1306 into a new green space and improve transport links in the south of the Borough. The delay in the delivery of the proposed new heavy rail station at Beam Park, means that the programme will need to be revised.

- Bridge Close: The Council plans to regenerate an industrial area in Romford with up to 1070 new homes, a new school, health centre and community space. The project also includes a new pedestrian/cycle bridge with direct access to Romford Station and the improvement of a stretch of the River Rom.

Revenue Outturn

The Outturn position for the Council in 2022/23 was significantly affected by the increase in the cost of living. The final outturn was a £7.788m overspend against a final net budget of £173m.

The £7.788m overspend is analysed by service in the following table:

Service	Original Budget £'m	Revised Budget £'m	Actual Spend £'m	Outturn Variance £m
A3000B-Public Health Total	(1.650)	0.003	0.003	0.000
A4000B-Childrens Total	46.496	52.109	56.755	4.646
A4600B-Adults Total	72.523	73.570	75.217	1.647
A5000B-Neighbourhoods Total	11.514	12.952	16.218	3.266
A5500B-Regeneration Programme Delivery Total	1.262	1.334	0.974	(0.360)
A5700B-Housing Total	3.883	4.038	4.633	0.595
A7000B-oneSource Shared Total	1.895	3.740	5.492	1.752
A8000B-oneSource Non-Shared LBH Total	0.361	0.668	1.457	0.789
A9000B-Chief Operating Officer Total	4.891	6.090	5.419	(0.672)
Service Total	141.175	154.506	166.168	11.662
Treasury Management	8.136	8.136	3.831	(4.305)
Corporate Contingency Total	1.000	1.000	0.000	(1.000)
Other Corporate budgets	22.599	9.267	10.698	1.431
Overall Total	172.910	172.910	180.697	7.788

Neighbourhoods

The Neighbourhoods portfolio outturn position was an overspend of £3.266m. This was an improvement of £0.708m on the previously reporting (P10) overspend position.

The main pressure areas were in public realm, including the following:

- Parking – The outturn position is an overspend of £1.501m. Predominantly this is due to an underachievement in P&D income, due to a reduction in overall paid for parking sessions and PCN / MTC income.
- Highways – outturn position stands at an over spend of £1.372m. The overall impact of reduced external works for TFL funded projects and the unsuccessful recruitment plan within the DSO resulted in reduced income

The outturn position for planning was an overspend of £0.477m. Pressures within Planning are as a result of unbudgeted legal costs in relation to an upcoming Public Inquiry plus other legal spend across Planning and Public Protection, in addition, the under achievement of the Planning application fee and building control fee income.

Bereavement and Registration Services outturn position stands at an underspend of £0.045m. The Service experienced higher demand leading to the over achievement of income in the following areas: Registration of birth and death; Marriage; Cemeteries and Crematoria.

Civil Protection - outturn position is an under spend of £0.119m. The underspend relates to the cessation of the Parks locking and the subsequent release of agency staff. It should be noted that the 2023/24 budget includes a saving relating to this.

Housing Services (General Fund)

The Housing GF outturn position was a £595k overspend.

This was due failure to achieve the following planned MTFS savings:

- MLH Property Acquisition of 125 units over 5 years, providing a £100k saving. This was not deliverable due to significant changes in the financial climate, including inflation and interest rate rises.
- Private rented property procurement by Capital Letters, providing a £100k saving. This was not deliverable due to the market being significantly impacted by the cost of living crisis, inflation and interest rate rises.
- Price per property repairs and maintenance programme providing a £102k saving. This was not deliverable due to contract procurement challenges that could no longer meet expectations.

The cost of living crisis and the consistently high hotel spend since September added to the budget pressure. Hotel costs were £1m, as a result of the private rented market drying up and the increased flow of homeless approaches.

Some of the total overspend was met by the HPG grant as a one off. The Winter Pressure funding was also used to offset some of the hotel costs, in addition to £100k from the Homes for Ukraine funding.

Adult Social Care (ASC)

The Adult Social Care (ASC) directorate outturn position for 2022/23 was an overspend of £1.647m. Overall the outturn overspend was driven by significant demand pressures as a result of continuing increases in the complexity and costs of provisions. The pressures include:

- A small number of providers leaving the market meaning clients are needing to be rehomed often at higher costs
- ongoing difficulty to find providers who will accept LBH rates for residential and respite
- increasing pressure from carers
- learning disability providers facing pressures relating to inflation and complexity in number of transition cases contributing to greater costs

Public Health

Spend is funded directly by the Public Health Grant and Havering always spends in accordance with the Grant requirements and operates within budget.

The outturn position for the Public Health Directorate is a nil BAU variance. . The outturn expenditure for the 2022/23 financial year was £11.594m against £11.622m ring fenced Public Health Grant. The impact of this was a transfer to the Public Health reserve of £28k. In addition to this provision was made in the 2022/23 accounts for some 2021/22 costs that were anticipated. These costs never materialised and therefore an additional £190k was transferred back to the Public Health reserve at the end of 2022/23 making the total transfer to the Public Health Reserve £218k.

The balance of the Public Health reserve at the end of 22/23 is £2.83m and plans are in place to utilise this reserve to meet service priorities.

Children's Services

Children's services overspent by £4.646m at year end. The directorate experienced many areas of pressures in learning and achievement, children's services and DSG.

Due to the significantly more high cost residential placements this year, there was an overspend on the placements of Looked After Children (LAC). This resulted in overspending by £2.793m.

The Special Education Needs (SEN) Transport overspent by £1.831m. Demand for transport assistance increased following a continuing increase in EHCPs. There has been progress in reducing costs by working with families currently applying for transport assistance to ensure they are offered the most cost-effective support.

The additional Covid spend for the full year is £0.948m, mostly due to SEN (special education needs) home to school transports, additional costs for providing class room meals, School Sickness, staffing and other costs.

The Catering Service overspent by £0.370m against a surplus budget of £0.022m. The overspend is in part due to inflationary increases in supply chain costs. There have also been variations in meal uptake linked to the cost of living crisis. This is likely to see an increased number of children becoming eligible for free school meals going forward.

Unaccompanied Asylum Seeking Children (UASC) 18+ cases are increasing and the costs of these clients exceed the Governments weekly allowance. Additionally, the threshold at which an authority does not have to accept new clients has increased from 0.07% to 0.1% of the general child population. This equates to an additional 50 clients that the authority could be asked to accommodate. However, the authority remained below the threshold in 2022/23 and successfully challenged the Home Office on a number of cases this year, resulting in additional one-off income.

Chief Operating Officer

The Chief Operating Officer service recorded an underspend of £0.9m. The BAU position for Transformation Service is an overspend of £0.4m due to incurring costs which it was originally thought could be capitalised but did not meet the necessary criteria.

The outturn position for Customer and Communications is a £0.325m underspend. This reflects a shortfall of income at the Havering Music School due to a decline in pupil numbers and reduced school uptake. This is partly offset by £0.1m of salary underspends. The Music School is seeing the impact of families who are weighing up the cost of living versus continuing with music lessons. The service is working hard to attract new pupils and increase school uptake by prioritising Marketing with the Council's internal communication team and Traded Services unit. Additionally, further costs may be incurred such as hall hire due to rising inflation however at present, this is contained within existing budgets.

The pressure above is offset by a £0.2m salary underspend through holding vacancies across the service and £0.2m of unspent energy contingency budget in relation to the SLM contract from our leisure provider.

The outturn position for Joint commissioning unit shows an underspend of £0.2m due to pausing recruitment to a number of vacant posts pending a service restructure.

In period 10 the service assumed funding for activities relating to the Programme Management Office and Customer Insight would be met from reserves, these cost have subsequently been absorbed from underspends within the Service.

The outturn for Policy, Performance & Community includes carry forward of £0.020m; which as part of a new burden funding is being set aside for the implementation of a new Client-Level Data flows reporting on Adult Social Care in 2023/24

OneSource

OneSource experienced slippage on the delivery of savings which had been predicated on further integration of back office services between the two boroughs. As both the boroughs have re-evaluated their priorities over the course of 2022/23 and decided to remove a number of services from the oneSource sharing arrangement, budgets will be reviewed and right-sized as part of their returning to sovereign control over the course of 2023/24. At the same time, for those areas remaining within the sharing arrangement, there will be a drive to increase income and deliver service improvements.

Capital Outturn

Capital expenditure forms a large part of the Council's spending on the provision of services. The Council's capital programme is designed to acquire new, and enhance its existing assets to support the future growth and development of the Borough.

In 2022/23, there was £152.3m of capital expenditure; this has resulted in notable capital outcomes, which are outlined below:

- Schools expansions have created 40 additional special educational needs and disabilities (SEND) places for pupils with an EHCP (Education and Health Care Plan).
- Expenditure of £1.004m has been spent on enhancing ICT Infrastructure.
- The build phase on the new Rainham Leisure Centre has been completed. The new facility is expected to be open in June/July.
- As part of the Highways Improvement Programme: resurfacing/improvement works have been completed on 8.89 miles of roads (43 sites) and 3.47miles of pavements (11 sites) within the borough.
- In Housing, 122 new properties have been added to the Council's existing housing stock and £19.320m has been spent on improving the existing housing stock.
- 17 schools have had capital works totalling £2.094m.
- Mercury Land Holdings expenditure of £7.835m is made up of equity contributions of £6.210m and loans of £1.465m for the funding of Quarles development scheme, which will deliver 120 new homes.
- £1.852m spent on the Rainham & Beam Park regeneration project.
- £1.764m spent ton improving Traffic safety via the implementation of CCTV cameras.
- £2.985m spent on renovating Council buildings to improve flexible working across the organisation.
- £1.674m spent on improving parks and open spaces across the borough.

The Council has financed the capital expenditure through a combination of resources both internally and externally generated. Each funding stream is considered in terms of risk and affordability in the short and longer term. The current and future climates have a significant influence on capital funding decisions. As a result planned disposals are kept under regular review to ensure the timing maximises the potential receipt.

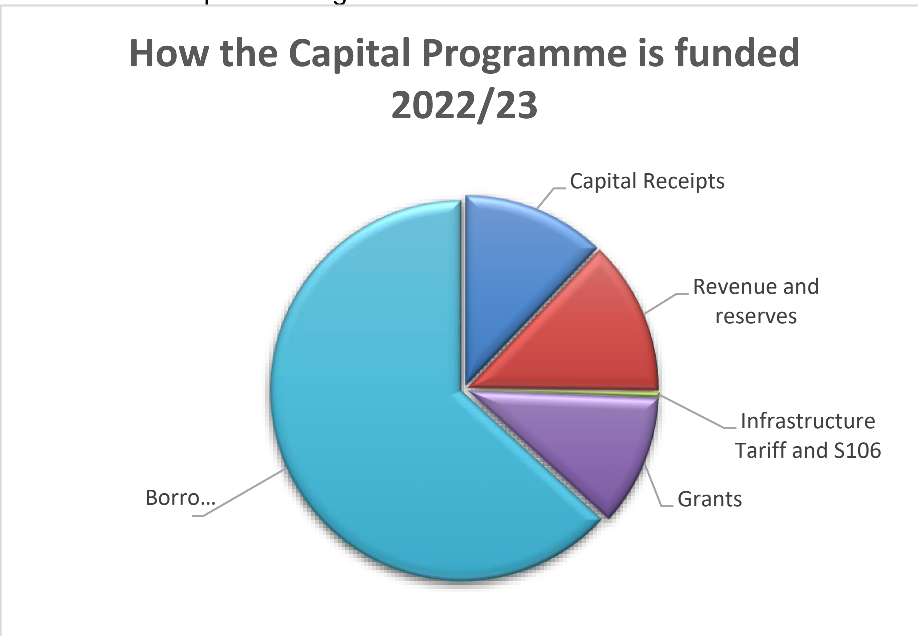
Actual capital spend at the end of the financial year 2022/23 was £152.3m financed from a variety of sources as set out below.

		Financing				
Services	**2022/23 Capital Expenditure £m**	**Capital Receipts £m**	**Revenue and reserves £m**	**Infrastructure Tariff and S106 £m**	**Grants £m**	**Borrowing £m**
Adults Services	1.821	0.000	0.000	0.000	1.752	0.069
OneSource	10.033	1.869	0.116	0.336	5.029	2.683
Neighbourhoods	13.399	1.510	0.170	0.297	0.675	10.747
Regeneration Programme	9.614	0.110	0.017	0.000	0.064	9.423
Chief Operating Officer	9.189	3.241	0.044	0.000	0.229	5.675
Housing Services	106.778	11.690	18.777	0.000	8.690	67.621
Children's Service & Schools	1.485	0.057	0.792	0.000	0.564	0.072
Grand Total	**152.319**	**18.477**	**19.915**	**0.634**	**17.003**	**96.289**

Sources of Funding

The use of resources to finance capital spend is changing over time as less and less capital receipts are being generated from the sale of assets and greater reliance, particularly for the large regeneration schemes, is being placed on the use of borrowing.

The Council's Capital funding in 2022/23 is illustrated below.



Capital Programme

The Council is required by statute (The Prudential Code for Capital Finance in Local Authorities) to agree and set the capital programme and associated capital strategy. The capital programme agreed by Members over the next 5 years amounts to £1,221m and is set out in the table below:

Summary of Capital Programme	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**Total £m**
Adults Services	6.571	0.000	0.000	0.000	0.000	**6.571**
Customer, Communications & Culture	1.033	4.552	0.000	0.000	0.000	**5.585**
Transformation	9.457	6.494	1.980	1.180	0.000	**19.111**
Children Services	2.225	0.000	0.000	0.000	0.000	**2.225**
Learning & Achievement	0.887	0.000	0.022	0.000	0.000	**0.909**
Environment	12.320	7.750	7.182	7.000	7.000	**41.252**
Registration & Bereavement Services	0.070	0.000	0.000	0.000	0.000	**0.070**
Asset Management	33.783	26.089	0.216	0.226	0.238	**60.551**
ICT Infrastructure	6.982	3.020	2.242	0.000	0.000	**12.244**
Capital Contingency	2.000	0.000	0.000	0.000	0.000	**2.000**
Regeneration Programme	170.560	131.682	45.051	28.000	28.000	**403.294**
Total GF Capital Programme	**245.889**	**179.587**	**56.692**	**36.406**	**35.238**	**553.812**
HRA	143.206	94.387	100.729	133.379	196.121	**667.822**
Total Capital Programme	**389.094**	**273.974**	**157.421**	**169.786**	**231.358**	**1,221.634**

Historically, the Council managed the cash flow of its capital expenditure programme largely via the use of capital receipts. However with receipts reducing the Council plans to use prudential borrowing within the Treasury Management Strategy for prioritised schemes.

Treasury Management

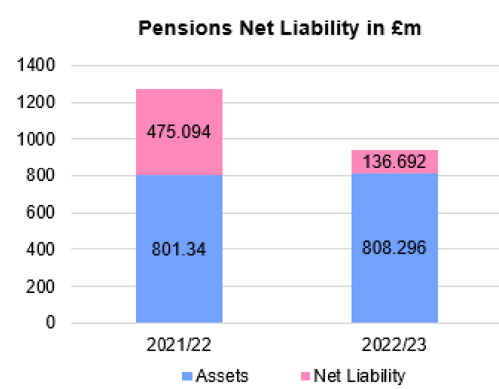
The Council held approximately £119.9 million in cash and investments on average during the course of the financial year. This represents the value of the Council's revenue reserves, net current assets, unapplied grants and unapplied capital reserves. Other than reserves, this is money that is committed and is being held pending such expenditure. Given the Council's gross expenditure is approximately £678.9m, this represents over two months of expenditure.

The primary objective of the Authority's investment strategy is to minimise risk. The credit ratings of the banks and market information are monitored regularly by officers who are involved in the investment process while deposits are restricted to a limited number of institutions meeting the Authority's lending criteria. Total cash, cash equivalents and investments held by the Authority at 31 March 2023 amounted to £30.2m (£137m at 31 March 2022). The average yield from the Authority's cash investments for 2022/23 was 1.73% (0.28% for 2021/22). This reflects the conservative nature of the Authority's investment strategy and historically low interest rates. The impact of the UK's exit from the European Union continues with uncertainty around its impact on borrowing and investment rates as well as general inflation. The Council will however continue to take steps within its Treasury Management Strategy to mitigate associated risks.

Historically, the Council managed the cash flow of its capital expenditure programme largely via the use of capital receipts. However, as can be seen by the capital programme above with its £1.457 billion budget, the capital ambition of the Council will exceed the potential capital receipts available. The Council plans to use prudential borrowing within the Treasury Management Strategy for prioritised schemes. Over the next couple of years, the Treasury return will fall and the cash and cash equivalents will be reduced to working capital

Pension Fund

The Council participates in the Local Government Pension Scheme (LGPS) for the majority of its staff. The net estimated pension liability for Havering using "IAS19" is £136.7m as at 31st March 2023 compared with £475.1m as at 31st March 2022.



Estimation of liability is based on a number of judgements relating to the discount rate used, salary increases, alterations in retirement age, longevity, interest rates, inflation and expected returns on assets. Also, it has taken into account the impact of the recent McCloud ruling and GMP equalisation.

The Pension Fund's net assets increased in 2022/23, from £801.3m to £808.3m due to investment market increases in 2022/23 and the liability decreased significantly from £1,276.4m to £945m due to a higher net discount rate. Further information on the basis of the IAS19 disclosure is included at Note 42.

The net liability is the additional amount that the Council will have to set aside or generate through investment returns to fund the pension entitlements that have been built up to date by members of the Pension Fund.

During 2023 the Pension Fund received the results of its 2022 valuation. In comparison to the 2019 valuation the overall Funding level saw a significant improvement, increasing from 70% to 80%. The Pension Fund has a robust funding plan in place that concludes that the Council has a viable long-term solution to reducing the Pension Fund deficit to zero. The next Triennial Review will take place in 2025.

Kathy Freeman

Kathy Freeman

Section 151 Officer

London Borough of Havering

Date: XX December 2024

Explanation of Accounting Statements

Whilst these accounts are presented as simply as possible, the use of some technical terminology cannot be avoided. To aid a better understanding of the terminology used a glossary of the terms is set out at the end of the document.

The key financial statements set out within this document include:

- **Movement in Reserves Statement (MiRS) –** This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves and unusable reserves. It analyses the increase and decrease in the net worth of the Authority as a result of the surplus/deficit in year and from movements in the fair value of the assets. It also analyses the movement between reserves, in accordance with statutory regulations.

- **Comprehensive Income and Expenditure Statement (CIES) –** This statement brings summarises the expenditure and income for the year.

- **Balance Sheet –** This records the Authority's year-end financial position. It shows the balances and the reserves at the Authority's disposal, its long term debt, net current assets and liabilities, and summarises information on the long-term assets held.

- **Cash Flow Statement –** This summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue.

- **Notes to the Financial Statements –** The notes provide more detail about the items contained in the key financial statements, the Authority's Accounting Policies and other information to aid the understanding of the financial statements.

- **Expenditure Funding Analysis (EFA) –** This is a note to the accounts and shows how annual expenditure is used and funded from resources and accounted under local government statute as opposed to how it would accounted by private sector bodies under generally accepted accounting practices.

- **Housing Revenue Account (HRA) –** This records the Authority's statutory obligations to account separately for the cost of the landlord role in respect of the provision of the Authority Housing.

- **Collection Fund –** The Authority is responsible for collecting council tax and non-domestic rates, and to keep a separate account to detail the amounts owing to and from the Council, the GLA and the DLUHC.

- **Pension Fund –** The Pension Fund Accounts show the contributions from the Authority, participating employers and employees for the purpose of paying pensions. The Fund is separately managed by the Authority, acting as trustee, and its Accounts are separate from those of the Authority.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance (Section 151) Officer's Responsibilities

The Chief Finance (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 Chief Finance (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 Code.

The Chief Finance (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.

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Kathy Freeman

Chief Finance (Section 151) Officer
XX December 2024

Councillor Julie Wilkes
Char of Audit Committee

Independent Auditor's Report To The Members Of London Borough Of Havering

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Group Movement in Reserves Statement 2022/23

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

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Authority's Share of Reserves of Subsidiaries / Joint Ventures	Total inc Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021	**10,936**	**78,600**	**17,028**	**37,464**	**13,377**	**51,590**	**208,995**	**589,536**	**1,809**	**800,340**
<u>Movement in reserves during 2021/22</u>										
(Deficit)/surplus on provision of services	(15,551)		55,102				39,551		(451)	39,100
Other comprehensive expenditure and income							0	81,688	303	81,991
Total comprehensive expenditure and income	**(15,551)**	**0**	**55,102**	**0**	**0**	**0**	**39,551**	**81,688**	**(148)**	**121,091**
Adjustments between accounting basis and funding ba	6,209		(52,814)	18,531	(4,719)	914	(31,879)	31,879		0
Net (decrease)/increase before transfers to earmarl	**(9,342)**	**0**	**2,288**	**18,531**	**(4,719)**	**914**	**7,672**	**113,567**	**(148)**	**121,091**
Transfers to/(from) Earmarked Reserves	9,348	(9,605)	257				**0**			0
(Decrease)/Increase in Year	**6**	**(9,605)**	**2,545**	**18,531**	**(4,719)**	**914**	**7,672**	**113,567**	**(148)**	**121,091**
Balance at 31 March 2022	**10,942**	**68,994**	**19,573**	**55,995**	**8,657**	**52,504**	**216,669**	**703,103**	**1,657**	**921,431**
<u>Movement in reserves during 2022/23</u>										
(Deficit)/surplus on provision of services	(45,923)		(10,352)				(56,275)		(872)	(57,147)
Other comprehensive expenditure and income							0	333,590	294	333,884
Total comprehensive expenditure and income	**(45,923)**	**0**	**(10,352)**	**0**	**0**	**0**	**(56,275)**	**333,590**	**(578)**	**276,737**
Adjustments between accounting basis and funding ba	23,979	0	15,599	436	(4,797)	13,721	48,938	(48,938)		0
Net (decrease)/increase before transfers to earmarl	**(21,944)**	**0**	**5,247**	**436**	**(4,797)**	**13,721**	**(7,337)**	**284,652**	**(578)**	**276,737**
Transfers to/(from) Earmarked Reserves	19,163	(19,163)	0				0			0
(Decrease)/Increase in Year	**(2,781)**	**(19,163)**	**5,247**	**436**	**(4,797)**	**13,721**	**(7,337)**	**284,652**	**(578)**	**276,737**
Balance at 31 March 2023	**8,161**	**49,830**	**24,820**	**56,431**	**3,859**	**66,225**	**209,334**	**987,755**	**1,075**	**1,198,168**

Authority Movement in Reserves Statement 2022/23

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2021	**10,936**	**78,601**	**17,028**	**37,464**	**13,377**	**51,590**	**208,998**	**589,536**	**798,535**
Movement in reserves during 2021/22									
Deficit/surplus on provision of services	(15,551)		55,102				39,551		39,551
Other comprehensive expenditure and income							0	81,688	81,688
Total comprehensive expenditure and income	**(15,551)**	**0**	**55,102**	**0**	**0**	**0**	**39,551**	**81,688**	**121,239**
Adjustments between accounting basis and funding basis under regulations (Note 9)	6,209	0	(52,814)	18,531	(4,719)	914	(31,879)	31,879	0
Net decrease/increase before transfers to earmarked reserves	**(9,342)**	**0**	**2,288**	**18,531**	**(4,719)**	**914**	**7,672**	**113,567**	**121,239**
Transfers to/from Earmarked Reserves (Note 10)	9,348	(9,605)	257				0		0
Decrease/increase in Year	**6**	**(9,605)**	**2,545**	**18,531**	**(4,719)**	**914**	**7,672**	**113,567**	**121,239**
Balance at 31 March 2022	**10,942**	**68,996**	**19,573**	**55,995**	**8,657**	**52,504**	**216,671**	**703,103**	**919,774**
Movement in reserves during 2022/23									
(Deficit)/surplus on provision of services	(45,923)		(10,352)				(56,275)		(56,275)
Other comprehensive expenditure and income							0	333,590	333,590
Total comprehensive expenditure and income	**(45,923)**	**0**	**(10,352)**	**0**	**0**	**0**	**(56,275)**	**333,590**	**277,315**
Adjustments between accounting basis and funding basis under regulations (Note 9)	23,979	0	15,599	436	(4,797)	13,721	48,938	(48,938)	0
Net (decrease)/increase before transfers to earmarked reserves	**(21,944)**	**0**	**5,247**	**436**	**(4,797)**	**13,721**	**(7,337)**	**284,652**	**277,315**
Transfers to/from Earmarked Reserves (Note 10)	19,163	(19,163)	0				0		-
(Decrease)/Increase in Year	**(2,781)**	**(19,163)**	**5,247**	**436**	**(4,797)**	**13,721**	**(7,337)**	**284,652**	**277,315**
Balance at 31 March 2023	**8,161**	**49,834**	**24,820**	**56,431**	**3,860**	**66,225**	**209,336**	**987,755**	**1,197,091**

Havering LONDON BOROUGH

Group Comprehensive Income and Expenditure Statement 2022/23

The Group Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

1 April 2021 – 31 March 2022				1 April 2022 – 31 March 2023		
£000 Gross Expenditure	£000 Gross Income	£000 Net		£000 Gross Expenditure	£000 Gross Income	£000 Net
			Gross expenditure, gross income and net expenditure of continuing operations			
32,485	(9,157)	23,328	Corporate Budgets	33,164	(13,368)	19,796
61,960	(31,718)	30,242	Neighbourhoods	61,178	(32,798)	28,379
46,217	(69,776)	(23,559)	Housing	102,599	(74,517)	28,082
10,549	(10,689)	(140)	Regeneration Programme Delivery	4,192	(4,776)	(584)
108,442	(41,205)	67,236	Adult Services	108,580	(30,137)	78,443
234,192	(162,249)	71,943	Children’s Services	250,230	(177,519)	72,711
14,925	(13,757)	1,168	Public Health	12,149	(11,925)	224
89,645	(76,273)	13,371	oneSource Non-Shared	83,729	(70,271)	13,458
20,332	(16,440)	3,892	oneSource Shared	23,212	(15,777)	7,435
618,746	**(431,266)**	**187,480**	**Cost of services**	**679,033**	**(431,088)**	**247,945**
		(8,469)	Other operating expenditure			31,137
		18,704	Financing and investment income and expenditure			17,025
		(236,813)	Taxation and non-specific grant income			(238,952)
		(39,098)	**(Surplus)/Deficit on provision of services**			**57,154**
		8,855	(Surplus)/Deficit on revaluation of property, plant and equipment assets			23,364
		(90,846)	Actuarial losses/(gains) on pension assets / liabilities			(357,248)
		(81,991)	**Other comprehensive income and expenditure**			**(333,884)**
		(121,089)	**Total comprehensive income and expenditure**			**(276,730)**

Balance Sheet as at 31 March 2023

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority and the group. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations'.

31 March 2022 Authority Restated £000	31 March 2022 Group Restated £000		Notes	31 March 2023 Authority £000	31 March 2023 Group £000
1,530,769	1,549,348	**Property, plant and equipment**	14	1,548,358	1,577,699
2,387	2,387	**Heritage assets**	15	2,362	2,362
61,313	108,859	**Investment property**	16b	48,124	102,695
269	269	**Intangible assets**	17	212	212
11,306	0	**Long term investments in subsidiaries**		17,516	0
2,104	8,921	**Long term investments in joint ventures**	16d	2,395	17,328
54,383	60	**Long term debtors**	19	73,712	47
1,662,531	**1,669,844**	**Long-term assets**		**1,692,679**	**1,700,343**
85,110	85,110	**Short-term investments**	18	0	0
454	454	**Inventories**		473	473
78,918	76,046	**Short-term debtors**	19	72,698	68,526
60,283	61,060	**Cash and cash equivalents**	20	35,108	35,812
0	0	**Assets held for sale**	21	0	0
224,765	**222,670**	**Current assets**		**108,279**	**104,811**
(1,760)	(1,760)	**Short-term borrowing**	18	(13,940)	(13,940)
(153,199)	(154,129)	**Short-term creditors**	22	(116,216)	(116,679)
(154,959)	**(155,889)**	**Current liabilities**		**(130,156)**	**(130,619)**
		Long-term creditors			
(10,764)	(11,517)	**Provisions**	23	(7,293)	(8,186)
(314,123)	(315,878)	**Long-term borrowing**	18	(314,776)	(316,532)
(475,094)	(475,215)	**Other long-term liabilities**	42	(136,692)	(136,692)
(12,581)	(12,581)	**Capital grants receipts in advance**	35b	(14,958)	(14,958)
(812,562)	**(815,191)**	**Long-term liabilities**		**(473,719)**	**(476,368)**
919,775	**921,434**	**Net assets**		**1,197,083**	**1,198,167**
216,673	218,332	**Usable reserves**	24	209,329	210,413
703,102	703,102	**Unusable reserves**	25	987,754	987,754
919,775	**921,434**	**Total Reserves**		**1,197,083**	**1,198,167**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Authorised for Issue
Kathy Freeman

Kathy Freeman

Section 151 Officer
London Borough of Havering
Date: XX December 2024

Cash Flow Statement as at 31 March 2023

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

2021/22 Authority £000	2021/22 Group £000		Note	2022/23 Authority £000	2022/23 Group £000
39,549	39,098	Net surplus on the provision of services		(56,282)	(57,154)
86,824	86,141	Adjust net surplus or deficit on the provision of services for non-cash movements	26	64,568	63,889
(58,312)	(58,312)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(51,328)	(51,328)
68,061	**66,927**	**Net cash flows from Operating Activities**		**(43,042)**	**(44,593)**
(49,697)	(48,237)	Investing activities	27	5,034	4,403
34,058	29,475	Financing activities	28	12,833	14,653
52,422	**48,165**	**Net increase /(decrease) in cash and cash equivalents**		**(25,175)**	**(25,537)**
7,861	12,895	Cash and cash equivalents at the beginning of the reporting period	20	60,283	61,060
60,283	**61,060**	**Cash and cash equivalents at the end of the reporting period**	**20**	**35,108**	**35,523**

Authority Comprehensive Income and Expenditure Statement 2022/23

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

1 April 2021 – 31 March 2022					1 April 2022 – 31 March 2023		
£000 Gross Expenditure	£000 Gross Income	£000 Net		Notes	£000 Gross Expenditure	£000 Gross Income	£000 Net
			Gross expenditure, gross income and net expenditure of continuing operations				
32,485	(9,157)	23,328	Corporate Budgets		33,164	(13,368)	19,796
61,960	(31,718)	30,242	Neighbourhoods		61,178	(32,798)	28,379
46,217	(69,776)	(23,559)	Housing		102,599	(74,517)	28,082
10,613	(9,476)	1,137	Regeneration Programme Delivery		3,865	(2,576)	1,289
108,442	(41,205)	67,236	Adult Services		108,580	(30,137)	78,443
234,192	(162,249)	71,943	Children's Services		250,230	(177,519)	72,711
14,925	(13,757)	1,168	Public Health		12,149	(11,925)	224
89,645	(76,273)	13,371	oneSource Non-Shared		83,729	(70,271)	13,458
20,332	(16,440)	3,892	oneSource Shared		23,212	(15,777)	7,435
618,810	**(430,053)**	**188,757**	**Cost of services**		**678,706**	**(428,888)**	**249,818**
		(8,460)	Other operating expenditure	11			31,116
		16,600	Financing and investment income and expenditure	12			14,441
		(236,446)	Taxation and non-specific grant income	13			(239,092)
		(39,549)	**(Surplus)/Deficit on provision of services**				**56,282**
		9,111	(Surplus)/Deficit on revaluation of property, plant and equipment assets	25a			23,506
		(90,799)	Actuarial losses/(gains) on pension assets / liabilities (restated)	25e			(357,096)
		(81,688)	**Other comprehensive income and expenditure**				**(333,590)**
		(121,237)	**Total comprehensive income and expenditure**				**(277,308)**

Notes to the Core Financial Statements

1. Accounting Policies

Going Concern

The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

Accounts drawn up under the Code assume that a local authority's services will continue to operate for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of Central Government). If an authority was in financial difficulty, the prospects are thus that alternative arrangements might be made by Central Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts which the Accounts and Audit (England) Regulations 2015 require 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* 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

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.

ii. 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Outstanding creditors are written out of the accounts if they have not been billed for by the supplier after a period of one year, however a sample of outstanding balances will be sampled and adjusted for if required;

- 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; and
- most accruals are automatically generated by the feeder system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de-minimis for 2022/23 remains at £50,000.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions, repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in one month or less from the date of acquisition or notice accounts of no more than 3 months 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.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for 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 Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Within the accounts the Comprehensive Income and Expenditure Statement has been restated to comply with the CIPFA code; 'Telling the story'. This is to improve the presentation and transparency of the Council's financial statements.

v. Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance (the Minimum Revenue Provision). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by an adjusting transfer to the General Fund Balance from the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Central Government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vii. 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 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. flexitime) 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 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 in exchange for those benefits. They are charged on an accruals basis to the relevant service line or, where applicable, to the

Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund and Housing Revenue Account balances 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 Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- the National Health Service Pension Scheme, administered by the National Health Service; and
- the Local Government Pension Scheme, administered by the Authority.

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. However, the arrangements for the Teachers' and National Health Service schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. Those schemes are therefore accounted for as if they were defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education and Public Health Services lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the Teachers' and National Health Service Pensions Scheme in the year.

The Local Government Pension Scheme

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

- The liabilities of the London Borough of Havering Pension Fund 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, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of the London Borough of Havering Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price;
    - unquoted securities – professional estimate;
    - unitised securities – current bid price; and
    - property – market value.

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

- Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as other comprehensive income and expenditure;
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as other comprehensive income and expenditure;
  - contributions paid to the London Borough of Havering pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the 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.

viii. Events After the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and

- those that are indicative of conditions that arose after the reporting period – the Statement of 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.

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

ix. Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement 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 to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement 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

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

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

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).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for Statements the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x. 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. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xi. 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 to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of 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 for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

All Town and Country Planning Act 1990 (as amended) Section 106 contributions, because of their complex nature and numerous legal conditions, are only recognised through the Comprehensive Income and Expenditure Statement once they have been spent. Only then are we certain all conditions have been met and there is no return obligation.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund and Housing Revenue Account balances 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.

Non Ring-fenced Grants

These are allocated by Central Government directly to local authorities as additional revenue funding. They are not ring-fenced and are credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement Districts

The Authority is the billing authority for the London Riverside Business Improvement District (BID) managed by Ferry Lane Action Group, which provides a cleaner, safer, more secure business environment and promotes the interests of the business community within the BID. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) on the balance sheet. The Authority has similar arrangements for the Romford Town Centre BID, which went live during 2018/19.

xii. Heritage Assets

The Authority's Heritage Assets are split into two categories

- Civic Regalia; and
- Heritage Buildings.

Civic Regalia

The collection of civic regalia includes the Mayor's and the Deputy Mayor's chains, which are worn on ceremonial duties and various items with civic insignia. They are valued based on manufacturing costs and do not include any element for rarity or collectable value, retail mark-up or VAT.

Heritage Buildings and Property

The Authority owns buildings and property that meet the definition of heritage assets which are valued on a minimum of every 5 years on either a depreciated replacement cost basis or on an existing use basis.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the CIPFA code of practice and the Authority's general policies on impairment.

xiii. 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.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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.

xiv. Inventories

The Authority has a small number of inventories. These are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned predominantly using the first in first out (FIFO) costing formula.

xv. Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvi. Interests in Companies and Other Entities

The code requires local authorities with, in aggregate, material interest in subsidiaries and associated companies and joint ventures to prepare group financial statements.

The Group's financial statement incorporate the financial statements of the London borough of Havering and its subsidiaries prepared as at the year end date. As part of the consolidation process, Havering has aligned the accounting policies of the subsidiaries with those of the Council and made consolidation adjustments where necessary. It has consolidated the financial statements of the subsidiaries with those of the Council on a line by line basis; eliminated in full balances, transactions, income and expenses between the Council and the partnerships.

xvii. Interest in Joint Committee

oneSource is a participative arrangement created by the Authority, the London Borough of Newham and the London Borough of Bexley to share back office operations. In 2020, the London Borough of Bexley withdrew all back office operations from oneSource and the London Borough of Newham withdrew its Professional Accountancy Services. In 2022, the London Borough of Newham withdrew its Health and Safety Services. It is governed by a joint committee and is not deemed to meet the definition of joint control; hence the assets, liabilities, income, expenditure and cash flows of the joint committee are not consolidated into the Authority's group accounts. Instead, the Authority accounts for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows, in its single entity financial statements. Cost and savings are shared between the three authorities on the basis of an agreed formula and are allocated on an annual basis.

xviii. Leases

All current 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 are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

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; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

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

Leases

The Authority as Lessee

From 1 April 2024, where the Council is leasing an asset for more than 12 months and has a value in excess of £10,000, the asset will be accounted as if the asset was owned by the Council. Costs for assets Items under the de-minimis level are recognised as revenue expenditure.

The initial recognition of the asset is at fair value of the property the Council has a right to use. A liability is also recognised which will reduce as lease payments are made.

The Authority as Lessor

Where the Council is the lessor for a lease, the asset is not recognised on the balance sheet, however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital – credited against the debtor and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.

xix. 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

xx. 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.

Measurement

Assets are initially measured at cost, comprising:

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

Finance costs are excluded in valuations for all assets.

Havering has applied the following de minimis criteria for the capitalisation of expenditure, so that schemes which cost less than this are classified as revenue rather than capital: -

- works to buildings £5,000
- infrastructure £5,000
- office and information technology £5,000
- other furniture and equipment £5,000

There are no de minimis limits for the following categories: land acquisition, vehicles and plant, energy conservation work, health and safety improvements, aids and adaptations for the disabled.

These de minimis rules may be waived where grant or borrowing consent is made available for items of capital expenditure below £5,000.

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.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUVSH);
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- 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 – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair 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 fair value.

Assets included in the Balance Sheet at fair value are re-valued as a minimum every five years, with high value assets being re-valued annually, to ensure their carrying amount is not materially different from their fair value at the year end. In addition, an independent review is carried out annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

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

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

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

Development Costs

General Feasibility studies are automatically treated as revenue, unless in very rare circumstances when they lead to the creation of an asset. This is because they are typically an options review of what schemes may or may not be considered for the capital programme. They do not in and of themselves produce an asset. There would need to be an accompanying business case justification as to why this expenditure could be capitalised and as such, this would normally only occur in relation to large-scale regeneration schemes.

The watershed moment between the feasibility and the development stage, when concrete designs are reviewed is normally the point at which expenditure may be considered for capitalisation. The Council's policy at this stage is to treat the expenditure as capital and then if the scheme did not go ahead or was stopped at an early stage without producing any assets, would treat the expenditure as an abortive revenue cost. This policy could be broadly described as *capitalising at risk* and all schemes that were cancelled without producing an asset would need to be reviewed for the potential for these abortive costs.

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

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

Depreciation

Depreciation is provided for on all property, plant and equipment 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 not charged in the year of acquisition but is charged in full during the year of disposal.

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 a five year period unless a suitably qualified officer determines a more appropriate period; and
- infrastructure – straight-line allocation over 20 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the Code requires that these components are depreciated separately.

Major components which have materially different asset lives will be identified in respect of:

- new capital expenditure as it arises; and
- existing assets as they become subject to revaluation.

Assets will not be valued on a componentised basis in the following circumstances on the basis that the impact upon asset valuation and depreciation is not material to the accounting disclosures:

- capital expenditure of less than £300,000 per scheme; and
- assets valued at less than £3,000,000.

As a consequence of the application of this policy the Authority has not identified any major components with materially different asset lives. However, the application of this policy will be reviewed on an on-going basis to ensure that the carrying value of assets is not materially affected.

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.

Disposals and Non-current Assets Held for Sale

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 in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to noncurrent 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 in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Where an Asset is fully depreciated and therefore has a zero net book value, it is deemed as being abandoned or scrapped and treated as such (This will not have an effect on the Comprehensive Income and Expenditure Statement as the gross book value and the accumulated depreciation are equal). Receipts from disposals (if any) are credited to the same line in the

Comprehensive Income and Expenditure Statement also 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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account.

Highways Network Infrastructure Assets

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

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

Measurement

Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network have either been assessed by the Highways Engineer, based on industry standards, based on existing inventories or by using best estimates where appropriate. The useful lives for each class will be reviewed annually and are as follows:

Carriageways, Footways and Cycle tracks = 25 years

Structures* = 25 years

Street lighting = 25 years

Street furniture* = 25 years

Traffic management systems* = 25 years

Other Highways Network Infrastructure* = 25 years

**Significant expenditure on these assets are reviewed on a case by case basis to determine if the weighted average life set out in the policy is appropriate.*

Disposals and derecognition

When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). The written-off amounts 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 transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

Annual Minimum Revenue Provision Statement

Where the Council finances capital expenditure by borrowing, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum provision since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government’s (DCLG) Guidance on Minimum Revenue Provision issued in 2012.

The broad aim of the DCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments, starting in the year after the asset becomes operational.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Third party loans – Under statutory requirements the payment of the loan will normally be treated as capital expenditure. The subsequent loan repayments, (which are treated as capital receipts under statutory requirements); will be used to reduce the long term liability and consequently the CFR. As a result MRP will not generally be charged on the loan as it is not appropriate to do so.

xxi. Provisions, Contingent Liabilities and Contingent Assets

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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement 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 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.

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.

xxii. Reserves

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

xxiii Revenue Expenditure Funded from Capital under Statute

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

xxiv. Schools

The *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group

Accounts). Schools' transactions, cash flows and balances are therefore recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

xxv. VAT and Tax Duty

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. If any tax duty is payable on goods purchased from EU, this will be part of the purchase cost and is not recoverable from HMRC.

xxvi. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [*other financial instruments as applicable*] 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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires disclosure of the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2022/23 Code.

The Code requires that changes in accounting policy are applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

The standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

- Definition of accounting estimates (amendments to IAS8) issued in February 2021
- Disclosure of accounting policies (amendments to IAS1 and IFRS Practice statement 2) issued in February 2021

• Deferred tax relating to assets and liabilities arising from a single transaction (amendments to IAS12) issued in May 2021

• Updating a reference to the conceptual framework (amendments to IFRS3) issued in May 2020.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements. Officers concur with this view.

3. Critical Judgements in Applying Accounting Policies, Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- there is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- the statement of accounting policies incorporates a number of de minimis thresholds below which certain low value transactions are not recognised in strict accordance with the Code of Practice. These thresholds have been selected for the purpose of reducing the volume and complexity of financial transactions without materially altering the accounting disclosures. The areas most affected by this policy relate to the recognition of pensions liabilities, fixed assets, leases and accruals.

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
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 climate 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 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 Assets would increase by £2.8m for every year that useful lives had to be reduced.
	Assets have been valued by the Authority's external valuers on the basis of a five year rolling valuation programme. In the current economic climate, the Balance Sheet valuation of £1,548m may be subject to fluctuations.	If the asset valuation of all property plant and equipment were to fall by 1% a reduction in value of £15.48m would arise. This would normally be reversed to the Revaluation Reserve. Where revaluation losses exceed unrealised gains, the net loss would be charged to the Consolidated Income and Expenditure Statement and subsequently written off to the Capital Adjustment Account.

Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for *similar* assets or liabilities in active markets or the discounted cash flow (DCF) model). 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 and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 16 below.	The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial asset
Provisions	The Authority has made a provision of £3.7m for the settlement of insurance claims based upon an actuarial assessment of the current level of liability.	An increase over the forthcoming year of 10% in the value of claims to be settled would have the effect of adding £0.37m to the provision required.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £15.3m. However, the assumptions interact in complex ways. During 2022/23, the Authority's actuary advised that changes in actuarial assumptions gave rise to a gain of £357.1m (compared to a gain of £90.8m in 2021/22) to the Consolidated Income and Expenditure Statement.
Arrears	At 31 March 2023, the Authority had a gross debtor's balance of £120.6m (£119.9m at 31 March 2022). A review of significant balances suggested that an impairment of doubtful debts of 39.7% (£47.9m) was appropriate. However, in the current economic climate it may not be certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 25% increase in the amount of the impairment of doubtful debts would require an additional £12m to be set aside as an allowance.

NNDR Appeals	At 31 March 2023, the Authority reduced its provision by £3.6m to £3.6m in respect of appeals which are still outstanding, based on the previous success rate on appeals. The passing of a recent deadline by which time appeals could have been submitted has reduced the required estimated provision.	In the event that the outcome of appeals increases by 25% than the anticipated percentages this would result in additional cost of £0.9m.

4. Material Items of Income and Expense

A net revaluation loss of £36.8m has been credited to the Consolidated Income and Expenditure Account (CI&ES) in 2022/23. With the exception of movements in Investment properties revaluation losses are normally debited to the Revaluation Reserve except where, as in this case, the revaluation loss exceeds the previous gains charged to the revaluation reserve. By way of comparison, the revaluation gain credited to the CI&ES in 2021/22 was £6.926m. Further information is provided at note 39.

A net disposals loss of £12.3m has been debited to the CI&ES in 2022/23. This is a result of losses from the disposal of GF and HRA assets. This is compared to a corresponding gain of £21.9m in 2021/22.

5. Authorisation of the Statement of Accounts

The Statement of Accounts was authorised for issue on the date the Section 151 Officer certified that the accounts give a true and fair view of the financial position of the Authority at the year-end; and its income and expenditure, see the “Statement of Responsibilities for the Statement of Accounts”. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Events after the Balance Sheet Date

No material post balance sheet events requiring adjustment to the 31st March 2023 balance sheet has been identified.

7. Expenditure and Funding Analysis 2022/23

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

1 April 2021 – 31 March 2022					1 April 2022 – 31 March 2023			
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Bases £000	Other Adjustments* £000	Net Expenditure in the CI&ES £000	Service	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Bases £000	Other Adjustments* £000	Net Expenditure in the CI&ES £000
39,441	(30,096)	13,983	**23,328**	Corporate Budgets	24,843	3,853	(8,900)	**19,797**
17,736	11,933	573	**30,242**	Neighbourhoods	16,218	11,063	1,099	**28,380**
4,604	(52,814)	24,652	**(23,559)**	Housing	4,633	15,600	7,849	**28,082**
1,067	69	-	**1,137**	Regeneration	974	61	254	**1,289**
68,394	1,745	(2,902)	**67,236**	Adult Services	75,217	1,261	1,966	**78,443**
50,519	18,914	2,510	**71,943**	Children's Service	56,755	9,805	6,150	**72,711**
(1,624)	138	2,654	**1,168**	Public Health	4	86	133	**223**
4,782	10,518	(1,929)	**13,371**	oneSource Non-Shared	5,116	8,140	203	**13,459**
900	2,209	782	**3,892**	oneSource Shared	4,566	1,895	974	**7,435**
185,819	**(37,384)**	**40,323**	**188,758**	**Net Cost of Services**	**188,327**	**51,764**	**9,728**	**249,819**
(188,371)	(9,221)	(30,713)	(228,306)	Other Income and Expenditure	(187,784)	(12,186)	6,433	(193,536)
(2,552)	**(46,605)**	**9,609**	**(39,548)**	**(Surplus) or Deficit**	**543**	**39,578**	**16,161**	**56,282**
27,966				Opening General Fund and HRA Balance	**30,518**			
2,552				Less/Plus Surplus or Deficit on General Fund and HRA Balance in Year**	(543)			
30,518				**Closing General Fund and HRA Balance at 31 March 2023**	**29,975**			

*This represents the movement in Earmarked Reserves. See Note 10.
** For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement.

7a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2022/23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Corporate Budgets	7,100	1,671	(4,918)	3,853
Neighbourhoods	(5,626)	2,896	13,793	11,063
Housing	15,413	66	122	15,600
Regeneration Programme Delivery	(19,598)	318	19,341	61
Adult Services	(2,295)	1,185	2,371	1,261
Children's Services	(18,276)	8,886	19,196	9,805
Public Health	(221)	135	172	86
oneSource Non-Shared	(2,959)	1,522	9,577	8,140
oneSource Shared	(3,911)	2,016	3,791	1,895
Net Cost of Services	**(30,374)**	**18,694**	**63,444**	**51,764**
Other income and expenditure from the Expenditure and Funding Analysis			(12,186)	(12,186)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(30,374)**	**18,694**	**51,258**	**39,578**

Adjustments between Funding and Accounting Basis 2021/22
(This has been restated to be aligned to the authority's internal financial reporting structure)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Corporate Budgets	(28,919)	(948)	(228)	(30,096)
Neighbourhoods	8,880	3,362	(310)	11,933
Housing	(52,884)	78	(9)	(52,814)
Regeneration Programme Delivery	(339)	598	(189)	69
Adult Services	499	1,382	(137)	1,745
Children's Services	8,024	11,274	(385)	18,914
Public Health	0	155	(17)	138
oneSource Non-Shared	8,922	1,754	(158)	10,518
oneSource Shared	0	2,426	(217)	2,209
Net Cost of Services	**(55,816)**	**20,082**	**(1,649)**	**(37,384)**
Other income and expenditure from the Expenditure and Funding Analysis			(9,221)	(9,221)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(55,816)**	**20,082**	**(10,870)**	**(46,605)**

Note 1 Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from the income and expenditure as these are not chargeable under generally accepted accounting practices.

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

Note 2 Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

• **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

• For **Financing and investment income and expenditure** –- the net interest on the defined benefit liability is charged to the CIES.

Note 3 Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

7b. Segmental Income

Income received on a segmental basis is analysed below:

2021/22 £000	Income from Services	2022/23 £000
9,157	Corporate Budgets	13,368
31,718	Neighbourhoods	32,798
69,776	Housing	74,517
9,476	Regeneration Programme Delivery	2,576
41,205	Adult Services	30,137
162,249	Children's Services	177,519
13,757	Public Health	11,925
76,273	oneSource Non -Shared	70,271
16,440	oneSource Shared	15,777
430,053	**Total income analysed on a segmental basis Net Cost of Services**	**428,888**

8. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

2021/22 £000	Expenditure/Income	2022/23 £000
	Expenditure	
230,890	Employee benefits expenses	238,710
334,075	Other services expenses	338,715
21,001	Depreciation, amortisation, impairment	65,258
19,673	Interest payments	22,323
12,256	Precepts and levies	18,745
(349)	Payments to Housing Capital Receipts Pool	(1,152)
(20,366)	(Gain)/Loss on the disposal of assets	13,523
597,179	**Total expenditure**	**696,121**
	Income	
(124,185)	Fees, charges and other service income	(131,240)
(2,355)	Interest and investment income	(5,148)
(167,615)	Income from council tax and non-domestic rates	(173,835)
(342,574)	Government grants and contributions	(329,616)
(636,730)	**Total income**	**(639,839)**
(39,551)	**Surplus or Deficit on the Provision of Services**	**56,282**

9. 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. The following sets out a description of the reserves against which the adjustments are made.

General Fund Balance: The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year. For housing authorities the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance: The Housing Revenue Account (HRA) balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Authority's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve: The Authority maintains a Major Repairs Reserve (MRR), through which depreciation on HRA assets is reversed out and applied to the financing of capital expenditure. The MRR is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the extent to which the MRR has yet to be applied at the year end.

Capital Receipts Reserve: The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied: The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Authority 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.

2022/23	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£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 from the Pensions Reserve)	(18,377)	(317)				18,694
Financial instruments (transferred to the Financial Instruments Adjustments Account)						0
Transfer to negative DSG reserve	(3,938)					3,938
Council tax and NNDR (transfers to or from Collection Fund)	10,337					(10,337)
Holiday pay (transferred to the Accumulated Absences Reserve)	898	96				(994)
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	(16,806)	(51,765)			(30,894)	99,465
Total Adjustments to Revenue Resources	**(27,886)**	**(51,986)**	**0**	**0**	**(30,894)**	**110,766**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	7,564	11,835	(19,399)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(467)	234	233			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(73)		73			0
Posting of HRA resources from revenue to the Major Repairs Reserve		10,462		(10,462)		0
Use of Capital Receipts To Repay Debt	(179)		179			0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	5,618					(5,618)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,487					(4,487)
Total Adjustments between Revenue and Capital Resources	**16,950**	**22,531**	**(18,914)**	**(10,462)**	**0**	**(10,105)**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	179		18,478			(18,657)
Use of the Major Repairs Reserve to finance capital expenditure				15,259		(15,259)
Application of capital grants to finance capital expenditure	(13,222)	13,856			17,173	(17,807)
Cash payments in relation to deferred capital receipts						0
Total Adjustments to Capital Resources	**(13,043)**	**13,856**	**18,478**	**15,259**	**17,173**	**(51,723)**
Total Adjustments	**(23,979)**	**(15,599)**	**(436)**	**4,797**	**(13,721)**	**48,938**

2021/22	Usable Reserves General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£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 from the Pensions Reserve)	(19,484)	(598)				20,082
Financial instruments (transferred to the Financial Instruments Adjustments Account)						0
Transfer to negative DSG reserve	(1,954)					1,954
Council tax and NNDR (transfers to or from Collection Fund)	11,182					(11,182)
Holiday pay (transferred to the Accumulated Absences Reserve)	1,460	189				(1,649)
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	(4,224)	2,810			(37,135)	38,549
Total Adjustments to Revenue Resources	**(13,020)**	**2,401**	**0**	**0**	**(37,135)**	**47,754**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	19,268	14,751	(34,019)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(588)	294	294			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,107)		1,107			0
Posting of HRA resources from revenue to the Major Repairs Reserve		10,066		(10,066)		0
Use of Capital Receipts To Repay Debt	(3,683)		3,683			0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	8,389					(8,389)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	8,732					(8,732)
Total Adjustments between Revenue and Capital Resources	**31,011**	**25,111**	**(28,935)**	**(10,066)**	**0**	**(17,121)**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			10,404			(10,404)
Use of the Major Repairs Reserve to finance capital expenditure				14,785		(14,785)
Application of capital grants to finance capital expenditure	(24,200)	25,302			36,221	(37,323)
Cash payments in relation to deferred capital receipts						0
Total Adjustments to Capital Resources	**(24,200)**	**25,302**	**10,404**	**14,785**	**36,221**	**(62,512)**
Total Adjustments	**(6,209)**	**52,814**	**(18,531)**	**4,719**	**(914)**	**(31,879)**

10. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance as earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23. A HRA earmarked reserve is included for completeness.

	Balance as at 31 3 2021	Transfers from/to Revenue	Transfers between reserves	Balance as at 31 3 2022	Transfers from/to Revenue	Transfers between reserves	Balance as at 31 3 2023
	£000	£000	£000	£000	£000	£000	£000
General Fund / Housing Revenue Account Earmarked Reserves							
Corporate Transformation reserve	**1,137**	(782)	0	**355**	(237)	0	**118**
Business Risk reserve	**11,176**	234	0	**11,410**	(3,405)	0	**8,005**
Covid - Clinically & Extremely Vulnerable (CEV) and Contains Outbreak Management Grant (COMF)	**3,031**	(3,031)	0	**0**	0	0	**0**
Business Rates reserve	**21074**	(10,716)	0	**10,358**	(7,110)	0	**3,248**
Regeneration	**2508**	0	0	**2,508**	(1,183)	0	**1,325**
ICT Refresh	**1000**	0	0	**1,000**	(400)	0	**600**
oneSource reserve	**455**	577	0	**1,032**	457	0	**1,489**
Insurance reserve	**7,153**	(67)	0	**7,086**	(2,134)	0	**4,952**
Reserves for future capital schemes	**5,316**	(409)	0	**4,907**	1,114	0	**6,021**
Legal reserve	**178**	0	0	**178**	1	0	**179**
Crematorium and Cemetery reserves	**658**	0	0	**658**	1	0	**659**
Social Care reserve	**51**	0	0	**51**	32	0	**83**
Troubled Families reserve	**370**	104	0	**474**	222	0	**696**
Public Health reserve	**2,595**	48	0	**2,643**	196	0	**2,839**
Adults Social Care Reserve	**0**	4,878	0	**4,878**	(2,768)	0	**2,110**
Whole life costing Transport Fleet reserve	**482**	(75)	0	**407**	(107)	0	**300**
Emergency assistance scheme	**1,583**	(664)	0	**919**	668	0	**1,587**
SLM Funding 2017/18 - 2022/23	**729**	(111)	0	**618**	(618)	0	**0**
Other reserves	**9,274**	877	0	**10,151**	(3,073)	0	**7,078**
HRA Major works	**3,021**	0	0	**3,021**	0	0	**3,021**
Total General Fund / Housing Revenue Account Earmarked Reserves	**71,791**	**(9,137)**	**0**	**62,654**	**(18,344)**	**0**	**44,310**
Schools Balances							
General Balances	**417**	445	0	**862**	94	0	**956**
Schools Balances	**5,694**	(213)	0	**5,481**	(913)	0	**4,568**
Centrally held schools balances (Note 34)	**700**	(700)	0	**0**	0	0	**0**
Total Schools Balances	**6,811**	**(468)**	**0**	**6,343**	**(819)**	**0**	**5,524**
Total Earmarked Reserves	**78,602**	**(9,605)**	**0**	**68,997**	**(19,163)**	**0**	**49,834**

General Fund Earmarked Reserves

Corporate Transformation and oneSource Reserves – These reserves will continue to be used to fund strategic projects and the transformation agenda.

Business Risk Reserve – After a strategic review of the earmarked reserves, the Senior Leadership Team de-committed various other earmarked reserves and reprioritised the funds to the Business Risk Reserve.

COVID - Clinically & Extremely Vulnerable (CEV) and Contains Outbreak Management (COMF) Grants Reserve – This funding was provided specifically to manage the containment of the pandemic. The reserve balance was used alongside the 2022/23 COMF allocation to fund the Outbreak Control Service and associated initiatives to contain the outbreak in line with grant conditions.

Business Rates Reserve – This reserve has been created to manage the risks and uncertainties around London wide business rate pooling. The risk of non-collection and successful business rate appeals can have fundamental impact on the Council's budget.

Regeneration Reserve – This is earmarked for the Council's masterplan regeneration projects across the borough, including the Romford masterplan.

ICT Refresh – This has been earmarked for the Council's Transitional Shift in operating models.

oneSource Reserve – This is earmarked to contribute to future projects and service improvement across all oneSource services.

Insurance Reserve – In accordance with the Accounting Code of Practice, the Authority's insurance fund has been split between a provision for liabilities which are likely to be incurred and a reserve for possible future liabilities that are "incurred but not reported" at this stage.

Reserves for future Capital Schemes – These reserves are set aside for capital schemes where expenditure has yet to be incurred. The reserves are a mixture of revenue contributions, internal leasing arrangements and various invest to save schemes.

Legal Reserve – This reserve provides funding for legal cases.

Crematorium and Cemetery Funds – These funds have existed for many years to maintain cemeteries and to help finance improvements at the crematorium. They consist of a fund created by fees, and a Cemetery Memorial Fund.

Social Care Funding – This is support for Social Care funding which local authorities receive from the NHS; it was agreed to carry forward unspent monies to be spent on the programmes jointly agreed by both parties as part of the S256 agreement.

Troubled Families – This is to contribute towards the funding of the Troubled Families programme.

Public Health Reserve – This reserve arose out of a transfer of Primary Care Trust funding for Drugs and Alcohol Action Team services and underspends against the Public Health grant. The intention is to use the reserve for Public Health initiatives.

Social Care Reserve – This is additional contribution to the pooled Better Care Fund by the Clinical Commissioning Group, which will be used on joint social care and health projects between the Local Authority and the Clinical Commissioning Group.

Whole Life Costing Vehicle Fleet Reserve – This reserve funds whole life costing in the vehicle and plant system.

Emergency Assistance Scheme - The EAS is for assistance for extreme hardship in emergency situations. It is for vulnerable residents and customers experiencing hardship or In need of support.

Other Reserves – This encompasses a range of several smaller reserves including Covid 19 funding, Library Book Fund, Health and Safety reserve, and provision to fund potential claims arising from building works.

Schools Balances

General Balances – This is income that has accumulated over a number of years from schools buying back services from the Authority. The funds are being reinvested back into the development of support services provided to schools.

Schools Balances – These are balances that have been allocated to schools and are carried forward to the following financial year.

Centrally Held Schools Balances – The Authority's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). Details of the deployment of DSG receivable for 2022/23 are shown at Note 34. An overdrawn balance on the DSG account of £3.94m has been transferred to a unusable negative reserve in accordance with guidance to separate the balance from the Council General Fund.

11. Other Operating Expenditure

2021/22 £000		2022/23 £000
12,256	Levies	18,745
1,106	Payments to the Government Housing Capital Receipts Pool	73
(21,822)	(Gain) / Loss on the disposal of non-current assets	12,297
(8,460)	**Total**	**31,115**

12. Financing And Investment Income And Expenditure

2021/22 £000		2022/23 £000
8,674	Interest payable and similar charges	9,423
10,999	Pensions net interest on the net defined benefit liability	12,900
(2,355)	Interest receivable and similar income	(5,148)
(3,957)	Income and expenditure in relation to investment properties (note 16)	(3,659)
3,239	Changes in the fair value of investment properties	925
16,600	**Total**	**14,441**

13.Taxation And Non-Specific Grant Income

2021/22 £000		2022/23 £000
(136,404)	Council tax income	(140,548)
(31,211)	National non-domestic rates income [1]	(43,231)
(30,595)	Non ring-fenced government grants	(23,785)
(38,236)	Capital grants and contributions	(31,528)
(236,446)	**Total**	**(239,092)**

[1] includes s31 Government grant included within NNDR income to fund NNDR reliefs

14. Property, Plant and Equipment

Movements in Balances 2022/23

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Gross Book Value / NBV	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 March 2022	**671,117**	**609,020**	**20,209**	**3,616**	**1,938**	**107,887**	**1,413,787**
Additions	50,033	9,740	6,721	423	0	46,861	**113,778**
Revaluation increases/(decreases) to :							
Revaluation Reserve	(54,857)	20,785	0	0	40	0	**(34,032)**
Revaluation gains to the CI&ES	(43,248)	2,077	0	0	17	0	**(41,154)**
Derecognition - Disposals	(6,095)	(12,879)	0	0	0	0	**(18,974)**
Derecognition - other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	64,361	5,222	0	0	149	(69,732)	**0**
At 31 March 2023	**681,311**	**633,965**	**26,930**	**4,039**	**2,144**	**85,016**	**1,433,405**
Accumulated Depreciation and Impairment							
At 31 March 2022	**0**	**704**	**6,706**	**402**	**0**	**0**	**7,812**
Depreciation Charge	10,081	6,411	4,090	89	0	0	**20,671**
Depreciation written out upon Revaluation:							
Revaluation Reserve	(5,245)	(5,277)	0	0	(5)	**0**	**(10,527)**
CI &ES	(4,836)	(556)	0	0	0	**0**	**(5,392)**
Derecognition - Disposals	0	(87)	0	0	0	**0**	**(87)**
Reclassifications	0	(5)	0	0	5	**0**	**0**
At 31 March 2023	**0**	**1,190**	**10,796**	**491**	**0**	**0**	**12,477**
Net book value at 31 March 2023	**681,311**	**632,775**	**16,134**	**3,548**	**2,144**	**85,016**	**1,420,928**
Net book value at 31 March 2022	**671,117**	**608,316**	**13,503**	**3,214**	**1,938**	**107,887**	**1,405,975**

14. Property, Plant and Equipment

Movements in Balances 2021/22

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Gross Book Value	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 March 2021	**644,663**	**580,531**	**23,106**	**3,567**	**1,795**	**72,026**	**1,325,688**
Additions	46,071	7,977	5,008	49	0	58,753	**117,858**
Revaluation increases/(decreases) to :							
Revaluation Reserve	(23,198)	(650)	0	0	633	0	**(23,215)**
Revaluation gains to the CI&ES	14,790	(5,574)	0	0	(490)	0	**8,726**
Derecognition - Disposals	(7,311)	(42)	(7,905)	0	0	0	**(15,258)**
Derecognition - other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	(3,898)	26,790	0	0	0	(22,892)	**0**
At 31 March 2022	**671,117**	**609,032**	**20,209**	**3,616**	**1,938**	**107,887**	**1,413,799**
Accumulated Depreciation and Impairment							
At 31 March 2021	**0**	**764**	**9,997**	**325**	**0**	**0**	**11,086**
Depreciation Charge	9,635	5,846	4,614	77	14	**0**	**20,186**
Depreciation written out upon Revaluation:							
Revaluation Reserve	(9,635)	(4,455)	0	0	(14)	**0**	**(14,104)**
CI&ES	0	(1,439)	0	0	0	**0**	**(1,439)**
Derecognition - Disposals	0	0	(7,905)	0	0	**0**	**(7,905)**
Reclassifications	0	0	0	0	0	**0**	**0**
At 31 March 2022	**0**	**716**	**6,706**	**402**	**0**	**0**	**7,824**
Net book value at 31 March 2022	**671,117**	**608,316**	**13,503**	**3,214**	**1,938**	**107,887**	**1,405,975**
Net book value at 31 March 2021	**644,663**	**579,767**	**13,109**	**3,242**	**1,795**	**72,026**	**1,314,602**

14.a Highways Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.
The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Movement on Balances

	2021/22	2022/23
	£000	£000
Net Book Value (modified historical cost)		
at 1 April	**117,558**	**124,794**
Additions	14,581	10,451
Derecognition	0	0
Depreciation	(7,345)	(7,815)
Impairment	0	0
Oher Movement in Costs	0	0
at 31 March	**124,794**	**127,430**

Reconciliation of Highways and Other PPE assets to Balance Sheet figure

	31 March 2022	31 March 2023
	£000	£000
Net Book Value (modified historical cost)		
Infrastructure Asset	124,794	127,430
Other PPE Assets	1,405,975	1,420,928
Total PPE Assets	**1,530,769**	**1,548,358**

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

14.b Plant, Property & Equipment continued

Capital Commitments

Estimated future capital commitments are shown below. Payment for these schemes will be incurred in 2023/24.

31 March 2022 £000		31 March 2023 £000
	General Fund	
7,995	Arts, culture, sport and leisure	2,015
13,380	Roads, footways and bridges	1,553
4,395	Education capital schemes	11,160
175,343	Town centre and environmental Improvements	272,632
15,684	Office accommodation, equipment, ICT and vehicles	21,411
6,687	Other smaller General Fund schemes	6,890
223,484	**Total General Fund commitments**	**315,661**
220,692	Housing Revenue Account	216,355
444,176	**Total commitments**	**532,016**

Revaluations

The following statement shows the progress of the Authority's rolling programme for the revaluation of fixed assets. The valuations are reviewed in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Assets Valuation Standards Committee of the Royal Institution of Chartered Surveyors. The basis for valuation is set out in the statement of accounting policies. Valuations are carried out by our external valuers, Wilks Head and Eve, and by the Authority's Property Strategy Manager on the basis of a five year rolling programme; the most recent of which was carried out on 31 March 2023.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	-	-	16,134	127,430	3,548	-	85,016	**232,128**
Valued at fair value as at:								
31 March 2023	681,311	576,345	-	-	-	2,144	-	**1,259,800**
31 March 2022	-	10,126	-	-	-	-	-	**10,126**
31 March 2021	-	22,346	-	-	-	-	-	**22,346**
31 March 2020	-	9,657	-	-	-	-	-	**9,657**
31 March 2019	-	14,301	-	-	-	-	-	**14,301**
Total cost or valuation	**681,311**	**632,775**	**16,134**	**127,430**	**3,548**	**2,144**	**85,016**	**1,548,358**

15. Heritage Assets

Carrying value of heritage assets held by the Authority

Cost or Valuation	Civic Regalia £'000	Heritage Buildings £'000	Total Assets £'000
31 March 2019	**110**	**23**	**133**
Depreciation	0	(1)	(1)
Revaluation	0	0	0
31 March 2020	**110**	**22**	**132**
Depreciation	0	(1)	(1)
Revaluation	0	2,150	2,150
Transfers	0	38	38
31 March 2021	**110**	**2,209**	**2,319**
Depreciation	0	95	95
Revaluation	0	(27)	(27)
Transfers	0	0	0
31 March 2022	**110**	**2,277**	**2,387**
Additions	0	4	4
Depreciation	0	(29)	(29)
Revaluation	0	0	0
31 March 2023	**110**	**2,252**	**2,362**

16. Investment Properties and Joint Ventures Investment

a) The following items of income and expense have been accounted for in the Financing and Investment

2021/22 £000		2022/23 £000
4,384	Rental income from investment property	4,333
(427)	Direct operating expenses arising from investment property	(674)
3,957	**Net gain**	**3,659**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or
b) The following table summarises the movement in the fair value of investment properties over the year.

2021/22 £000		2022/23 £000
64,552	**Opening Balance**	**61,313**
(3,239)	Revaluation gains/(loss) from fair value adjustment	(925)
0	Additions	0
0	Assets reclassified	0
0	Disposal of investment properties	(12,264)
61,313	**Balance at the end of the year**	**48,124**

The valuation of the Authority's investment property portfolio in 2022/23 was undertaken by Wilks Head & Eve who provide specialist valuations advice and who have extensive experience in the property sector.

c) Investments within the group balances

Mercury Land Holding hold £54.571m in investment properties that on an open market value for existing use basis.

The Council has two property joint ventures of which the Council holds a stake of property under development. At 31 March 2023, the Council share of the developments under construction were 50% of Rainham & Beam Park (£2.4m) and 50% of Havering & Wates (12 Estates) (£15.7m). The Bridge Close se are shown under investment in joint ventures. The Bridge Close wholly controlled subsidiary has £29.3m of property shown under property, plant and equipment in the group balance sheet.

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2023 and 2022 are as follows:

31st March 2023

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2023 £000
Office units	0	3,311	0	3,311
Commercial units	0	44,813	0	44,813
Total	**0**	**48,124**	**0**	**48,124**

31st March 2022 Comparative Figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2022 £000
Office units	0	3,134	0	3,134
Commercial units	0	58,179	0	58,179
Total	**0**	**61,313**	**0**	**61,313**

Transfers between Levels of the Fair Value Hierarchy
There were no transfers between Levels during the year.

Highest and Best Use of Investment Properties
In estimating the fair value of the authority's investment properties, the highest and best use of the asset has been used.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with property services and the capital finance manager reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

d) Investment in Subsidiaries and Joint Ventures

2021/22 £000	Investments in subsidiary companies and Joint Ventures:	2022/23 £000
13,980	Opening Balance	13,410
0	Reclassification *	0
430	Additions*	6,501
(1,000)	Repayment	0
13,410	Closing Balance	19,911

Investments in Bridge Close LLP and the Havering and Wates joint venture are classified as long-term debtors to acknowledge repayment at end of joint venture.

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Mercury Land Holding	England	Ordinary	100%	Development of the building project
Bridge Close	England	Ordinary	100%	Development of the building project

Joint Ventures
The following are joint ventures of the Council:

Name	Corporation of incorporation	Class of shares	Holding	Principal activity
Havering & Wates	England	Ordinary	50%	Development of the building project
Rainham & Beam Park	England	Ordinary	50%	Development of the building project

17. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets represent the value of purchased licences only.

The maximum life attributed to software assets is currently five years on the grounds that it is a reasonable estimate of the life of computer systems and is the life applied to computer hardware for depreciation purposes.

The movement on Intangible Asset balances during the year is as follows:

2021/22 £000	**Intangible fixed assets software and system development**	**2022/23 £000**
3,008	Gross carrying amounts	1,848
(2,387)	Less accumulated amortisation	(1,579)
621	**Net carrying amount at start of year**	**269**
15	Additions – purchases	0
0	Disposals	0
(367)	Less amortisation for the period	(57)
269	**Net carrying amount at end of year**	**212**
	Comprising:	
1,848	Gross carrying amounts	1,848
(1,579)	Less accumulated amortisation	(1,636)

18. Financial Instruments

(a) Financial Instruments - Classification

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

Financial Liabilities

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

The Authority's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities or public sector bodies
- trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications. Financial assets are classified into one of three categories. Financial assets held at amortised cost. Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVTPL). All the Authority's financial assets have been assessed to be held at amortised cost; these represent loans and loan-type arrangements where repayments or interest and principal takes place on set dates and at specified amounts. Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses (ECL) model. Changes in loss allowances (including balances outstanding at the dates of derecognition of an asset) are debited / credited to the Financing and Investment Income and Expenditure lines in the CIES.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash in hand
- bank current and deposit accounts
- fixed term deposits and reverse repurchase agreements with banks and building societies
- loans to other local authorities
- loans to small companies
- trade receivables for goods and services delivered

(b) Financial Instruments - Balances

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

31 March 2022		Financial Liabilities	31 March 2023	
Long-Term £000	**Short-Term £000**		**Long-Term £000**	**Short-Term £000**
		Loans at amortised cost:		
		PWLB		
307,124		- Principal borrowed	307,124	
	802	- Accrued interest		764
		Market Loan		
7,000		- Principal borrowed	7,000	
	92	- Accrued interest		91
		Other Loans		
	867	- Principal borrowed	652	13,018
	0	- Accrued interest		67
314,124	**1,761**	**Total borrowing ***	**314,776**	**13,940**
		Liabilities at amortised cost:		
		Trade payables		
	84,925	- Trade Creditors		56,463
0	**84,925**	**Included in creditors**	0	**56,463**
314,124	**86,686**	**Total financial liabilities**	**314,776**	**70,403**

* The total short-term borrowing includes £0.855m (2021/22: £0.894m) representing accrued interest on long-term borrowing (PWLB £764k & LOBO Market Loan £91k)

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

31 March 2022		Financial Assets	31 March 2023	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
		Loans and receivables:		
	85,000	- Principal at amortised cost		0
	110	- Accrued interest		0
		- Other Principal at amortised cost		
0	**85,110**	**Total Investments ***	**0**	**0**
		Loans and receivables:		
	8,283	- Cash (including bank accounts)		4,908
	52,000	- Cash equivalents at amortised cost		30,200
0	**60,283**	**Total cash and cash equivalents**	**0**	**35,108**
		Loans and receivables		
54,383	63,878	- Trade receivables	73,712	56,580
54,383	**63,878**	**Included in debtors**	**73,712**	**56,580**
54,383	**209,271**	**Total financial assets**	**73,712**	**91,688**

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

31 March 2022		Financial Assets	31 March 2023	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
		Loans and receivables:		
	85,000	- Principal at amortised cost		0
	110	- Accrued interest		0
0	**85,110**	**Total investments**	**0**	**0**
		Loans and receivables:		
	9,198	- Cash (including bank accounts)		4,908
	52,000	- Cash equivalents at amortised cost		30,200
0	**61,198**	**Total cash and cash equivalents**	**0**	**35,108**
		Loans and receivables		
60	67,375	- Trade receivables	47	56,580
60	**67,375**	**Included in debtors**	**47**	**56,580**
60	**213,683**	**Total financial assets**	**47**	**91,688**

(c) Financial Instruments - Gains and Losses

Gains and losses in 2022/23 were as follows:

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

	Financial Liabilities		Financial Assets		2022/23 Total
	Amortised Cost	Fair Value though CI&ES	Amortised Cost	Fair Value though CI&ES	
	£000	£000	£000	£000	£000
Interest expense	9,423				9,423
Interest payable and similar charges	**9,423**	**0**	**0**	**0**	**9,423**
Interest income			(5,148)		(5,148)
Increases in fair value					0
Interest and investment income	**0**	**0**	**(5,148)**	**0**	**(5,148)**
Changes in value of investment properties				925	925
Income and expenditure relating to investment properties				(3,659)	(3,659)
Pensions Net Interest		12,900			12,900
Impact in Other Comprehensive Income *	**0**	**12,900**	**0**	**(2,734)**	**10,166**
Net gain (loss) for the year	**9,423**	**12,900**	**(5,148)**	**(2,734)**	**14,441**

* Not financial instruments but included to reconcile to note 12

Gains and losses in 2021/22 were as follows:

	Financial Liabilities		Financial Assets		2021/22
	Amortised Cost	Fair Value though CI&ES	Amortised Cost	Fair Value though CI&ES	Total
	£000	£000	£000	£000	£000
Interest expense	8,201				8,201
Interest payable and similar charges	**8,201**	**0**	**0**	**0**	**8,201**
Interest income			(3,647)		(3,647)
Increases in fair value					0
Interest and investment income	**0**	**0**	**(3,647)**	**0**	**(3,647)**
Changes in value of investment properties				2,803	2,803
Income and expenditure relating to investment properties				(4,107)	(4,107)
Pensions Net Interest		9,650			9,650
Impact in Other Comprehensive Income *	**0**	**9,650**	**0**	**(1,304)**	**8,346**
Net gain (loss) for the year	**8,201**	**9,650**	**(3,647)**	**(1,304)**	**12,900**

(d) Financial Instruments - Fair Values

Financial assets classified as available for use are carried in the Balance Sheet at fair value. For most assets, including bonds the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows as at 31 March 2023. LINK, the Council's adviser have provided the fair value calculations.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been calculated using the PWLB new market loan discount rate. This involves using level two inputs.
- The fair values of Public Works Loan Board (PWLB) loans are calculated using the premature repayment rate published by the PWLB at 31st March 2023.
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

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

31 March 2022			Fair Value Level	31 March 2023	
Balance Sheet £000	**Fair Value £000**			**Balance Sheet £000**	**Fair Value £000**
		Financial liabilities held at amortised cost:			
307,124	369,018	- Long-term loans from PWLB		307,124	266,905
7,000	11,786	- Long-term LOBO loans		7,000	7,278
		- Other long-term loans		652	652
867	616	- Other Short-term loans		13,018	13,667
894	894	- Accrued interest		922	922
315,885	**382,314**	**Total**		**328,716**	**289,424**
84,925	84,925	Liabilities for which fair value is not disclosed		56,463	56,463
400,810	**467,239**	**Total Financial Liabilities**		**385,179**	**345,887**

31 March 2022 Balance Sheet £000	31 March 2022 Fair Value £000		Fair Value Level	31 March 2023 Balance Sheet £000	31 March 2023 Fair Value £000
		Recorded on balance sheet as:			
84,925	84,925	- Short-term creditors		84,925	84,925
867	616	- Short-term borrowing		867	616
314,124	380,805	- Long-term borrowing		314,124	380,805
399,916	**466,346**	**Total Financial Liabilities**		**399,916**	**466,346**

The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Authority's portfolio of loans include a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

31 March 2022 Balance Sheet £000	31 March 2022 Fair Value £000		Fair Value Level	31 March 2023 Balance Sheet £000	31 March 2023 Fair Value £000
		Financial assets held at amortised cost:			
		Loans & Receivables			
53,313	53,220	- Long-term other loans		73,712	73,712
15,000	14,971	- Short-term loans to local authorities	2	0	0
70,000	69,999	- Short-term bank deposits	2	0	0
0	0	- Money market funds	2	0	0
		- Covered Bond			
110	110	- Accrued interest		0	0
		Cash and Cash equivalents			
8,283	8,283	- Cash amortised cost		4,908	4,908
52,000	52,000	- Cash equivalents at amortised cost		30,200	30,200
198,706	**198,583**	**Total**		**108,820**	**108,820**
63,878	63,878	Assets for which fair value is not disclosed *		56,580	56,580
262,584	**262,461**	**Total Financial Assets**		**165,400**	**165,400**
		Recorded on balance sheet as:			
53,313	53,220	- Long-term debtors		73,712	73,712
0	0	- Long-term investments		0	0
63,878	63,988	- Short-term debtors		56,580	56,580
85,110	84,970	- Short-term investments		0	0
60,283	60,283	- Cash and cash equivalents		35,108	35,108
262,584	**262,461**	**Total Financial Assets**		**165,400**	**165,400**

The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

(e) Financial Instruments - Risks

The Authority has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities.

As part of the adoption of the Treasury Management Code, the Authority approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Authority also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Authority's Treasury Management Strategy and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

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

Credit Risk: Investments

The Authority manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Authority has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Authority has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of 10% of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The Authority also sets limits on investments in certain sectors.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £70.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recovery applies to all of the Authority's deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

The Annual Investment Strategy (details of which are available on the Council's web site) requires the Authority to maintain a counterparty list that follows the criteria set out in the Treasury Management Practices. Creditworthiness is assessed by the use of credit rating provided by Fitch, Moody's, and Standard and Poor ratings to assess an institution's long and short-term financial strength. Other information provided by Brokers, Advisers, and Financial and Economic reports is also collated and assessed to produce rating parameters to monitor each individual institution. Credit watches and outlooks from credit rating agencies, credit default to give early warning of likely changes in credit ratings and sovereign ratings. Only highly quality rated counterparties are included on the lending list.

Local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparties for a financial asset is central government or a local authority for which relevant statutory provision prevent default.

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

31 March 2022		Credit Rating	31 March 2023	
Long-term £000	Short-term £000		Long-term £000	Short-term £000
0	0	AAA	0	0
0	0	AA+	0	0
0	0	AA	0	0
0	15,000	AA-	0	0
0	25,000	A+	0	0
0	45,000	A	0	0
0	0	A-	0	0
0	0	Unrated local authorities	0	0
0	0	Unrated Corporate Bonds	0	0
0	**85,000**	**Total Investments**	**0**	**0**

Credit Risk: Receivables

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 services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- most accruals are automatically generated by the feeder system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de minimis for 2022/23 is £50,000.

The Authority's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Authority's potential maximum exposure credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for current market conditions. Only those receivables meeting the definition of a financial asset are included.

Credit risk exposure 31 March 2022 £000		Gross balance of debtors £000	Average % default based on past experience %	Average % default based on current experience %	Credit risk exposure 31 March 2023 £000
0	Capital	683	0	0	0
7,299	Housing	13,157	71	61	7,966
469	Social Services	13,148	7	6	824
9,619	Parking	14,866	90	90	13,435
0	Other local authorities	3,211	0	0	0
0	Health authorities	7,147	0	0	0
3,849	Other sundry debtors	26,380	11	18	4,821
21,236	**Total**	**78,592**	**27**	**34**	**27,046**

Liquidity Risk

The Authority has ready access to borrowings from the Public Works Loan Board, other local authorities, banks and corporates. There is no perceived significant risk that the Authority will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourable interest rates.

Refinancing Risk

The Authority approved Treasury and investment strategies are set to avoid the risk of refinancing on unfavourable terms. The treasury team address the operation risks within approved parameters.

The maturity analysis of the principal sums borrowed is as follows:

31 March 2022 £000	Time to maturity (years)	31 March 2023 £000
866	Not over 1	13,670
0	Over 1 but not over 2	0
20,554	Over 2 but not over 5	38,057
85,561	Over 5 but not over 10	84,582
63,050	Over 10 but not over 20	46,525
0	Over 20 but not over 30	0
32,960	Over 30 but not over 40	32,960
105,000	Over 40	105,000
7,000	Uncertain date	7,000
314,991	**Total**	**327,794**

The Authority has £7m of “Lender’s option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Authority will then have the option to accept the new rate or repay the loan without penalty.

Market Risks: 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 will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on 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. The Authority has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year.

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

	2022/23 £000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Impact on comprehensive income and expenditure	0
Decrease in fair value of loans and receivables *	0
Decrease in fair value of fixed rate borrowing liabilities *	(31,292)

* Borrowings are not carried at fair value, so nominal gain and losses on fixed rate borrowings would not impact on comprehensive income and expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements reversed.

19. Debtors

Short-Term Debtors

31 March 2022 £000 Gross	Impairment Allowance		Net		31 March 2023 £000 Gross	Impairment Allowance		Net
				Collection Fund Debtors				
17,836	(11,456)	*	6,380	Council Tax payers	18,849	(12,589)	*	6,260
991	(724)	*	267	Business Rate payers	1,127	(750)	*	377
				Other Debtors				
6,634	0	*	6,634	Government departments	7,828	0	*	7,828
384	0		384	Capital	683	0		683
10,543	(7,299)		3,244	Housing	13,157	(7,966)		5,191
9,301	(7,542)	*	1,759	Housing Benefit	9,147	(7,493)	*	1,654
9,990	(469)		9,521	Social Services	13,148	(824)		12,324
10,362	(9,619)		743	Parking Enforcement	14,866	(13,435)		1,431
161	0		161	Other local authorities	3,211	0		3,211
15,481	0		15,481	Health authorities	7,147	0		7,147
3,998	0		3,998	Mercury Land Holdings	5,033	0		5,033
34,195	(3,849)		30,346	Other sundry debtors	26,380	(4,821)		21,559
119,876	**(40,958)**		**78,918**	**Total Short-Term debtors**	**120,576**	**(47,878)**		**72,698**

* These debtors are not included in Note 18(b), Financial Instruments (balances), as they do not meet the definition of a financial asset.

Government departments, capital, and other local authorities do not have an impairment allowance applied.

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

31 March 2022 £000	Age of Debtors	31 March 2023 £000
5,232	Less than 1 year	5,551
3,034	Between 1 and 2 years	3,219
2,577	Between 2 and 3 years	2,734
7,984	More than 3 years	8,471
18,827	**Balance at end of the year**	**19,975**

Long-Term Debtors

31 March 2022 £000		31 March 2023 £000
28,880	Mercury Land Holdings	30,075
7,527	Wates JV*	15,662
17,916	Bridge Close LLP*	27,928
60	Other	47
54,383	**Total Long-Term Debtors**	**73,712**

* Loans to Wates JV and Bridge Close LLP reclassified as long term debtors during 2021/22.

20. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2022 £000		31 March 2023 £000
1,068	Bank current accounts	(2,080)
52,000	Short-term deposit with DMA	30,200
7,215	Schools – under the LMS cheque book scheme	6,988
60,283	**Total cash and cash equivalents**	**35,108**

21. Assets Held for Sale

The following table summarises the movement in the fair value of assets held for sale over the year.

31 March 2022 £000		31 March 2023 £000
0	**Opening Balance**	**0**
0	Revaluation gains from fair value adjustments	0
0	Assets reclassified	0
0	Disposals	0
0	**Balance at end of the year**	**0**

22. Short-Term Creditors

31 March 2022 £000		31 March 2023 £000
	Collection Fund creditors	
8,182	Council Tax payers *	8,674
1,658	Business Rates payers *	1,949
13,696	Greater London Authority *	11,337
11,703	Central Government (NNDR)*	13,794
	Other Creditors	
16,265	Central Government *	6,293
2,991	HMRC *	2,368
13,779	Pension Fund *	15,338
6,360	Capital creditors	2,845
58,015	Other sundry creditors	46,713
20,550	Income in advance	6,905
153,199	**Total**	**116,216**

* These creditors are not included in Note 18(b), Financial Instruments, as they do not meet the definition of a financial liability.

23. Provisions

2022/23	Self Insurance £000	Collection Fund £000	Other Provisions £000	Total £000
Balance at 31 March 2022	**3,554**	**7,209**	**0**	**10,763**
Additional provisions made in year	158			**158**
Amounts used in year		(3,628)		**(3,628)**
Transfer to revenue				**0**
Balance at 31 March 2023	**3,712**	**3,581**	**0**	**7,293**

Self-Insurance Provision

The Authority's insurance cover is arranged with Zurich Municipal with substantial excesses for which a self-insurance provision is maintained. The self-insurance provision has been set up to meet the excesses on the Authority's public and employer's liability, property and motor vehicle insurance policies. It is not possible to determine the precise timing of the settlement of claims relating to this provision. The excess levels at 1 July 2019 were; public and employer's liability (£125,000), motor vehicles (£25,000) and property (£50,000).

Collection Fund Provision

As part of the changes in business rate retention, the Authority is required to create a provision in respect of outstanding appeals. These appeals are currently with the Valuation Office Agency for review and, as a result, it is not possible to determine the precise timing of the settlement of claims relating to this provision. Based on estimates on the likely settlement year, we could assume that 20% (£4.8 million will be settled within the next financial year, but this is a very high-level estimate. Only the Authority's 30% share of the appeals is recorded within the provision note.

24. Usable Reserves

31 March 2022 £000		31 March 2023 £000
10,942	General Fund balance	8,155
68,997	Earmarked Reserves	49,834
19,574	Housing Revenue Account balance	24,820
52,503	Capital Grants Unapplied	66,224
55,997	Capital Receipts Reserve	56,433
8,660	Major Repairs Reserve	3,863
216,673	**Total usable reserves**	**209,329**

25. Unusable Reserves

31 March 2022 £000		31 March 2023 £000
476,149	Revaluation Reserve	439,969
719,227	Capital Adjustment Account	694,264
(378)	Financial Instruments Adjustment Account	(378)
(475,094)	Pension Reserve	(136,692)
69	Deferred Capital Receipts Reserve	69
(7,918)	Collection Fund Adjustment Account	2,419
(4,320)	Dedicated School Grant Reserve (see note 34)	(8,258)
(4,633)	Accumulated Absences Account	(3,639)
703,102	**Total unusable reserves**	**987,754**

a) Revaluation Reserve

The Revaluation reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. 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 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capitals Adjustment Account.

31 March 2022 £000		31 March 2023 £000
489,323	**Balance at 1 April**	**476,149**
(9,111)	Net gain/(deficit) on revaluation of fixed assets	(23,506)
(4,063)	Excess of Fair Value Depreciation over Historical costs depreciation	(3,983)
0	Removal of Revaluation balance upon sale	(8,691)
0	Other Adjustments	0
476,149	**Balance at 31 March**	**439,969**

b) Financial Instruments Available for Sale Reserve

This reserve is used for the accounting entries for a covered bond and Floating Rate Notes that were purchased in 2015/16 and 2016/17 respectively which were valued on the balance sheet at fair value. No differences in value were credited to the Comprehensive Income and Expenditure Statement in 2022/23 or 2021/22. Any sum charged to the Comprehensive Income and Expenditure Statement is subsequently transferred out through the movement in reserves statement and recorded in the Financial Instruments Available for Sale Reserve in accordance with statutory requirements.

c) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22 £000		2022/23 £000
674,082	**Balance at 1 April**	**719,227**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(27,559)	Net charges for depreciation of non-current assets	(28,516)
10,165	Net charges for impairment of non-current assets	(35,761)
0	Net charges for de-recognition of non-current assets	0
0	Mitigation of PPP Capitalised	0
(368)	Amortisation of intangible assets	(56)
(11,904)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(31,463)
	Adjusting amounts written out of the Revaluation Reserve	
4,063	Excess of Fair Value Depreciation over Historical costs depreciation	3,983
0	Removal of Revaluation balance upon sale	8,691
0	Other	0
(25,603)	**Net written out amount of the cost of non-current assets consumed in the year**	**(83,122)**
	Capital financing applied in the year:	
10,403	Use of the Capital Receipts Reserve to finance new capital expenditure	18,657
14,785	Use of the Major Repairs Reserve to finance new capital expenditure	15,259
37,323	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	17,807
8,389	Statutory provision for the repayment of debt	5,618
8,731	Capital expenditure charged against the General Fund and HRA balances	4,487
79,631	**Capital financing applied in year**	**61,828**
(5,644)	**Revenue expenditure funded from capital under statute**	**(2,744)**
(3,239)	**Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement**	**(925)**
719,227	**Balance at 31 March**	**694,264**

d) 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.

2021/22 £000		2022/23 £000
(378)	**Balance at 1 April**	(378)
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0
(378)	**Balance at 31 March**	**(378)**

e) 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 employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2021/22 £000		2022/23 £000
(545,811)	**Balance at 1 April**	**(475,094)**
90,799	Actuarial gains or (losses) on pensions assets and liabilities	357,096
(55,726)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(57,169)
35,644	Employer's pensions contributions and direct payments to pensioners payable in the year	38,475
(475,094)	**Balance at 31 March**	**(136,692)**

f) Deferred Capital Receipts Reserve

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

2021/22 £000		2022/23 £000
69	**Balance at 1 April**	**69**
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
69	**Balance at 31 March**	**69**

g) Collection Fund Adjustment Account

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

2021/22 £000		2022/23 £000
(19,100)	**Balance at 1 April**	**(7,918)**
11,182	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	10,337
(7,918)	**Balance at 31 March**	**2,419**

h) 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. The COVID restrictions have led to officers rolling over high annual leave balances at 31 March 2023 and this has caused the increase in the account.

2021/22 £000		2022/23 £000
(6,282)	**Balance at 1 April**	**(4,633)**
6,282	Settlement or cancellation of accrual made at the end of the preceding year	4,633
(4,633)	Amounts accrued at the end of the current year	(3,639)
1,649	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	994
(4,633)	**Balance at 31 March**	**(3,639)**

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2021/22 Authority £000	2021/22 Group £000		2022/23 Authority £000	2022/23 Group £000
17,394	17,395	Depreciation, impairment and downward revaluation	64,277	64,277
368	368	Amortisation	56	56
41,871	42,166	Movement in creditors	(36,983)	(37,425)
(11,872)	(12,628)	Movement in debtors	6,220	6,094
(1,439)	(1,439)	Movement in long-term debtors	(19,329)	(19,329)
(54)	(54)	Movement in inventories	(19)	(19)
20,082	20,115	Movement in pension liability	18,694	18,725
(191)	(191)	Increase / (decrease) in provisions	(3,471)	(3,471)
11,904	11,648	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	31,463	31,321
8,761	8,761	Other non-cash items charged to the net surplus or deficit on the provision of services	3,660	3,660
86,824	**86,141**	**Net cash flows from operating activities**	**64,568**	**63,889**

Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities:

2021/22 Authority £000	2021/22 Group £000		2022/23 Authority £000	2022/23 Group £000
(38,236)	(38,236)	Capital grants credited to the Consolidated Income and Expenditure Statement	(31,528)	(31,528)
(20,076)	(20,076)	Proceeds from sale of fixed assets	(19,800)	(19,800)
(58,312)	**(58,312)**	**Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities**	**(51,328)**	**(51,328)**

27. Cash Flow Statement – Investing Activities

2021/22 Authority £000	2021/22 Group £000		2022/23 Authority £000	2022/23 Group £000
(139,168)	(139,342)	Purchase of property, plant and equipment, investment property and intangible assets	(116,522)	(133,376)
(1,282,342)	(1,281,545)	Purchase of short-term and long-term investments	(8,321,824)	(8,311,811)
20,076	20,913	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	19,800	26,010
43,824	43,824	Capital grants received	33,270	33,270
1,307,913	1,307,913	Proceeds from short-term and long-term investments	8,390,310	8,390,310
(49,697)	**(48,237)**	**Net cash flows from investing activities**	**5,034**	**4,403**

28. Cash Flow Statement – Financing Activities

2021/22 Authority £000	2021/22 Group £000		2022/23 Authority £000	2022/23 Group £000
53,376	53,376	Cash receipts of short-term and long-term borrowing	37,198	39,018
(19,318)	(23,901)	Repayments of short-term and long-term borrowing	(24,365)	(24,365)
34,058	**29,475**	**Net cash flows from financing activities**	**12,833**	**14,653**

29. Trading Operations

2021/22 (Surplus)/ Deficit £000		2022/23 Income £000	2022/23 Expenditure £000	2022/23 (Surplus)/ Deficit £000
	a) Open Air Market			
276	The Authority operates an open air market four days a week	(375)	622	247
	b) Other Trading Accounts			
(725)	Highways	(1,181)	1,214	33
351	Schools/Welfare Catering	(7,946)	8,294	348

Open Air Market – The Market trading results have improved for 22-23 when comparing with 21-22 due to the growth of trading income. The market now trades four days a week.

Highways – Actual deficit income is now £0.033m in comparison to the surplus figure of £0.724m in 2021/22. This is due to crossover income being separated into a stand alone area.

Schools/Welfare Catering -In 2022/23, the Borough Catering Service has a deficit of £229k before overheads. Once the overheads are applied the deficit increases to £348k. The trading position was adversely impacted by the 22/23 pay award, which had a disproportionate effect on the Service due to the large number of lower paid employees.

30. Pooled Budgets

Mental Health

Under the National Health Services Act 2006 & Local Government Acts 1972 & 2000, a partnership arrangement was established with the North East London Foundation Trust (NELFT). The agreement provides for The London Borough of Havering (LBH) to host a pooled budget between the two partners (although NELFT became the host partner from January 2011). This includes integrated services and joint commissioning in relation to the provision of Health & Social Care Services, for Adults with Mental Health (MH) issues who qualify for such provision. The pooled budget is accounted for under a joint arrangement

2021/22 £000		2022/23 £000
	Funding	
1,337	Section 75 Joint Pooled Budget between London Borough of Havering and North East London Foundation Trust	1,476
72	Recharges (excluded from the Pooled Budget)	531
1,942	Non Pooled Budget codes	2,208
3,351	**Total funding**	**4,215**
2,843	**Final outturn**	**4,011**

Adult Services – Better Care Fund

Under the National Health Services Act 2006 section 13Z (2) and 14Z (3) & Local Government Acts 1972 & 2000, a partnership arrangement was established with NHS Havering Clinical Commissioning Group (CCG).

The agreement provides for The London Borough of Havering (LBH) to host a pooled budget between the two partners, out of which payment was made towards expenditure incurred in the exercise of prescribed local authority functions and prescribed NHS functions through joint commissioning arrangements.

The agreed Pooled budget between LBH and the CCG is split into three main parts which are activities relating to Capital, Commissioned services and items charged with LBH revenue costs.

The pooled budget is accounted for under a joint arrangement.

Expenditure in 2022/23 was as follows:

Section 75 Joint Pooled Budget between LBH and CCG	Budget 2022/23 £000	Actual 2022/23 £000	BCF Funding Outturn 2022/23 £000
LBH Funding - Capital			
Disability Facility Grant Allocation	2,057	2,014	(43)
Net Pooled Capital	**2,057**	**2,014**	**(43)**
LBH Funding Revenue - CCG Commissioned Services	**12,240**	**12,240**	**0**
Minimum CCG Contribution - Expenditure	11,864		
CCG Minimum Contribution -to be paid back to the CCG monthly - Home First	50		
CCG Minimum Contribution -to be paid back to the CCG monthly - Ageing Well	326		
Revenue - CCG/ LBH			
Minimum CCG Contribution - Expenditure	**9,030**	**9,030**	**0**
CCG Minimum contribution representing ex256 monies	5,500		
CCG minimum contribution element for services commissioned on behalf of CCG - Reablement	1,379		
CCG minimum contribution element for services commissioned on behalf of CCG - Riverside	172		
CCG contribution to Care Act	727		
CCG contribution to Home, Settle and Support Service (HSSS)	178		
CCG contribution to Local Area Co-ordinators	200		
LBH Additional Contribution	874		
Additional CCG Contribution (Non-Recurrent)	**4,879**	**0**	**(4,879)**
Discharge Support	3,300		
Ageing Well	1,578		
Improved Better Care Fund	**6,624**	**6,624**	**0**
Net Pooled Revenue	**32,773**	**27,894**	**(4,879)**
Total Pooled	**34,830**	**29,908**	**(4,922)**

Underspend on capital has been carried forward into the following financial year (2023/24).

Comparative figures for 2021/22 are as follows:

Section 75 Joint Pooled Budget between LBH and CCG	Budget 2021/22 £000	Actual 2021/22 £000	BCF Funding Outturn 2021/22 £000
LBH Funding - Capital			
Disability Facility Grant Allocation	2,057	2,014	(43)
Net Pooled Capital	**2,057**	**2,014**	**(43)**
LBH Funding Revenue - CCG Commissioned Services	**12,240**	**12,240**	**0**
Minimum CCG Contribution - Expenditure	**11,864**	**11,516**	**0**
CCG Minimum Contribution -to be paid back to the CCG monthly - Home First	50		
CCG Minimum Contribution -to be paid back to the CCG monthly - Ageing Well	326		
Revenue - CCG / LBH			
Minimum CCG Contribution - Expenditure	**9,030**	**9,030**	**0**
CCG Minimum contribution representing ex256 monies	5,500	5,500	
CCG minimum contribution element for services commissioned on behalf of CCG - Reablement	1,379	1,379	
CCG minimum contribution element for services commissioned on behalf of CCG - Riverside	172	172	
CCG contribution to Care Act	727	727	
CCG contribution to Home, Settle and Support Service (HSSS)	178	178	
CCG contribution to Local Area Co-ordinators	200	200	
LBH Additional Contribution	874	874	
Additional CCG Contribution (Non-Recurrent)	**4,878**	**0**	**0**
Discharge Support	3,300		
Ageing Well	1,578		
Improved Better Care Fund	**6,624**	**6,624**	
Net Pooled Revenue	**32,772**	**27,894**	
Total Pooled	**34,829**	**29,908**	**(701)**

31. Members' Allowances

Payments in year were £889,520 including expenses (£1,006,602 in 2021/22). Additionally, payments to co-opted members totalled £1,117 (£1,117 in 2021/22).

32. Officers' Remuneration

The number of employees (including teaching staff) whose remuneration, excluding employer pension contributions, was £50,000 or more, in bands of £5,000 was:

			2021/22			2022/23		
Lower Band		Upper Band	Schools	Other	**Total**	Schools	Other	**Total**
£50,000	-	£55,000	49	77	**126**	59	109	**168**
£55,000	-	£60,000	17	52	**69**	25	81	**106**
£60,000	-	£65,000	19	22	**41**	18	41	**59**
£65,000	-	£70,000	7	10	**17**	11	26	**37**
£70,000	-	£75,000	14	5	**19**	12	15	**27**
£75,000	-	£80,000	8	18	**26**	9	3	**12**
£80,000	-	£85,000	8	4	**12**	7	20	**27**
£85,000	-	£90,000	5	9	**14**	6	6	**12**
£90,000	-	£95,000	3	5	**8**	1	9	**10**
£95,000	-	£100,000	1	4	**5**	2	5	**7**
£100,000	-	£105,000	1	3	**4**	0	1	**1**
£105,000	-	£110,000	2	1	**3**	2	5	**7**
£110,000	-	£115,000		2	**2**	1	1	**2**
£115,000	-	£120,000		2	**2**		4	**4**
£120,000	-	£125,000		1	**1**		4	**4**
£125,000	-	£130,000		1	**1**			**0**
£130,000	-	£135,000			**0**		1	**1**
£135,000	-	£140,000			**0**			**0**
£140,000	-	£145,000			**0**			**0**
£145,000	-	£150,000		1	**1**			**0**
£150,000+				6	**6**		4	**4**
			134	**223**	**357**	**153**	**335**	**488**

The table includes staff for whom additional disclosures are required, as set out below (Senior Officers Remuneration).

Senior Officers Remuneration

The following table sets out the remuneration disclosures for Senior Officers in accordance with regulation 7 of the Accounts and Audit (England) Regulations 2011. Under the revised regulations, the definitions of Senior Officers which are relevant to the Authority are:

a) the designated head of paid service, a statutory chief officer or non-statutory chief officer of a relevant body as defined under the Local Government Act 1989; or

b) any person having responsibility for the management of the relevant body, to the extent that the person has the power to direct or control the major activities of the body, in particular activities involving the expenditure of money whether solely or collectively with other persons.

This has been determined to mean the Authority's Chief Executive and Senior Leadership Team.

The relevant proportion of the Authority's contribution to the Local Government Pension Scheme which can be related to the Senior Officer is included in the table as required by the regulations.

Post Holder Information	Notes	Salary £	Other payments £	Total Remuneration excluding pension contributions 2022/23 £	Employer's pension contribution £	Total Remuneration including pension contributions 2022/23 £
Chief Executive - Andrew Blake-Herbert		190,100		**190,100**	31,367	**221,467**
Section 151 Officer and Chief Financial Officer		130,003		**130,003**	21,450	**151,453**
Director of Neighbourhoods	1	122,752		**122,752**	20,254	**143,006**
Director of Children's - Robert South		163,529		**163,529**	26,982	**190,511**
Director Adult Services - Barbara Nicholls		167,951		**167,951**	27,712	**195,663**
Director of Public Health		115,937		**115,937**	19,570	**135,507**
Director of Housing - Patrick Odling-Smee		159,107		**159,107**	26,253	**185,360**
Director of Regeneration - Neil Stubbings	2	65,412	163,200	**228,612**	-	**228,612**
Director of Policy, Strategy and Transformation		116,059		**116,059**	19,150	**135,209**
Director of Partnerships and Organisational Developments		118,384		**118,384**	19,533	**137,918**
Total		**1,349,234**	**163,200**	**1,512,434**	**212,271**	**1,724,705**

Note 1 The Director of Neighbouroods left London Borough of Havering on 6th January 2023

Note 2 The Director of Regeneration post at 0.4 full time equivalent has an equivalent full-time annualised salary of £163,529. The other payment of £163,200 was to the Director's employing company rather than to the Director for the remaining 0.6 FTE.

The comparative figures for 2021/22 are as follows:

Post Holder Information	Notes	Salary £	Other payments £	Total Remuneration excluding pension contributions 2021/22 £	Employer's pension contribution £	Total Remuneration including pension contributions 2021/22 £
Chief Executive - Andrew Blake-Herbert		186,489		**186,489**	28,244	**214,733**
Chief Operating Officer - Jane West	1	157,064		**157,064**	0	**157,064**
Section 151 Officer	2	10,027		**10,027**	1,654	**11,682**
Director of Neighbourhoods - Barry Francis		152,751		**152,751**	25,204	**177,955**
Director of Children's Services		148,329		**148,329**	24,474	**172,803**
Director Adult Services - Barbara Nicholls		157,182		**157,182**	23,806	**180,988**
Director of Public Health		114,012		**114,012**	19,245	**133,257**
Director of Housing - Patrick Odling-Smee		152,751		**152,751**	25,204	**177,955**
Director of Regeneration	3	59,332	180,000	**239,332**	0	**239,332**
Total		**1,137,937**	**180,000**	**1,317,937**	**147,832**	**1,465,769**

Note 1 The Chief Operating Officer left London Borough of Havering on 1st March 2022

Note 2 The Section 151 Officer started on 2nd March 2022

Note 3 The Director of Regeneration post at 0.4 full time equivalent has an equivalent full-time annualised salary of £148,329. The other payment of £180,000 was to the Director's employing company rather than to the Director for the remaining 0.6 FTE.

In addition to this, Simon Pollock, the Executive Director of oneSource, again a shared appointment between Havering and Newham, was paid £153,394.57 which was the full cost between the two Boroughs. He vacated the role on 31st December 2021 and interim arrangements were put in place whilst the role was unoccupied. Further details on the OneSource cost sharing arrangement is reported under note 36, Related Parties.

33. External Audit Costs

The following fees relating to external audit and inspection were included in the 2022/23 accounts:

2021/22 £000		2022/23 £000
117	Fees payable with regard to external audit services carried out by appointed auditor	150
37	Certification of grant claims (housing benefit subsidy claim, capital pooling receipts and teachers pension)	10
299	Amounts relating to prior year Statement of Accounts 2018/19 & 2019/20 scale fee variation and extra fees	325
0	Audit fees refunded by the PSAA (Public Sector Audit Appointments Ltd.)	0
453	**Total for year**	**485**

34. Dedicated Schools Grant

The Authority's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately. An overdrawn balance on the DSG account of £3.938million has been transferred to a negative unusable reserve in 2023/24 to emphasise the balance is separate from Council general fund balances. The total negative unusable reserve balance carried forward is now £8.258million

Details of the deployment of DSG receivable for 2022/23 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure £000	Individual Schools Budget £000	Totals £000
Final DSG for 2022/23 before academy and high needs recoupment			264,868
Less academy and high needs figure recouped for 2021/22			(124,106)
Total DSG after academy and high needs recoupment for 2022/23			**140,762**
Plus: brought forward from 2021/22			0
Less: Carry-forward to 2022/23 agreed in advance			0
Agreed initial budgeted distribution for 2022/23	**51,806**	**88,956**	**140,762**
In year adjustments	152		152
Final budgeted distribution for 2022/23	**51,958**	**88,956**	**140,914**
Less: Actual central expenditure	(55,896)		(55,896)
Less: Actual ISB deployed to schools		(88,956)	(88,956)
Plus: Local authority contribution for 2022/23			0
In year carry forward to 2022/23 (negative DSG Reserve)	**(3,938)**	**0**	**(3,938)**
Plus: Carry forward to 2022/23 agreed in advance			
Carry forward to 2023/24			**(3,938)**
DSG unusable reserve at the end of 2021/22			(4,320)
Addition to DSG unusable reserve at the end of the 2022/23			(3,938)
Total of DSG unusable reserve at the end of 2022/23			(8,258)
Net position at the end of 2022/23			**(8,258)**

Comparative figures for 2021/22 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure £000	Individual Schools Budget £000	Totals £000
Final DSG for 2021/22 before academy recoupment			250,445
Less academy figure recouped for 2021/22			(118,945)
Total DSG after academy recoupment for 2021/22			**131,500**
Plus: brought forward from 2020/21			
Agreed initial budgeted distribution for 2021/22	**39,532**	**91,968**	**131,500**
In year adjustments	(398)	0	(398)
Final budgeted distribution for 2021/22	**39,134**	**91,968**	**131,102**
Actual central expenditure	(41,789)		(41,789)
Actual ISB deployed to schools		(91,968)	(91,968)
Plus: Carry forward to 2022/23 agreed in advance			
Carry forward to 2022/23	**(2,655)**	**0**	**(2,655)**

35. Grants and Other Income

a) The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

2021/22 £000		2022/23 £000
Credited to Taxation and Non Specific Grant Income		
1,406	Revenue Support Grant	1,454
29,189	Non ring-fenced Grant	22,331
38,236	Capital Grants	31,528
68,831	**Total**	**55,313**
Credited to Services		
34,730	Rent Allowances	34,730
24,071	Rent Rebates	24,071
11,482	Public Health Grant	11,482
131,060	Dedicated Schools Grant	131,060
8,157	Better Care Fund	8,157
6,214	Hospital Discharge Fees	6,214
5,405	NHS 6 weeks Funding	5,405
411	Other Contributions from CCG	411
7,027	Contributions from Other Local Authorities	7,027
6,841	Discretionary Business Support	6,841
4,794	Pupil Premium Grant	4,794
2,718	Universal Free School Meals	2,718
4,329	Other Childrens and Education Funding	4,329
1,044	Unaccompanied Asylum Seeking Children Funding	1,044
3,942	Flexible Homelessness Grant	3,942
191	Teachers Pension and Pay Grants	191
2,624	COVID-19 (Contain Outbreak Management Fund)	2,624
6,343	COVID-19 (Infection Control)	6,343
2,556	COVID-19 (Emergency Assistance)	2,556
2,325	COVID-19 (Lateral Flow Testing)	2,325
1,817	COVID-19 Other Grants	1,817
6,429	Other	6,429
274,509	**Total**	**274,509**

Current Liabilities

b) Capital Grants – receipts in advance:

2021/22 £000		2022/23 £000
8,094	Brought forward	12,581
5,588	Amounts received in year	5,588
(1,101)	Amounts applied to meet new capital investment	(1,101)
12,581	**Carried forward**	**17,068**

36. 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.

Members

Members of The Authority have direct control over its financial and operating policies. The total of Members' allowances paid in 2022/23 is shown in Note 31.

The table below shows the Related Party interests in other entities as disclosed by Members and the transactions that took place between the Authority and the Related Party. Individual transactions were approved by officers and not by Members named. Information is included to ensure transparent disclosure.

Organisations	Member	Payments to Organisations by the Authority £000	Balance Outstanding £000	Income £000	Income Outstanding £000
BETRA Tenant Management	Paul McGeary	196	0	0	0
East London Waste Authority	Barry Mugglestone Ray Morgon	19,721	0	(968)	0
First Step	Linda Van den Hende	4	0	(8)	0
Friends of Upminster Windmill	Linda Hawthorn	14	0	0	0
Havering Arts Council	Joshua Chapman Jason Frost	1	0	0	0
Havering Association for People with Disabilities (HAD)	Christine Smith Linda Van Den Hende Sally Miller	92	0	(1)	0
Havering Mind	Linda Van den Hende	83	0	(19)	0
Havering Sports Council	Viddy Persaud Tim Ryan	3	0	0	0
Hornchurch & Upminster Constituency	Paul McGeary Damian White Darren Wise	40	0	0	0
London Councils	Barry Mugglestone Ray Morgon	294	0	(202)	0
London Youth Games	Viddy Persaud	8	0	0	0
Local Government Information Unit	Ray Morgon	14	0		0
London Borough of Barking & Dagenham	Patricia Brown	308	0	(24)	0
Romford Town Management Partnership	Joshua Chapman	613	0	(24)	0
Romford Town Management Partnership Ltd	Joshua Chapman	613	0	(24)	0
Tapestry	Christine Smith Linda Hawthorn	482	0	(0)	0
The Havering Theatre Trust Ltd	Paul McGeary	386	0	(35)	0
The Learning Federation - Mead and Broadford Schools	Mandy Anderson Paul McGeary	9,291	0	(8)	0
Tradeline Solutions Ltd	Matthew Stanton	1,564	0	0	0

Officers

The table below shows the material related party disclosures by officers.

Organisation	Officer	Payments to Organisations by the Authority £000	Balance Outstanding £000	Income £000	Income Outstanding £000
Centre for Engineering and Manufacturing Excellence Ltd (CEME)	Mr N Stubbings	94	0	0	0

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits).

Transactions between the London Borough of Havering and the UK Government; its department, agencies, NHS bodies and other authorities are disclosed elsewhere in the Accounts, most notably:

Note 11 Other operating expenditure: levies;

Note 13 Taxation and Non-specific Grant Income;

Note 30 Pooled budgets;

Note 34 Dedicated Schools Grant; and

Note 35 Grant Income

Entity controlled or significantly influenced by the Authority

Joint Committee with London Borough of Newham (oneSource)

oneSource is a public sector shared back-office support arrangement which is supported by members through a joint committee. The joint committee receive key reports and make strategic decisions about oneSource's operation. oneSource was set up with a view to making savings by eliminating duplication, reducing senior management costs and introducing more efficient processes. oneSource started on 1 April 2014, when the London Boroughs of Havering and Newham contributed almost all their support services for the two authorities including HR, ICT, Finance, Legal services, Exchequer and Transactional services, Asset Management and Business services (Newham's Exchequer service was subsequently removed). On the 1st April 2016 the London Borough of Bexley joined oneSource in a more limited capacity than Havering and Newham, providing Bexley with Finance (excluding procurement) and Exchequer and Financial Transactional services.

On 31st July 2020, the London Borough of Bexley ceased to be part of the Joint Committee and on 6th September 2020 the London Borough of Newham created its sovereign Finance department. During the year Procurement and Finance were also split into two separate departments. During the course of 2022/23 (31st December 2021) the role of Executive Director was vacated and remains unoccupied whilst the two authorities consider the best approach for managing the arrangement in the future.

During 2022/23, it was announced that further services were going to be removed from the oneSource sharing arrangement, commencing in 2023/24; Cabinet have agreed for HR, Pensions & Treasury, Procurement, ICT and Asset Management to return to their soverign boroughs.

The oneSource net controllable expenditure for 2022/23 is disclosed below indicating the share falling to each of the authorities. The LBH share is charged against the Consolidated Income and Expenditure Statement.

2021/22 £000	oneSource	2022/23 £000
	Net Expenditure	
5,037	Exchequer and Transactional Services	5,664
2,303	Finance	2,188
1,596	Procurement	1,728
906	Business Services	661
3,517	Legal and Governance	3,352
9,006	ICT	10,532
2,359	Asset Management	1,842
3,633	Strategic and Operational HR	3,643
28,357	**Total Net Expenditure**	**29,610**
	Cost Sharing:	
14,801	London Borough of Newham	15,683
13,556	London Borough of Havering	13,927
0	London Borough of Bexley	0

The joint committee council members are; Councillors R Morgon, P Middleton and C Wilkins (from Havering Council), Councillors R Fiaz, Z Ali and L Charters (from Newham Council).

The following oneSource Chief Officers have joint managerial responsibility for services across authorities and as such have significant influence over operational effectiveness and decision making of the related parties. These roles are set out below.

Shared oneSource role	Employing organisation	Period
Director of Asset Management	London Borough of Havering	April 2022 - March 2023
Director of Exchequer and Transactional	London Borough of Havering	April 2022 - March 2023
Director of Legal and Governance	London Borough of Newham	April 2022 - December 2022
Director of Legal and Governance	London Borough of Newham - Agency	January 2023 - March 2023
Director of Human Resources	London Borough of Havering - Agency	April 2022 - March 2023
Director of Business Development	London Borough of Newham	April 2022 - December 2022
Director of Finance	London Borough of Havering	April 2022 - March 2023
Director of ICT / Chief Information Officer	London Borough of Newham - Agency	April 2022 - March 2023
Director of Procurement	London Borough of Newham - Agency	April 2022 - December 2022

Mercury Land Holdings Ltd

The Authority controls Mercury Land Holdings Ltd through its ownership of 100% of the shares in the company. Further details are included as part of the Group Accounts section in the Statement of Accounts.

The Council has determined that for the financial year ended 31st March 2021, it has a material interest in one of its subsidiaries, Mercury Land Holdings (MLH).

Details of the Council's other subsidiaries and external bodies together with the associated accounting treatment are also disclosed within Note 36.

MLH is a wholly-owned subsidiary company that was formed in 2016 to facilitate the Authority's construction and investment in private rental properties within the Borough

MLH directors who have held office since 1st April 2018 are as follows:

- Andrew Blake-Herbert
- Anthony Huff
- Garry Green
- Ian Rhodes

Havering and Wates Regeneration LLP

The LLP was formed on 19th April 2018 as a joint venture with two members, Wates Construction Limited and the London Borough of Havering. The LLP's principal activity is the building and selling of residential apartments and houses in the London Borough of Havering.

The Council influences the joint venture through its 50% share in the LLP. For the financial year ended 31st March 2023, the share of the profit and loss account is a £20k loss. A 50% of the assets and liabilities of the joint venture is shown within the group accounts, this is predominantly a £31.1m property development in progress. The Council's balance sheet includes the Council's loan to the LLP, £15.662m as at 31st March 2023.

Bridge Close Regeneration LLP

The LLP was formed on 4th April 2018 as a joint venture between FB BCR LLP (First Base and Savills Investment Management) and the London Borough of Havering, in order to deliver the comprehensive regeneration of the site at Bridge Close, Romford, including the development and sale of residential and commercial property as well as the development of social infrastructure, a bridge, public realm and environmental improvements to the River Rom.

The Council took full control over the joint venture during 2021/22 by buying First Base/Savill's 50% share of the LLP through a wholly owned company, Bridge Close Regeneration Nominee Company Limited. For the financial year ended 31st March 2023, Bridge Close had a small loss of £8k. The balance sheet includes the Council's and nominee company's loan investment in the LLP, £27.929m as at 31st March 2023

Rainham & Beam Park LLP Joint Venture

The LLP was incorporated on 9th February 2018 as a Limited Liability Partnership. The LLP was set up to partially purchase ten derelict industrial sites in Rainham and Beam Park in the London Borough of Havering for the development of a high density residential scheme. The scheme will consist of 774 units of mixed tenures. The scheme is currently at planning stage, with limited activities on-going. The Council's £2.395m investment is shown on the balance sheet.

Pension Fund

As the administrator of the Pension Fund, the Authority has direct control of the fund. The transactions between the Authority and the Pension Fund are detailed within Note 25 of the Pension Fund Accounts.

37. Capital Expenditure and Capital Financing

The following statement shows how the Authority's capital expenditure was financed and the consequent change in underlying borrowing:

2021/22 £000	Capital Expenditure	2022/23 £000
133,510	Property, Plant and Equipment	124,230
95	Heritage	4
0	Investment fixed assets	0
15	Intangible Assets	0
5,644	Revenue expenditure funded from capital under statute	2,744
5,865	Long Term Investments	16,514
1,925	Long Term Loans	8,827
147,054	**Total capital expenditure**	**152,319**
	Less financed from	
(10,403)	Capital receipts	(18,478)
(14,785)	Major repairs	(15,259)
(8,732)	Revenue funds	(4,487)
(37,322)	Grants and contributions	(17,807)
75,812	**Increase in need to borrow**	**96,288**
(4,705)	Minimum Revenue Provision	(5,618)
(3,683)	Use of Receipts to repay Debt	(179)
67,424	**Change in Capital Financing Requirement**	**90,491**

The following statement shows the make-up of the Authority's Capital Financing Requirement under the Prudential Code:

31 March 2022 £000	Capital Financing Requirement	31 March 2023 £000
1,595,539	Tangible fixed assets	1,598,844
34,475	Long Term Investments	47,839
34,019	Long Term Debtors	46,756
269	Intangible assets	212
(476,149)	Revaluation Reserve	(439,969)
(719,227)	Capital Adjustment Account	(694,264)
468,926	**Net Requirement**	**559,418**

38. Leases

Operating Leases

Vehicles, Plant and Equipment Leases
The Authority has entered into the following operating leases for vehicles, plant and equipment.
The minimum lease payments charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases were as follows:

2021/22 £000		2022/23 £000
622	Children's and Education Services	327
0	Highways, Roads and Transport Services	0
622	**Minimum Lease Payments**	**327**

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

31 March 2022 £000		31 March 2023 £000
620	Not later than one year	296
573	Later than one year and not later than five years	449
19	Later than five years	0
1,212	**Minimum Lease Payments**	**745**

Property Leases
The Authority has acquired a number of properties by entering into operating leases.
The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2022 £000		31 March 2023 £000
61	Not later than one year	61
61	Later than one year and not later than five years	0
122	**Minimum Lease Payments**	**61**

Changes to accounting standards: IFRS16 Leases

The implementation of IFRS 16 Leases in the Code has been deferred until the 2024/25 financial year..
The main change introduced by IFRS 16 that is likely to impact the Council is accounting as a lessee for what are currently referred to as operating leases. These are where the Council enters into contracts for services with asset implications and / or where it has benefits and use of those assets. Under IFRS 16 the Council will be required to recognise a right of use asset and a lease liability on the Balance Sheet (subject to certain exemptions); currently the Council includes these costs as operating lease payments in the CIES. The Council will update its accounting policy on leases to reflect the changes, including a threshold for exempt low-value leases.

39. Revaluation Gains and Impairment Losses

During 2022/23, the Authority has recognised a net revaluation loss of £36.685m in the Comprehensive Income and Expenditure Statement in relation to its revaluation of assets. A breakdown of the revaluations and impairments by asset class can be found in the table below:

Asset Class	Revaluation Gains Credited to the CI&ES £000	Revaluation Loss Charged to the CI&ES £000
Council dwellings	1,348	(39,759)
Other land and buildings	5,886	(3,252)
Community Assets	0	0
Surplus Assets	17	0
Total Property Plant and Equipment	**7,251**	**(43,011)**
Investment Properties	1,017	(1,942)
Assets Held for Sale	0	0
Total (gain) or loss to the CI&ES	**8,268**	**(44,953)**

40. Termination Benefits

The numbers of exit packages with total cost per band, and total costs of compulsory and other redundancies, are set out in the table below:

Exit Package cost band (including special payments	Number of Compulsory Redundancies		Number of Departures Agreed		Total Number of exit packages by Cost Band		Total Cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	3	5	20	39	23	44	231,665	470,202
£20,001 - £40,000	1	4	4	19	5	23	144,123	581,302
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	1	0	1	0	82,624	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
>£150,000	0	0	0	0	0	0	0	0
Total	**4**	**9**	**25**	**58**	**29**	**67**	**458,412**	**1,051,504**

Note: The Authority terminated the contracts of a number of employees in 2022/23, incurring costs of £1,051,504 (£458,412 in 2021/22). The majority of the redundancies are as a result of the Havering transformation programme.

41. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers Pensions

Teachers employed by the Authority are members of the Teachers Pension scheme administered by the Teachers Pension Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employer's contribution rates paid by Local Education Authorities (LEAs). However, it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of the Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022/23 the Authority paid £8.9m (£8.6m 2021/22) to Teachers Pensions in respect of teachers' pension contributions. This represented a contribution rate of 23.68% (23.68% in 2021/22).

The Authority is responsible for the costs of any additional benefits awarded upon early retirements outside the terms of the Teachers' scheme.

NHS Pension Scheme

The Health and Social Care Act 2012, makes provision for the transfer of public health services and staff from primary care trusts (PCTs) to local authorities.

In 2022/23 the Authority paid £43,754 (£57,737 in 2021/22) to NHS Pensions in respect of public health pension contributions. This represented 16.88% of pensionable pay (16.88% in 2021/22).

42. 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 payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered by London Borough of Havering. This is a funded defined benefit final salary scheme, meaning that Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The London Borough of Havering pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of the Authority. Policy is determined in accordance with the Pensions Fund Regulations. The day to day operations of the Fund have been delegated to the Statutory Section 151 Officer. The investment managers of the fund are appointed by the committee and consist of the following Investment Fund Managers:

1. Legal & General Investment Management (LGIM)
2. London CIV (Collective Investment Vehicle) Sub funds:
   - Ballie Gifford Global Alpha Paris Aligned Fund
   - Ballie Gifford Diversified Growth
   - Ruffer
   - Infrastructure Renewables Fund
   - Passive Equity Progressive Paris Aligned (PEPPA) Fund
3. Royal London
4. UBS
5. CBRE
6. Stafford Capital
7. JP Morgan
8. Churchill
9. Permira
10. Russell Investments

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities. The amount is included in the IAS 19 figures reported for the Local Government Pension Scheme.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they're earned by employees, rather than when benefits are eventually paid as pensions. However, the charge to be made make against council tax is based on cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and the Housing Revenue Account 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 in the year:

2021/22 Restated* £000		2022/23 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
	Service Cost Comprising:	
44,563	Current service cost	43,576
164	Past service costs	1,525
0	Gain from settlements	(832)
	Financing and Investment Income and Expenditure	
10,999	Net interest expense	12,900
55,726	**Total post-employment benefits charged to the surplus or deficit on the provision of services**	**57,169**
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
(20,025)	Return on plan assets (excluding the amount included in the net interest expense)	(21,371)
(78,540)	Actuarial gains and losses arising on changes in financial assumptions	(443,577)
7,766	Other *	65,110
(90,799)	**Total post-employment Benefits charges to the Comprehensive Income and Expenditure Statement**	**(399,838)**
	Movements in Reserves Statement	
(55,726)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(57,169)
	Actual amount charged against the General Fund Balance for pensions in the year:	
35,644	Employers' contributions payable to scheme	38,475
(20,082)	**Net movement in Pensions Reserve**	**(18,694)**

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 benefit plans is as follows:

2021/22 Restated * £000		2022/23 £000
	Local Government Pension Scheme	
(1,276,434)	Present value of the defined benefit obligation	(944,988)
801,340	Fair value of plan assets	808,296
(475,094)	**Net liability arising from defined benefit obligation**	**(136,692)**

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

2021/22 Restated* £000		2022/23 £000
	Local Government Pension Scheme	
766,681	Opening fair value of scheme assets	801,340
15,370	Interest income	21,714
(5,472)	Re-measurement gain (loss):	
20,025	The return on plan assets, excluding the amount included in the net interest expense	(21,371)
35,644	Contributions from employer	38,475
6,481	Contributions from employees into the scheme	7,018
(37,389)	Benefits paid	(38,064)
0	Other – effect of settlements	(816)
801,340	**Closing fair values of scheme assets**	**808,296**

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

2021/22 Restated* £000		2022/23 £000
	Funded liabilities: Local Government Pension Scheme	
1,312,492	Opening balance at 1 April	1,276,434
44,563	Current service cost	43,576
26,369	Interest cost	34,614
6,481	Contributions from scheme participants	7,018
	Re-measurement (gains) and losses:	
(78,540)	Actuarial (gains)/ losses arising from changes in financial assumptions	(443,577)
2,294	Other	65,110
164	Past service cost (Including curtailments)	1,525
(37,389)	Benefits paid	(38,064)
0	Liabilities extinguished on settlements	(1,648)
1,276,434	**Closing balance at 31 March**	**944,988**

* 2021/22 figures restated in line with 2022 triennial valuation results

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Local Government Pension Scheme assets comprised:

2021/22 Restated				Asset Category	2022/23			
Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %		Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %
				Debt Securities				
73,333		**73,333**	9.00	Corporate bonds (investment grade)	0		**0**	0.00
1,903		**1,903**	0.00	UK Government	22,736		**22,736**	3.00
34,113		**34,113**	4.00	Other			**0**	0.00
				Real Estate				
53,631		**53,631**	7.00	UK Property	46,309		**46,309**	6.00
0		**0**	0.00	Overseas Property	32,168		**32,168**	4.00
				Investment Funds and Unit Trusts				
487,778		**487,778**	61.00	Equities	474,798		**474,798**	59.00
0		**0**	-	Bonds	54,699		**54,699**	7.00
49,524		**49,524**	6.00	Infrastructure	75,906		**75,906**	9.00
76,295		**76,295**	10.00	Other	72,063		**72,063**	9.00
				Derivatives				
(1,892)		**(1,892)**	0.00	Foreign Exchange	(260)		**(260)**	0.00
				Cash and Cash Equivalents				
26,655		**26,655**	3.00	All	29,877		**29,877**	3.00
801,340		**801,340**	**100.00**	**Totals**	**808,296**		**808,296**	**100.00**

Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Authority Fund being based on the latest full valuation of the scheme as at 31 March 2023

2021/22 £000		2022/23 £000
	Local Government Pension Scheme	
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.7 years	Men	21.4 years
24.3 years	Women	24.0 years
	Longevity at 65 for future pensioners:	
22.6 years	Men	22.3 years
25.8 years	Women	25.5 years
3.20%	Rate of inflation (CPI)	3.00%
3.90%	Rate of increase in salaries	3.70%
3.20%	Rate of increase in pensions	3.00%
2.70%	Rate for discounting scheme liabilities	4.75%

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

Change in assumptions at 31 March 2023	Approximate % increase to Employer Liability	Approximate Monetary amount £000
0.1% increase in Real Discount Rate	2%	15,306
1 Year increase in life expectancy	4%	37,800
0.1% increase in the Salary Increase Rate	0%	1,339
0.1% increase in the Pension Increase Rate (CPI)	2%	14,191

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2025.

The Authority anticipates to pay £26.418m expected contributions to the scheme in 2023/24.

The weighted average duration of the defined benefit obligation for scheme members is 17 years as 31st March 2023 (19 years 31 March 2022).

43. Contingent Liabilities

MMI Scheme of Arrangement

Municipal Mutual Insurance Limited (MMI), a company limited by guarantee formed by Local Authorities, is subject to a contingent scheme of arrangement which became effective on 21 January 1994. The company has been the subject of an orderly run off since that time. However, the schemes administrators, Ernst and Young, triggered the scheme of arrangement during 2012/13. A 15% levy was imposed based upon the result of an actuarial valuation of claims as at 31 December 2012. In accordance with the Scheme of Arrangement, the Levy Notice was received dated 1 January 2014 and a payment made of £338,000 in respect of the 15% levy due. Following a further review of assets and liabilities a further levy of 10% was made and an additional £285,000 paid by 12 May 2016. This brings the total levy to 25% for past and future claims. Outstanding claims will continue to be paid with a 25% contribution from the Authority in respect of the ongoing levy under the terms of the scheme of arrangement. The total levy to 31 March 2023 is £750,764 with estimated scheme liabilities at the same date of £35,359. Additional demands for further levy contributions above the 25% for past and future liabilities may be made. The Authority has made provision for the levy within the Insurance Earmarked Reserve.

44. Heritage Assets: Five-year Summary of Transactions

There were no acquisitions or disposals of heritage assets within the last five years. Following a review, the Council's assets, Tithe Barn and Coronation Gardens were identified as meeting the definition of heritage assets during 2021/22.

45. Trust Funds

The Authority acts as sole trustee for the following trust funds, which are not included in the Comprehensive Income and Expenditure Statement or Balance Sheet and are not subject to separate audit.

	Richard Ballard Charity £	Lucas Children's Play Site Charity £
Balance 31 March 2022	6,500	146,605
Receipts	147	3,310
Payments	(147)	0
Balance at 31 March 2023	**6,500**	**149,915**

The Richard Ballard Charity
Interest on the capital from the sale of two properties sold for a street widening scheme is used for highway repairs.

The Lucas Children’s Play Charity
The income from this charity may be applied towards the provision, maintenance and improvements of children’s playgrounds and equipment in the borough.

Housing Revenue Account

Housing Revenue Account
Income and Expenditure Statement 2022/23

The Housing Revenue Account (HRA) includes all transactions relating to the provision, management and maintenance of the Authority's housing stock. The increase or decrease in the year on the basis of which rents are raised is shown in the movement on the HRA Statement. The Account is "ring-fenced" in accordance with the Local Government and Housing Act 1989. Transfers to and from the General Fund are only permitted in certain specified circumstances.

2021/22 £000		Notes	2022/23 £000
	Income		
(47,627)	Dwelling rents		(49,371)
(464)	Non-dwelling rents		(476)
(8,582)	Charges for services and facilities		(10,557)
(26,924)	Contributions towards expenditure		(14,693)
(83,597)	**Total Income**		**(75,097)**
	Expenditure		
9,769	Repairs and maintenance		11,080
20,920	Supervision and management		23,051
825	Rents, rates, taxes and other charges		827
389	Increased provision for bad/doubtful debts		538
(2,246)	Depreciation and Impairment of tangible fixed assets	4	49,055
29,657	**Total Expenditure**		**84,551**
(53,940)	**Net expenditure or income of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement**		**9,454**
273	HRA Services' share of Corporate and Democratic Core		250
(53,667)	**Net Expenditure of HRA Services**		**9,704**
	HRA Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
(7,734)	Net gain on disposal of HRA assets		(5,841)
6,405	Interest payable and similar charges		7,396
(106)	Interest and investment income		(905)
(55,102)	**Deficit/(Surplus) for the year on HRA Services**		**10,354**

Movement on the Housing Revenue Account Balance during 2022/23

2021/22 £000		2022/23 £000
(17,028)	**Housing Revenue Account balance brought forward**	**(19,573)**
(55,102)	(Surplus)/deficit for the year on the HRA Income and Expenditure Account	10,354
52,814	Adjustments between accounting basis and funding basis under regulations	(15,600)
(19,316)	**HRA balance before transfer to earmarked reserves**	**(24,819)**
(257)	Transfers to earmarked reserves	0
(19,573)	**Housing Revenue Account balance carried forward**	**(24,819)**

Note to the Statement of Movement on the Housing Revenue Account Balance 2022/23

2021/22 £000		2022/23 £000
Items included in the HRA Income and Expenditure but excluded from the movement in the HRA balance		
Adjustments to the Revenue Resources		
(598)	Pensions costs (transferred from the Pensions Reserve)	(318)
189	Holiday pay (transferred to the Accumulated Absences Reserve)	96
(5,065)	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	(55,282)
(5,474)	**Total Adjustments to Revenue Resources**	**(55,504)**
Adjustments between Revenue and Capital Resources		
14,751	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	11,834
294	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	234
10,066	Posting of HRA resources from revenue to the Major Repairs Reserve	10,462
7,875	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,518
	Deferred Capital Receipt	
32,986	Total Adjustments between Revenue and Capital Resources	**26,048**
25,302	Total Adjustments to Capital Resources:	13,856
52,814	**Adjustments between accounting basis and funding basis under regulations**	**(15,600)**

Notes to the Housing Revenue Account

1. Information on Housing Fixed Assets

a) Number of Dwellings

2021/22 Number		2022/23 Number
	Flats	
2,639	1 bedroom	2,673
2,135	2 bedrooms	2,199
330	3 bedrooms	352
19	4 & 5 bedrooms	20
	Houses	
324	1 bedroom	323
1,090	2 bedrooms	1,081
2,309	3 bedrooms	2,301
185	4 & 5 bedrooms	186
9,031	**Total Number of Dwellings**	**9,135**

b) Balance Sheet Value of HRA Tangible Fixed Assets

2021/22 £000		2022/23 £000
	Operational	
671,117	Council Dwellings	681,311
15,004	Other Land & Buildings	10,628
0	Community Assets	0
795	Infrastructure	616
97,861	Assets Under Construction	71,341
784,777	**Total Tangible Fixed Assets**	**763,896**

c) Valuation of Council Dwellings at Year End

2021/22 £m		2022/23 £m
2,684	Vacant Posession Value	2,725
2,013	Excess of Vacant Posession over Balance Sheet Value	2,044
671	**Balance Sheet value**	**681**

The difference between the vacant possession value of HRA dwellings shown here and the balance sheet value of the dwellings shown in note 1(b) is a measure of the cost to Government of providing council housing at less than market rents.

2. Movement on Major Repairs Reserve

2021/22 £'000		2022/23 £'000
13,378	**Balance brought forward at start of year**	**8,660**
10,066	Total depreciation from Capital Adjustment Account	10,462
(14,784)	less MRR used to fund Capital Expenditure on HRA Dwellings	(15,259)
8,660	**Balance carried forward at end of year**	**3,863**

3. a) Total Capital Expenditure and Funding

2021/22 £'000		2022/23 £'000
	Capital expenditure on HRA property and other assets:	
46,071	Dwellings	50,033
-	Other land buildings	459
56,324	Assets Under Construction	38,911
18,900	Investments	17,375
121,295	**Total expenditure**	**106,778**
	Financed from:	
14,785	Major Repairs Reserve	15,259
25,307	Grants and contributions	8,690
7,875	Revenue contributions	3,518
6,112	Capital receipts	11,690
67,216	Borrowing	67,621
121,295	**Total funding**	**106,778**

b) HRA Capital Receipts

2021/22 £'000		2022/23 £'000
14,470	Right to Buy sales	11,748
666	Other property sales	320
15,136	**Total cash receipts**	**12,068**
(1,107)	Transferred for Pooling	(73)
14,029	**Total income**	**11,995**

4. Depreciation and Impairment Charge

The depreciation charged to the HRA breaks down as follows:

2021/22 £'000		2022/23 £'000
9,635	Dwellings	10,081
249	Other buildings	202
0	Equipment	0
182	Infrastructure	179
10,066	**Total HRA depreciation**	**10,462**
(12,312)	Revaluation credit/debit	38,593
(2,246)	**Total HRA depreciation and Revaluation charge**	**49,055**

5. Rent Income, Arrears and Bad Debts

2021/22 £'000	Rent	2022/23 £'000
104.92	Average weekly rent (including service charges unpooled)	111.05

31 March 2022 £000	Arears and Bad Debts	31 March 2023 £000
4,153	Rent arrears at 31 March	4,903
(3,834)	Bad debts provision at 31 March	(4,363)
319	**Total**	**540**

Collection Fund Account

Collection Fund 2022/23

These Accounts represent the transactions of the Collection Fund and have been consolidated with the Authority's main Accounts. The Accounts have been prepared on an accruals basis except in respect of sums due to or from the General Fund and the Greater London Authority (GLA) for their share of the Collection Fund surplus and deficit.

Income and Expenditure Statement 2022/23

2021/22			2022/23	
Business Rates £000	Council Tax £000		Business Rates £000	Council Tax £000
		Income		
	(170,513)	Income from Council Tax		(178,337)
(63,842)		Income from Business Rates	(70,701)	
328		Transitional relief	101	
(1,840)		Income collectable from Business Rate Supplement	(2,077)	
		Previous Year Deficit recognised in the CI&ES		
(14,149)	(815)	London Borough of Havering	(7,717)	738
(15,475)	(185)	Central Government	(8,489)	184
(17,347)		Greater London Authority	(9,518)	
(112,325)	**(171,513)**	**Total Income**	**(98,401)**	**(177,415)**
		Expenditure		
		Previous Year Surplus recognised in the CI&ES		
		London Borough of Havering		
		Central Government		
		Greater London Authority		
		Precepts		
23,953	134,980	London Borough of Havering	20,862	140,823
26,348		Central Government	22,949	
29,542	32,090	Greater London Authority	25,730	35,362
		Charges to Collection Fund		
622	564	Write-offs	697	889
804	1,109	Increase/(decrease) in bad debt provision	88	1,560
(660)		Increase/(decrease) in provision for appeals	(12,094)	
262		Cost of collection	262	
		Business Rate supplement		
1,834		Payment to Greater London Authority	2,071	
6		Cost of Collection	6	
82,711	**168,743**	**Total Expenditure**	**60,571**	**178,634**
(29,615)	(2,769)	Movement in fund balance	(37,831)	1,219
55,394	3,000	Net deficit/(surplus) at start of year	25,779	231
25,779	**231**	**Net deficit/(surplus) carried forward notes 3a & 3b)**	**(12,052)**	**1,450**

Notes to the Collection Fund Account

1. Income from Council Tax

Council Tax is based partly on the valuation of domestic properties and is partly a Personal Tax with discounts for single occupiers. The Authority set the level of council tax in 2022/23 at £1,893.30 for band D properties. The number of band D equivalent properties in each band making up the council tax base was as follows:

Band	Number of Band D Equivalent Properties
A1	5
A	2,143
B	5,444
C	20,365
D	31,409
E	17,121
F	8,667
G	4,785
H	628
Allowance for losses in collection 1.30%	(1,177)
Tax Base	**89,390**

2. Income from Business Rates

Under the arrangements for uniform business rates, the Authority collects Non-Domestic Rates (NNDR) for its area. These are based on local rateable values of £201.0m at 31 March 2023 (£202.8m at 31 March 2022) multiplied by uniform rates for large and small businesses. In 2022/23 the rate was 51.2p for large businesses (51.2p in 2021/22) and 49.9p for small businesses (49.9p in 2021/22). The total amount, less certain reliefs and other deductions, are shared between Central Government, Havering and The Greater London Authority (GLA). In addition to the multiplier used to calculate business rates, all London local authorities are required to collect from businesses with a rateable value in excess of £70,000 an additional 2p supplement, which is payable to the GLA. Under these arrangements the amounts included in these Accounts can be analysed as follows

2a) Income collectable from Non Domestic Rates

2021/22 £000		2022/23 £000
98,603	Gross NNDR due in year	97,196
(34,761)	Less: allowances and other adjustments	(26,495)
63,842	**Net NNDR Yield**	**70,701**

2b) Income collectable from Business Rate Supplement

2021/22 £000		2022/23 £000
2,398	Gross Supplement due in year	2,282
(558)	Less: allowances and other adjustments	(205)
1,840	**Net Business Rate Surplus Yield**	**2,077**

From 2018/19, Havering has been a member of the London Business Rates Pool overseen by the GLA. The risk of a reduction in collectable NNDR led to the pool being disbanded.

The deficit on the Collection Fund will be met by the precepting authority and the billing authority in the following proportions and will be recovered by adjusting the level of precepts and demands in future financial year. The Government has allowed the deficit charge estimated at January 2021 to be spread over three years.

3a) Council Tax

2021/22 £000		2022/23 £000
184	London Borough of Havering	1,197
47	Greater London Authority	254
231	**(Surplus) / Deficit**	**1,451**

3b) Business Rates

2021/22 £000		2022/23 £000
7,734	London Borough of Havering	(3,616)
8,536	Central Government	(3,948)
9,510	Greater London Authority	(4,488)
25,780	**Deficit**	**(12,052)**

Pension Fund Account

Pension Fund Statement of Accounts

2021/22 £000		Notes	2022/23 £000
	Dealings with members, employers and others directly involved in the fund		
49,112	Contributions receivable	7	53,111
4,204	Transfers in from other pension funds		3,029
53,316			**56,140**
(37,551)	Benefits	8	(42,530)
(4,618)	Payments to and on account of leavers	9	(3,908)
(42,169)			**(46,438)**
11,147	Net additions (withdrawals) from dealings with members		9,702
(5,474)	Management expenses	10	(5,940)
5,673	**Net additions including fund management expenses**		**3,762**
	Returns on investments		
14,977	Investment income	11	16,484
25,198	Profit and losses on disposal of investments and changes in the market value of investments	12a	(44,577)
40,175	**Net returns on investments**		**(28,093)**
45,848	**Net increase/(decrease) in the net assets available for benefits during the year**		**(24,331)**
874,235	Opening net assets of the Fund at start of year		920,083
920,083	**Closing net assets of the Fund at end of year**		**895,752**

Net Asset Statement for the year ended 31 March 2023

2021/22 £000		Notes	2022/23 £000
150	Long Term Investments	12	150
907,290	Investment Assets	12	879,324
(2,220)	Investment Liabilities	12	(272)
905,220	**Total net investments**		**879,202**
15,612	Current Assets	19	16,962
(749)	Current Liabilities	20	(412)
920,083	**Net assets of the Fund available to fund benefits at end of the reporting period**		**895,752**

The financial statements summarise the transactions of the Fund and the net assets of the Fund. They do not take account of obligations to pay pensions and other benefits which fall due after the financial year end. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard IAS19 basis is disclosed at Note 18 of these accounts.

Notes to the Pension Fund Accounts

1. Description of the Fund

The Havering Pension Fund (“the Fund”) is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Havering. Responsibility for management of the Pension Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer.

The following description of the scheme is a summary only. For more details on the operation of the Fund, reference should be made to the Fund's Annual Report 2022/23 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the LGPS Regulations.

a. General

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

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

The Fund is a contributory defined benefits scheme, which provides pensions and other benefits for pensionable employees of Havering Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Local Pension Board and the London Borough of Havering Pensions Committee.

b. Membership

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

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Designated bodies, which are non-community schools, whose employer has changed from the Authority to a Board of Governors. Designated body status allows continued membership in the LGPS for non-teaching staff at non-community schools. These have been accounted for within the London Borough of Havering.

There are 56 employer organisations with active members within the Havering Pension Fund including the Authority.

The membership profile is detailed below.

31 Mar 2022		31 Mar 2023
56	**Number of employers with active members**	**56**
	Number of employees in scheme	
4,783	London Borough of Havering	4,801
1,810	Scheduled bodies	1,818
82	Admitted bodies	73
6,675	**Total active members**	**6,692**
	Number of pensioners and dependants	
6,110	London Borough of Havering	6,285
406	Scheduled bodies	454
32	Admitted bodies	36
6,548	**Total pensioners and dependant members**	**6,775**
	Deferred pensioners	
5,680	London Borough of Havering	5,621
966	Scheduled bodies	1,093
43	Admitted bodies	36
6,689	**Total deferred members**	**6,750**
19,912	**Total number of members in pension scheme**	**20,217**

c. Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the year ended 31 March 2022. Employer contributions are set based on triennial actuarial funding valuations. Current employer contribution rates range from 16.5% to 41.0% of pensionable pay.

A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay.

d. Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table:

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

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

There are a range of other benefits provided under the scheme including early retirements, disability pensions and death benefits. For more details please refer to the LGPS pension website https://www.lgpsmember.org/.

2. Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2022/23 financial year and its position at year end as at 31 March 2023. The accounts have been prepared in accordance with the CIPFA 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, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet into the Balance Sheet of Lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administrating authorities the option to disclose this information in the net asset statement, in the notes to the accounts or by

appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 18.
The Administering Authority is satisfied that Havering Pension Fund is a going concern and the financial statements for 2022/23 have been prepared on a going concern basis as follows:

The one-year investment returns for 2022/23 was -3.59% and the three-year period was 7.99%. Asset values have decreased by £24,3m over the year to 31 Mach 2023, however from time to time the Fund experiences economic downturns and a long-term view must be taken of investment returns. There is sufficient flexibility in the investment strategy to be able to respond to short term market fluctuations. The Fund is comparatively low risk with smaller proportion of its assets held in volatile equities.
The Fund was assessed as 80% funded as at 31 March 2022 valuation, a significant improvement on the funding level of 70% at 31 March 2019 and includes a recovery period necessary to make good any potential increases in the funding deficit. It is important to remember that that the Fund does not need to be 100% funded to be a going concern, it simply needs to be able to meet benefit obligations each month as they fall due. The Fund held cash of £28m at the Balance Sheet date, equivalent to 3% of the Fund Assets. In addition, the Fund held £628m in Level 1 and Level 2 investment assets which could be realised within 3 months if required. Based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any of these investments.

In the three financial years to 31 March 2023, the number of employing bodies increased from 51 to 56 and current active members increased from 6,410 to 6775 and the number of pensioners increasing from 6,410 to 6,775.

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

a. Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all that arise according to pensionable pay
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate

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

Additional employers' contributions in respect of ill health and early retirements (augmentation) are accounted for in the year the event rose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b. Transfers to and from other schemes

- Transfers in and out relate to members who have either joined or left the fund.
- Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.
- Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. The date set for the transfer of assets and liabilities is the date it becomes recognised in the fund account.

c. Investment Income

i Interest Income

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

ii Dividend Income

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii Distribution from Pooled Funds

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

iv Property - Related Income

Property related income consists primarily of rental income and is recognised at the date of issue.

v Movement in the Net Market Value of Investments

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

Fund Account – Expense Items

d. Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities, providing the payment has been approved.

e. Taxation

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

f. Management Expenses

The Fund discloses its pension fund management in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses (2016"). All items of expenditure are charged to the fund on an accruals basis as follows

i Administrative Expenses
All staff costs of the pension's administration team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance Council policy and charged as expenses to the Fund.

ii Oversight and Governance Costs
All costs associated with oversight and governance are separately identified and recharged to the Fund and charged as expenses to the Fund.

iii Investment Management Expenses
Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments.

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

The cost of obtaining investment advice from external consultants and the officers time spent on finance and accounting functions is included in investment management charges.

g. Lifetime Allowances

Members are entitled to request the Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduced pension.

Where the Fund pays members tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

Net Assets Statement

h. Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund. Any amounts due or payable in respect of trades entered but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 13a.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016)*.

i. Foreign Currency Transactions

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

j. Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in the change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

k. Cash and Cash Equivalents

Cash comprises cash in hand (Fund's Bank Account) and includes amounts held by the Fund's external managers.

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

l. Financial Liabilities

A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised by the fund account as part of the change in value of investments.

m. Actuarial Present Value of Promised Retirement Benefits

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

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 19).

n. Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for it members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential and Standard Life as their AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors.

AVC's 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 but are disclosed as a note only (Note 21)

o. Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

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

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

4. Critical Judgements in Applying Accounting Policies

Pension Fund Liability
The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates provided to the admitted and scheduled bodies in the Fund, as requested, in the intervening years. The methodology used in the annual updates is in line with accepted guidelines.

This estimate is subject to significant variances based on the changes to the underlying assumptions which are agreed with the actuary and are summarised in Note 18.

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

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 reported amounts. Estimates and assumptions take account historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made.
The items in the net asset statement for which there is significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund's assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied	The effects on the present value of promised retirement benefits of changes in actuarial assumptions can be significant. Changes in assumptions could have the approximate following impacts on the Fund's employer liability as follows: • 0.1% p.a. decrease in the Real Discount rate could result in an increase of 2% • 0.1% p.a. increase in the Pension Increase Rate could result in an increase of 2% • 0.1% p.a. increase in Salary Increase Rate (CPI) could result in an increase of 0% • 1 Year increase in member life expectancy could result in a 4% increase	+/- £18m +/- £17m +/- £2m +/- £42m
Level 3 Investments (Note 14a)	Level 3 investments can be determined by Fund Managers in accordance with guidelines and principles set out in the International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved.	Level 3 investments total £251m, which represents 28% of the total Fund value of £895m.	Sensitivity Analysis shows that the £251m valuation could decrease or increase within the range of £233m and £270m

6. Events after the Reporting Date

The Present Value of Promised Retirement Benefits (note 18) includes an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31 March 2023 IAS26 reporting and is continued to be allowed for within the liabilities this year. There will be changes made to scheme regulations that will remove age discrimination from the LGPS and it is anticipated that these regulations will come into force in due course.

The Fund has valued its assets based on the 31 March 2023 position as reported by its investment managers. However, there is uncertainty over asset valuations, in particular for real and private market assets. The Fund believes that these valuations are the most reliable, as there are not alternative reliable estimates given the absence of trading in these asset classes.

Markets were disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures. As a result, asset returns have lagged expectation while members received a higher than anticipated benefit increase of 10.1% in April 2023. However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which decreased the value placed on the Fund's liabilities. Therefore, the funding level increased significantly in the year to 31 March 2023.

7. Contributions Receivable

By category

2021/22 £000		2022/23 £000
	Employees' contributions	
	Normal:	
6,541	London Borough of Havering	7,012
1,489	Scheduled Bodies	1,714
75	Admitted Bodies	99
	Additional contributions:	
6	London Borough of Havering	6
8,111	**Total Employees' Contribution**	**8,831**
	Employers' contributions	
	Normal:	
16,341	London Borough of Havering	17,590
5,606	Scheduled bodies	5,625
329	Admitted bodies	468
	Deficit funding:	
18,302	London Borough of Havering	18,569
-	Scheduled bodies	750
-	Admitted bodies	3
	Augmentation	
344	London Borough of Havering	1,275
50	Scheduled bodies	-
29	Admitted Bodies	-
41,001	**Total Employers' Contributions**	**44,280**
49,112	**Total Contributions Receivable**	**53,111**

By authority

2021/22 £000		2022/23 £000
41,534	London Borough of Havering	44,452
7,145	Scheduled bodies	8,089
433	Admitted Bodies	570
49,112	**Total Contributions Receivable**	**53,111**

8. Transfers in

2021/22 £000		2022/23 £000
4,204	Individual transfers	3,209
4,204	**Transfers in**	**3,209**

9. Benefits Payable

By category

2021/22 £000		2022/23 £000
	Pensions	
30,620	London Borough of Havering	32,674
1,324	Scheduled Bodies	1,547
936	Admitted Bodies	202
32,880	**Pension Total**	**34,423**
	Commutation and Lump Sum Retirements	
3,609	London Borough of Havering	6,205
336	Scheduled Bodies	560
-22	Admitted Bodies	181
3,923	**Commutation and Lump Sum Retirements Total**	**6,946**
	Lump Sum Death Benefits	
575	London Borough of Havering	985
173	Scheduled Bodies	176
-	Admitted bodies	-
748	**Lump Sum Death Benefits Total**	**1,161**
37,551	**Total Benefits Payable**	**42,530**

By authority

2021/22 £000		2022/23 £000
34,804	Havering	39,864
1,833	Scheduled bodies	2,283
914	Admitted Bodies	383
37,551	**Total Benefits Payable**	**42,530**

10. Payments To and On Account of Leavers

2021/22 £000		2022/23 £000
81	Refunds to members leaving service	79
4,537	Individual transfers	3,829
4,618	**Payments to and on Account of Leavers**	**3,908**

11. Management Expenses

2021/22 £000		2022/23 £000
709	Administrative Costs	727
4,241	Investment Management Expenses	4,628
521	Oversight and Governance Costs	581
3	Local Pension Board	4
5,474	**Management Expenses**	**5,940**

11a. External Audit Fees

2021/22 £000		2022/23 £000
78	Oversight and Governance - External Audit costs	(14)
78	**External Audit Fees**	**(14)**

This analysis of the costs of managing the Fund during the period has been prepared in accordance with CIPFA guidance.

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 12a).

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

11b. Investment Management Expenses

2022/23	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2022/23 Total £000
Bonds	179	-	-	179
Fixed Interest Unit Trust	18	-	-	18
Diversified Growth Funds	286	-	210	496
Infrastructure	770	-	-	770
Global Equity	1,501	-	100	1,601
Other Investments				
Pooled Property	667	121	-	788
Private Debt	657	-	-	657
Derivatives – Forward Currency Contracts	31	-	-	31
	4,109	**121**	**310**	***4,540**
Custody Fees				42
Performance Measurement Fees				36
Other Investment Fees				10
Investment Management Expenses				**4,628**

*Includes £1.954m charged for assets in the London CIV asset pool (£2.086m 2020/21)

2021/22	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2021/22 Total £000
Bonds	147	-	-	147
Fixed Interest Unit Trust	128	-	-	128
Diversified Growth Funds	598	-	15	613
Infrastructure	598	-	-	598
Global Equity	1,637	-	82	1,719
Other Investments				
Pooled Property	513	117	-	630
Private Debt	314	-	-	314
Derivatives – Forward Currency Contracts	19	-	-	19
	3,954	**117**	**97**	***4,168**
Custody Fees				42
Performance Measurement Fees				31
Other Investment Fees				-
Investment Management Expenses				**4,241**

*Includes £2.238m charged for assets in the London CIV pool (£2.086m 2020/21)

12. Investment Income

2021/22 £000		2022/23 £000
9,542	Pooled Investments – unit trusts and other managed funds	13,682
1,339	Income from Bonds*	600
2,580	Pooled Property Investments	1,928
2,294	Income from derivatives (Foreign Exchange Gains/(losses))	12
43	Interest on Cash Deposits	262
(821)	Other Income**	-
14,977	**Investment Income**	**16,484**

* Income includes Index linked Interest of £0.210m (2021/22 £0.208m).

** Management expenses to offset against gross income from dividends

13. Analysis of Investments

2021/22 £000		2022/23 £000
	Investment Assets	
150	LCIV Shareholding	150
150		**150**
	Bonds	
22,977	Fixed Interest Securities	351
39,097	Index-Linked Securities	26,737
62,074		**27,088**
	Pooled Investment	
63,252	Fixed Interest Unit Trust	60,434
85,428	Diversified Growth Fund	66,469
56,760	Infrastructure	84,509
473,469	Global Equity	459,768
678,909		**671,180**
	Other Investments	
93,775	Pooled Property	85,821
55,134	Private Debt	81,161
148,909		**166,982**
50	Derivatives – Forward Currency Contracts	1,575
16,985	Cash deposits Managers	12,211
363	Other assets	433
17,348		**14,074**
907,440	**Total Investment Assets**	**879,324**
	Investment Liabilities	
	Derivative Contracts	
(2,218)	Forward Currency Contracts	(24)
(2)	Other liabilities	(248)
(2,220)	**Total Investment Liabilities**	**(272)**
905,220	**Total Net Investments**	**879,052**

13a. Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2023
	£000	£000	£000	£000	£000
Fixed Interest Securities	22,977	16,151	(33,428)	(5,349)	351
Index-linked Securities	39,097	30,843	(29,914)	(13,289)	26,737
Pooled Investment Vehicles	679,059	30,076	(22,622)	(15,183)	671,330
Other Investments	148,909	27,978	(4,859)	(5,046)	166,982
	890,042	**105,048**	**(90,823)**	**(38,867)**	**865,401**
Derivatives – forward currency contracts	(2,168)	21,804	(12,431)	(5,654)	1,551
	887,874	**126,852**	**(103,254)**	**(44,521)**	**866,951**
Other Investment Balances:					
Cash Deposits (fund managers)	16,985			(56)	12,066
Investment income due	361				185
	905,220			**(44,577)**	**879,202**

	Market Value at 31 March 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2022
	£000	£000	£000	£000	£000
Fixed Interest Securities	39,001	18,071	(31,277)	(2,818)	22,977
Index-linked Securities	36,897	39,955	(39,380)	1,625	39,097
Pooled Investment Vehicles	671,902	88,999	(94,293)	12,451	679,059
Other Investments	105,811	29,213	(2,280)	16,165	148,909
	853,611	**176,238**	**(167,230)**	**27,423**	**890,042**
Derivatives – forward currency contracts	886	127,525	(127,525)	(3,054)	(2,168)
	854,497	**303,763**	**(294,755)**	**24,369**	**887,874**
Other Investment Balances:					
Cash Deposits (fund managers)	3,321				16,985
Investment income due	479				361

	858,297	**905,220**

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 during the year.

Purchases and Sales of derivatives (forward current contracts) are recognised in Note 12a above for contracts settled during the period are reported on a gross basis as gross receipts and payments.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £0.310m (2021/22 £0.096m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

13b. Investments analysed by Fund Manager

Value 31 March 2022 £000	%	Manager	Mandate	Value 31 March 2023 £000	%
Investments managed by London CIV asset pool:					
150	0.02	London CIV	Equities unquoted	150	0.02
119,358	13.19	Ruffer	Pooled Absolute Return Fund	115,888	13.18
155,312	17.16	Baillie Gifford	Pooled Global Alpha Growth Paris Aligned Fund	135,620	15.43
85,428	9.44	Baillie Gifford	Pooled Diversified Growth Fund	66,469	7.56
44,694	4.94	State Street Global Advisors	Pooled Passive Equity Progressive Paris Aligned (PEPPA)	43,994	5.00
6,916	0.76	Foresight, Blackrock, Quinbrook & Stonepeak	Pooled Infrastructure Renewable	11,185	1.27
411,858	**45.50**			**373,306**	**42.46**
PLUS Life Fund Investments aligned with London CIV asset pool:					
166,105	18.35	Legal & General Investment Management	Passive Global Equities/ Emerging Markets/Future World	164,266	18.68
577,963	**63.85**	**London CIV Total**		**537,572**	**61.14**
Investments managed outside of the London CIV asset pool:					
40,456	4.47	Royal London Index linked Bonds Fund	Investment Grade Bonds	27,257	3.10
22,257	2.46	Royal London Corp Bond Fund	Investment Grade Bonds	-	-
63,251	6.99	Royal London Multi Asset Credit Pooled Fund	Fixed Interest Unit Trust	60,434	6.87
61,467	6.79	UBS Property	Pooled Property	51,148	5.82
32,308	3.57	CBRE	Global Pooled Property	34,673	3.94
20,304	2.24	Stafford Capital SISF II	Overseas Pooled Infrastructure	19,937	2.27
7,487	0.83	Stafford Capital SISF IV	Overseas Pooled Infrastructure	16,387	1.86
23,302	2.57	JP Morgan	Overseas Pooled Infrastructure	37,000	4.21
20,855	2.30	Churchill II	Overseas Pooled Private Debt	21,761	2.48
7,756	0.86	Churchill IV	Overseas Pooled Private Debt	15,288	1.74
26,524	2.93	Permira PCS4	Overseas/UK Pooled Private Debt	30,961	3.52
-	-	Permira PCS5	Overseas/UK Pooled Private Debt	13,151	1.50
(1,538)	(0.17)	Russell Investments	Currency Management	5,905	0.67
2,828	0.31	Other	Other	7,728	0.88
327,256	**36.15**	**Managed outside asset pool Total**		**341,630**	**38.86**
905,220	**100.00**	**Total Fund**		**879,202**	**100.0**

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

Market Value 31 Mar 2021 £000	%	Security	Market Value 31 Mar 2022 £000	%
-	-	London CIV Global Alpha Fund		
155,312	17.16	London CIV Global Alpha Paris Aligned Fund	135,620	15.43
119,358	13.19	London CIV Absolute Return Fund	115,888	13.18
93,296	10.31	LGIM Future World Fund	93,404	10.62
85,428	9.44	London CIV Diversified Growth Fund	66,469	7.56
63,251	6.99	Royal London Multi Asset Credit Pooled Fund	60,434	6.87
61,467	6.79	UBS Property	51,148	5.82
578,112	**63.86**	**Total Fund**	**522,963**	**59.48**

13c. Stock Lending

We do not carry out stock lending directly. We are investors of a pooled fund with the passive equity manager, Legal and General Investment Management (LGIM), who carry out stock lending as part of the Fund’s activities. Stock Lending occurs in limited number of overseas equities index funds.

The Stock Lending programme is managed and administered by the custodian of the funds (Citibank) within the risk control parameters set by LGIM. The programme has been operating for over 10 years and enjoys an indemnity from Citibank. Stock lending is only undertaken with counterparties who have satisfied the requirements in terms of market capability and minimum credit standing.

All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2023, the value of quoted equities on loan was £37.937m (31 March 2022 £2.195) These equities continue to be recognised in the fund's financial statements.

14. Analysis of derivatives

Objectives and policies for holding derivatives
Most of the holdings in derivatives are to hedge liabilities or hedge exposure to reduce risk in the Fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and various investment managers.

Forward foreign currency
The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts are Royal London and Russell. A breakdown of forward contracts held by the Fund as at 31 March 2023 is given below:

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value (Unrealised Gain) £000	Liability Value (Unrealised Loss) £000
Up to One month	GBP	30,068	USD	(37,132)	52	(0)
	USD	1,796	GBP	(1,455)	0	(3)
	GBP	27,298	EUR	(30,807)	206	(0)
	GBP	2,089	AUD	(3,711)	78	(0)
	EUR	2,147	GBP	(1,895)	0	(7)
	AUD	22	GBP	(13)	0	(1)
Up to Six months	GBP	4,562	AUD	(8,184)	123	0
	GBP	45,517	EUR	(51,580)	74	(3)
	EUR	3,332	GBP	(2,939)	0	(3)
	GBP	62,992	USD	(76,705)	1,042	(0)
	USD	1,291	GBP	(1,049)	0	(7)
Open forward currency contracts at 31 March 2023					**1,575**	**(24)**
Net forward currency contracts at 31 March 2023						**1,551**
Gross open forward currency contracts at 31 March 2022						(2,218)
Net forward currency contracts at 31 March 2022						**(2,168)**

15. Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, where possible using market based information. There has been no change in the valuation techniques used during the year.

Asset and Liability valuations have 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, comprising quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2
Where quoted market prices are not available or where valuation techniques are used to determine fair value based on observable 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.

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

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled Quoted	Level 2	Published bid	Not required	Not required
Pooled Unquoted investments	Level 2	Developed using Market Data	No material difference between the value of assets & liabilities and their fair value	Not Required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
UK Pooled instruments-property funds	Level 3	Valuations carried out by the property funds external valuers, Knight Frank LLP	Market value in accordance with the “RICS” Appraisal and Valuation Standards	Valuations could be affected by significant differences in rental value and rent growth
Overseas Pooled instruments property funds (CBRE)	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	Estimated fair values are determined by the Advisor at valuation date and independently appraised on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. For this fund, Income approach was used based on Unobservable input of Discount/WAAC rate and Exit EBITDA Multiples.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled Instruments Infrastructure Funds (Stafford Capital)	Level 3	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount.
Overseas Pooled instruments Private Debt Funds (Churchill)	Level 3	Valuations undertaken quarterly and determined by the Investment Manager. To determine the value, the manager relies on guidance by various regulatory and industry organisations and authorised to use independent third party pricing services and valuation firms.	Unobservable inputs are determined by the Investment Manager and shall take into account items that it reasonably believes would impact the valuation (such as expenses and reserves).	Significant increases (decreases) in discount yields could result in lower (higher) fair value measurement. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Private Debt	Level 3	Fair Value is determined by the AIFM based on advice from Portfolio Manager and based	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant on the valuations. Timing difference between the

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Funds (Permira)		on the International Private Equity and Venture Capital guidelines or other standards agreed by the Senior Fund Advisory Committee.		date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Renewable Infrastructure (LCIV)	Level 3	Fair Values are calculated in whole or in part using techniques based in assumptions using IA SORP	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant on the valuations. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent performance measurement service, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range (+/-) %	Value at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Pooled Property Funds	7.00	85,821	91,828	79,813
Pooled unit Trusts	7.30	165,670	177,764	153,576

15a. Fair Value Hierarchy

The following tables provides an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which fair value is observable.

Values at 31 March 2023	Quoted Market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial assets at fair value through profit and loss	192,162	435,821	251,491	879,474
Financial Liabilities				
Financial liabilities at amortised cost	-	(272)	-	(272)
Net Financial Assets	**192,162**	**435,549**	**251,491**	**879,202**

Values at 31 March 2022	Quoted Market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial assets at fair value through profit and loss	196,572	566,664	144,202	907,438
Financial Liabilities				
Financial liabilities at amortised cost	-	(2,218)	-	(2,218)
Net Financial Assets	**196,572**	**564,446**	**144,202**	**905,220**

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

15b. Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2022 £000	Purchases £000	Sales £000	Unrealised gains/losses £000	Realised gains/losses £000	Market Value 31 March 2023 £000
Property Funds	93,775	24,834	(5,543)	7,044	1,413	84,509
Infrastructure	56,760	-	(401)	(7,954)	401	85,821
Private Debt	55,134	27,978	(4,032)	1,134	947	81,161
Total	**205,669**	**52,812**	**(9,975)**	**225**	**2,761**	**251,491**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account

16. Financial Instruments

Classification of financial instruments

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

31 Mar 2022				31 Mar 2023		
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial Assets			
150	-	-	Long Term Investments	150	-	-
22,977	-	-	Bonds -Fixed Interest Securities	351	-	-
39,097	-	-	Bonds - Index linked securities	26,737	-	-
50	-	-	Derivative contracts	1,575	-	-
678,909	-	-	Pooled investment Vehicles	671,180	-	-
55,134	-	-	Private Debt	81,161	-	-
93,775	-	-	Property	85,821	-	-
-	16,985	-	Cash	-	12,211	-
-	363	-	Other Investment Balances	-	433	-
-	15,612	-	Debtors	-	16,156	-
890,092	**32,960**	**-**	**Financial Assets Total**	**866,975**	**28,800**	**-**
			Financial Liabilities			
(2)	-	-	Other Investment Balances	-	-	(248)
(2,218)	-	-	Derivative contracts	(24)	-	-
-	-	(749)	Creditors	-	-	(411)
(2,220)	**-**	**(749)**	**Financial Liabilities Total**	**(24)**	**-**	**(411)**
887,872	**32,960**	**(749)**	**Grand total**	**866,951**	**28,552**	**(658)**
920,083				**895,093**		

Net Gains and Losses on Financial Instruments

2021/22 £000		2022/23 £000
	Financial assets	
25,198	Fair value through profit and loss	(44,577)
25,198	**Total**	**(44,577)**

17. 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 Authority manages these investment risks as part of its overall pension fund risk management programme.

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

a) Market Risk

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

The objective is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investing return.

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

b) Other Price Risk

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

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

c) Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movements during the financial year, in consultation with Pensions & Investments Research Consultants (PIRC), it has been determined that the following movements in market price risk are reasonably possible for the 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2023 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	520,353	14.40	595,284	445,422
Total Bonds	27,087	6.20	28,767	25,408
Pooled Overseas Unit Trusts	165,670	7.30	177,764	153,576
Global Pooled including UK	66,469	6.10	70,523	62,414
Pooled Property	85,821	7.00	91,828	79,813
Cash	13,802	0.50	13,871	13,733
Total	**879,202**		**978,037**	**780,366**

Interest Rate Risk

Asset Type	Value as at 31 March 2022 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	536,871	15.30	619,012	454,730
Total Bonds	62,074	7.00	66,419	57,729
Pooled Overseas Unit Trusts	111,894	7.60	120,398	103,390
Global Pooled inc.UK	85,428	4.70	90,810	80,046
Pooled Property	93,775	6.30	98,182	89,368
Cash	15,178	0.50	15,254	15,102
Total	**905,220**		**1,019,075**	**800,365**

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

Interest Rate Risk Sensitivity Analysis

The analysis that follows assumes all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1%) change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk

Assets exposed to interest rate risk	Value as at 31 March 2023 £000	Potential movement £000	Value on increase £000	Value on Decrease £000
Bond Securities	27,087	271	27,358	26,816
Cash and Cash Equivalents	13,802	138	13,940	13,664
Cash Balances	16,201	162	16,363	16,039
Total Change in Asset Value	**57,090**	**571**	**57,661**	**56,519**

Assets exposed to interest rate risk	Value as at 31 March 2022 £000	Potential movement £000	Value on increase £000	Value on Decrease £000
Bond Securities	62,074	621	62,695	61,453
Cash and Cash Equivalents	15,178	152	15,330	15,026
Cash Balances	14,260	143	14,403	14,117
Total Change in Asset Value	**91,512**	**915**	**92,427**	**90,597**

Currency Risk

Currency risk represents the risk that fair value of future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling.

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with PIRC, it has been determined that a likely volatility associated with foreign exchange rate movements is 6.30% over a rolling 36-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 7.34% strengthening and weakening of the pound against the various currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Value as at 31 March 2023 £000	Potential movement at 6.30% £000	Value on increase £000	Value on Decrease £000
Overseas Pooled	145,046	9,138	154,184	135,908
Overseas Cash	5,366	338	5,704	5,028
Total change in assets available to pay benefits	**150,412**	**9,476**	**159,888**	**140,936**

Assets exposed to currency risk	Value as at 31 March 2022 £000	Potential Market movement at 7.34% £000	Value on increase £000	Value on Decrease £000
Overseas Pooled	110,762	8,130	118,892	102,632
Overseas Cash	1,169	86	1,255	1,083
Total change in assets available to pay benefits	**111,931**	**8,216**	**120,147**	**103,715**

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 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 assets and liabilities.

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

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

Cash not needed to settle immediate financial obligations are invested by the Authority in accordance with the Treasury Investment Strategy. The Treasury Investment Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments.

The Fund's cash holding under its treasury management arrangements as at 31 March 2023 was £16.056m (31 March 2022 £14.260m). The Fund has immediate access to its cash holdings that are invested by the Authority and periodic cash flow forecasts are prepared to manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund's cash management policy and in line with the Fund's investment strategy holds assets that are considered readily realised.
The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to

convert into cash. As at 31 March 2023 the value of liquid assets was £644m, which represented 72% of the total Fund (31 March 2022 £714m, which represented 78% of the total fund assets).

Refinancing Risk

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

18. Funding Arrangements

Actuarial Statement for 2022/23

This statement has been prepared in accordance with Regulation 57(1) (d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The Funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated April 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term);
- where appropriate, ensure stable contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy; and
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £920 million, were sufficient to meet 80% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £229 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Assumptions	31 March 2022 %
Discount Rate for Period	3.5
Salary increases assumption	3.4
Benefit increase assumption (CPI)	2.7

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.7 years	24.3 years
Future Pensioners*	22.6 years	25.8 years

** Aged 45 at the 2022 Valuation*

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administrating Authority to the Fund.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures. As a result, asset returns have lagged expectation while members received a higher than anticipated benefit increase of 10.1% in April 2023. However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which decreased the value placed on the Fund's liabilities. Therefore, Fund's funding level increased significantly in the year to 31 March 2023.

The next actuarial valuation will be carried out as at 31 March 2025. The FSS will also be reviewed at that time.

19. Actuarial Present Value of Promised Retirements

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities to disclose what IAS26 refers to as the actuarial present value of retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19.

31 March 2022 £m	**Year Ended**	**31 March 2023 £m**
1,435	Present Value of Promised Retirement Benefits	1,053
920	Fair Value of Scheme assets (bid value)	896
515	**Net Liability**	**157**

The promised retirement's benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, the actuary has not made any allowance for unfunded benefits. The liabilities above are calculated on an IAS19 basis and will differ from the results of the 2022 triennial funding valuation because IAS19 stipulates a discount rate rather than a rate which reflects market rates.

It should be noted that the above figures are appropriate for the Administrating Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. It is estimated that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £513m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £10m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2022 % p.a	Year Ended	31 March 2023 % p.a.
3.20	Pension Increase Rate	3.00
3.90	Salary Increase Rate	3.70
2.70	Discount Rate	4.75

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.4 years	24.0 years
Future Pensioners	22.3 years	25.5 years

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions at 31 March 2023	Approximate % increase to promised retirement benefits %	Approximate monetary amount £m
0.1% p.a. decrease in the Real Discount Rate	2	18
1 year increase in member life expectancy	4	42
0.1% p.a. increase in the Salary Increase Rate	0	2
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	17

Professional notes

These notes accompany the covering report titled 'Actuarial Valuation as at 31 March 2023, which identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

20. Current Assets

2021/22 £000		2022/23 £000
676	Contributions due from employers	57
195	Contributions due from employees	218
117	Pension Fund Bank Account Balances	145
326	Sundry Debtors	386
14,167	Cash deposit with LB Havering	16,056
131	Holding Accounts	100
15,612	**Current Assets**	**16,962**

21. Current Liabilities

2021/22 £000		2022/23 £000
(301)	Benefits Payable	(33)
(293)	Sundry Creditors	(224)
(155)	Holding Accounts	(155)
(749)	**Current Liabilities**	**(412)**

22. Additional Voluntary Contributions

Market Value 2021/22 £000	AVC Provider	Market Value 2022/23 £000
810	Prudential	749
148	Standard Life	88

Some employees made additional voluntary contributions (AVC's) of £30,080 (2021/22 £31,422) excluded from these statements. These are deducted from the employees' salaries and forwarded to the stakeholder pension schemes provided by the Prudential and Standard Life. The amounts forwarded during 2022/23 were £29,680 (2021/22 £29,022) to the Prudential and £400 (2021/22 £2,400) to Standard Life.

23. Agency Services

The Fund pays discretionary awards to the former employees of Havering. The amounts paid are fully reclaimed from the employer bodies.

2021/22 £000		2022/23 £000
1,270	Payments on behalf of Havering Council	1,260

24. Related Party Transactions

The Fund is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Fund, or to be controlled or influenced by the Fund.

The Fund is administered by the London Borough of Havering. During the reporting period, the council incurred costs of £0.946m (2021/22 £0.682m) in relation to the administration and management of the fund and was reimbursed by the Fund for these expenses.
The Authority is also the largest employer in the Fund and in 2022/23 contributed £37.434m (2021/22 £34.643m) to the Pension Fund in respect of employer's contributions. All monies owing to and due from the fund were paid in year.

Part of the Pension Fund internal cash holdings are invested on the money markets by the treasury management operations of London Borough of Havering, through a service level agreement. As at 31 March 2023 cash holdings totalled £16,056m (2021/22 £14.167m), earning interest over the year of £0.226m (2021/22 £0.043m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.150m at 31 March 2023 (2021/22 £0.150m) are included as long-term investments in the net asset statement. A mixed portfolio of pension fund investments is managed by the London CIV as shown in Note 12b. During 2022/23 a total of £1.954m was charged to the Fund by the London CIV in respect of investment management services (2021/22 £2.238m).

Governance

Responsibility for management of the Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer and the Managing Director of oneSource.

No members of the Pension Fund Committee are in receipt of pension benefits from the Havering Pension Fund.

Each member of the Pension Fund Committee and Local Pension Board are required to declare their interests at each meeting.

During the year no Member or Council officer with direct responsibility for Pension Fund issues has undertaken any declarable material transactions with the Pension Fund.

The members of the Pensions Committee do not receive fees in relation to their specific responsibilities as members of the Pensions Committee.

The members of the Local Pension Board receive an attendance allowance for each meeting and these costs are included within Note 10.

Key Management Personnel

Paragraph 3.9.4.4 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and member's allowances detailed in section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit Regulations 2015 satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 244. This applies in equal measure to the accounts of the Havering Pension Fund.

The disclosures required by the above legislation can be found in the main accounts of Havering Council.

25. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2023 were £75.50m. (31 March 2022 £117.36m). These commitments relate to outstanding capital call payments due on unquoted limited partnership funds held in Private Debt and Infrastructure parts of the portfolio.

Following the Freedom and Choice provisions announced in the 2014 Budget, the Pension Fund has seen some enquiries from members about transferring benefits out of the LGPS. There are potential liabilities of £0.003m (2021/22 £0.396m) in respect of individuals transferring out of the Pension Fund upon whom the Fund is awaiting final decisions. Information is not available which shows how much of this is attributable to Freedom and Choice provisions.

Four admitted bodies in the Pension Fund hold insurance bonds or guarantees in place to guard against the possibility of being unable to meet their pension obligations. These bonds total £1.4m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Seven admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £1.75m.

The Fund, in conjunction with the other borough shareholders in the London CIV, has entered into an exit payment agreement with the London CIV, acting as a Guarantor. The Fund will meet any exit payments due should the London CIV cease its admission arrangements with the City of London. Should the amount become due the Fund will meet 1/32 share of the costs.

Glossary

Accounting Policies Those principles, bases, conventions, rules and practices applied by an entity that specify how the effect of transactions and other events are to be reflected in its financial statements through:

(i) recognising

(ii) selecting measurement bases for, and

(iii) presenting assets, liabilities, gains, losses and charges to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Accruals The amounts by which receipts or payments are increased (or reduced) in order to record the full income and expenditure incurred in an accounting period.

Actuary An independent consultant who advises on the financial position of the Pension Fund.

Actuarial Valuation Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Authority on the Fund's financial position and recommended employers' contribution rates.

Agency Arrangement An arrangement whereby an authority (the agent) acts on behalf of another (the principal) to collect income or incur expenditure on the behalf of the principal. Such income or expenditure is not included in the agent's accounts other than any commission paid by the principal.

Amortisation The writing off of an intangible asset or loan balance over a period of time.

Appropriation The transfer of ownership of an asset from one service to another at an agreed (usually market) value.

Balance Sheet A statement of all the assets, liabilities and other balances of the Authority at the end of an accounting period.

Bid Price The purchase price that a buyer is willing to pay for an asset.

Budget A forecast of future expenditure plans for the Authority. Detailed revenue budgets are prepared for each year and it is on the basis of these figures that the council tax is set. Budgets are revised towards the year end to take account of inflation, changes in patterns of services, and other factors.

Capital Expenditure Expenditure on the acquisition of fixed assets or expenditure which adds to the value of an existing fixed asset.

Capital Financing Requirement The measure of an authority's capital borrowing need under the Prudential Code and the Local Government Act 2003. It is made up of the total value of the Authority's fixed assets and intangible assets less the sums accumulated in the revaluation reserve, deferred grant reserve and capital adjustment accounts.

Capital Receipt Income received from the sale of a capital asset such as land or buildings.

Code of Practice on Local Authority Accounting in the United Kingdom (The Code) Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper practices'. This includes, for the purposes of local government legislation, compliance with the terms of the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code), prepared by the CIPFA/LASAAC Local Authority Accounting Code Board. The Code is reviewed continuously and is issued annually.

Collection Fund A Statutory Account which receives council tax and non-domestic rates to cover the costs of services provided by Havering and its precepting authorities.

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

Comprehensive Income and Expenditure Statement A statement showing the income and expenditure for the year of all the functions for which the Authority is responsible and complies with accounting practices as required under International Financial Reporting Standards (IFRS).

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 Liability A possible liability to future expenditure at the balance sheet date dependent upon the outcome of uncertain events.

Defined Benefit Scheme A pension scheme which defines benefits independently of the contributions payable. Benefits are not directly related to the investments of the Pension Fund.

Depreciation The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Earmarked Reserves Amounts earmarked to fund known items of anticipated expenditure for which the liability is not chargeable to the current year's Accounts.

Effective Interest Rate The rate of interest needed to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount at the initial recognition.

Finance Lease A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Asset A right to future economic benefits controlled by the Authority that is represented by:

- Cash
- An equity instrument of another entity
- A contractual right to receive cash (or other financial asset) from another entity.
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

Financial Instrument A contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another

Financial Liability An obligation to transfer economic benefits controlled by the Authority that is represented by:

- A contractual obligation to deliver cash (or other financial asset) to another entity
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

General Fund (GF) Havering's main Revenue Account from which is met the cost of providing most of the Authority's services.

General Fund Working Balance Revenue Funds which are uncommitted and available to support general funding pressures not otherwise specifically covered by planned budget or earmarked reserves.

Historic Cost The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Revenue Account (HRA) A Statutory Account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Impairment The reduction in value of a tangible or intangible fixed asset reflecting either (i) the consumption of economic benefits such as obsolescence or physical damage or (ii) a general fall in prices. In the former case, the impairment is a charge to the revenue account; in the latter, the impairment is a charge to the Revaluation Reserve or Capital Adjustment Account.

Infrastructure Assets Assets which have an indeterminate life and although valuable do not have a realisable value e.g. roads.

London Collective Investment Vehicle (CIV) was launched in December 2015, is the first fully authorised and regulated investment management company set up by Local Government in the UK. They have been established as a collective vehicle for investments for Local Government Pension Scheme Funds.

Long Term Assets – assets that yield benefit to the Authority and the services it provides for a period of more than one year. Fixed Assets are sub-divided into **Tangible** and **Intangible**: the former are physical assets such as land, buildings and equipment; the latter are assets such as computer software or marketable research and development. Long term assets were previously called **fixed assets** on the balance sheet.

Minimum Revenue Provision (MRP) The Authority is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). The MRP is based on the Council's capital financing requirement.

Movements in Reserves Statement (MiRS) This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services.

Net Book Value The amount at which fixed assets are included in the balance sheet after depreciation has been provided for.

Net Current Replacement Cost The current cost of replacing or recreating an asset in its existing use, adjusted for the notional depreciation required to reflect the asset's existing condition and remaining useful life.

Net Realisable Value The open market value of the asset less the expenses to be incurred in realising the asset.

Non-Operational Assets Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of its services. Examples include investment and surplus properties.

Non Distributed Costs Costs which are not chargeable to services and comprise of:

- Retirement benefit costs (past service costs, settlements and curtailments)
- Unused share of IT facilities

The costs of shares of long term unused but unrealisable assets.

oneSource A partnership between the London Boroughs of Bexley, Havering and Newham through a joint-committee arrangement to deliver support services. This will release resources to be applied to the protection of front-line services.

Operational Assets Fixed assets held, occupied, used or consumed by the Authority in the direct delivery of its services.

Operating Lease A lease other than a finance lease, i.e. a lease which permits the use of the asset without substantially transferring the risks and rewards of ownership.

Outturn The actual level of expenditure and income for the financial year.

Post Balance Sheet Events Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts are approved for issue by the Chief Operating Officer

Precept The charge made by one authority (e.g. Greater London Authority) on another authority (e.g. Havering) to finance its net expenditure.

Provisions Amounts set aside to fund known liabilities chargeable to the current year's Accounts where the exact amount or timing of the payment are not yet certain.

Prudential Code Since April 2004 local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities freedom to determine how much capital investment they can afford to fund through borrowing. The objectives of the code are to ensure that authorities' capital spending plans are affordable, prudent and sustainable, with authorities being required to set specific prudential indicators.

Public Works Loans Board (PWLB) Central Government Agency which funds much of Local Government borrowing.

Revenue Expenditure The day to day expenditure of the Authority, e.g. salaries, depreciation, goods and services.

Revenue Expenditure Funded from Capital Under Statute Expenditure which would otherwise be classified as revenue, but which is classified as capital expenditure for control purposes. Examples include items such as improvement grants and loan redemption expenses.

Revenue Support Grant The main grant paid by the Government to local authorities.

Supported Borrowing supported by central government grant towards the financing costs, mainly through Revenue Support Grant.

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Appendix G (i)

Kathy Freeman
Strategic Director of Resources

London Borough of Havering
Town Hall
Main Road
Romford
RM1 3BD

t 01708 433471
e kathy.freeman@havering.gov.uk

Date: XX December 2024
www.havering.gov.uk

Mark Hodgson
Ernst & Young
One Cambridge Square,
Cowley Road
Cambridge
CB4 0AE

This letter of representations is provided in connection with your audit of the financial statements of the London Borough of Havering ("the Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council's financial position of London Borough of Havering as of 31 March 2022 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)*]. (See Note A.)*

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records *(See Note B.)*

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).[1]

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the

[1] ISA (UK) 580.10

Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)], and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements. [*See Note I*]

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)], that are free from material misstatement, whether due to fraud or error. [2]

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.[3] We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].[4]

   [When the comparative figures have been restated]

   The comparative amounts have been restated to reflect the below matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and parent Authority financial statements. *[Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.]* There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended *[date]* are solely the result of reclassifications for comparative purposes.

6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

7. We confirm the Council does not have securities (debt or equity) listed on a recognised exchange [other than…].

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud. [5]

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. [6]

[2] ISA (UK) 210.6(b)(ii)
[3] ISA (UK) 450.14
[4] ISA (UK) 450.A24-1
[5] ISA (UK) 240.39(a)
[6] ISA (UK) 240.39(b)

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

   - involving financial improprieties;
   - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
   - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
   - involving management, or employees who have significant roles in internal controls, or others; or
   - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.[7]

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.[8]

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.[9] *[See Note E]*

3. We have made available to you all minutes of the meetings of the Council and committees [*add the full title of the relevant committees]* (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the *[period]* to the most recent meeting on the following date: *[list date].*

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.[10] *[See Note F]*

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[7] ISA (UK) 240.39(c),(d), and ISA (UK) 250A.16

[8] ISA (UK) 580.11(a), ISA (UK) 210.6(b)(iii)
[9] ISA (UK) 580.11(b)
[10] ISA (UK) 550.26

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with [applicable financial reporting framework].[11] [see 'Other illustrative representations' Estimates example wording below]

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through to the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.[12]

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note *[X]* to the financial statements all guarantees that we have given to third parties.[13]

4. No other claims in connection with litigation have been or are expected to be received. [14]

E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note *[X]* to the financial statements. All assets to which the Council has satisfactory title appear in the balance sheet(s).

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Note *[X]* to the financial statements, we have no other line of credit arrangements.

F. Use of the Work of a Specialist

[11] ISA (UK) 540.37 (Revised)
[12] ISA (UK) 501.12
[13] ISA (UK) 501.12
[14] ISA (UK) 501.12

1. We agree with the findings of the specialists that we engaged to evaluate the *[describe assertion]* and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

G. Estimates [for audits of periods ending on or after 15 December 2020]

When we have identified a higher risk estimate, we include the following representation(s) (refer to ESTIMATES 17):

1. We confirm that the significant judgments made in making the *[insert name of the accounting estimate]* have taken into account all relevant information [and the effects of the COVID-19 pandemic on XXX] of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the *[insert name of the accounting estimate].*

3. We confirm that the significant assumptions used in making the *[insert name of the accounting estimate]* appropriately reflect our intent and ability to carry out *[describe the specific courses of action]* on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty [and the effects of the COVID-19 pandemic on XXX], are complete and are reasonable in the context of *[the applicable financial reporting framework].*

5. We confirm that appropriate specialised skills or expertise has been applied in making the [*insert name of the accounting estimate*].

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements [, including due to the COVID-19 pandemic].

7. *[When estimates have been identified that do not meet the recognition or disclosure criteria of the applicable financial reporting framework].* We confirm that the recognition and/or disclosure criteria within *[applicable financial reporting framework]* have not been met with respect to the accounting estimate for *[describe accounting estimate]* and accordingly we have [*not recognised the estimate in the financial statements / disclosed the existence in the notes to the financial statements but not recorded the estimate in the accounting records].*

H. Retirement benefits[15]

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

1. Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities, [continue listing as appropriate]) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

2. Matters referred to in the letters dated [date] issued to you by the Council's Monitoring Officer and the Council's legal advisor.

3. Matters referred to in the letter of comments received from the [name of regulator] regarding ….

4. ....

K. Going Concern[16]

1. Note *[X]* to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

L. Subsequent Events

1. Other than………. described in Note *[6]* to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.[17]

M. Other information[18]

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises [describe the other information applicable to the entity].

2. We confirm that the content contained within the other information is consistent with the financial statements.

3. We confirm that the Annual Governance Statement for 2021/22 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2021/22 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

N. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered

[16] ISA (UK) 570.12-2 (Revised)
[17] ISA (UK) 560.9
[18] Other information is financial and non-financial information (other than the financial statements and the auditor's report thereon) included in an entity's annual report.

[*include the following language when climate-related commitments have been made:*, including the impact resulting from the commitments made by the Council,] and reflected in the financial statements.

Yours faithfully,

____

Kathy Freeman, Strategic Director of Resources and S151 Officer

____

Cllr Julie Wilkes, Chairman of the Audit Committee

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Appendix G (ii)

Havering
LONDON BOROUGH

Kathy Freeman
Strategic Director of Resources

London Borough of Havering
Town Hall
Main Road
Romford
RM1 3BD

t 01708 433471
e kathy.freeman@havering.gov.uk

Date: XX December 2024
www.havering.gov.uk

Mark Hodgson
Ernst & Young
One Cambridge Square,
Cowley Road
Cambridge
CB4 0AE

This letter of representations is provided in connection with your audit of the financial statements of the London Borough of Havering ("the Council") for the year ended 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council's financial position of London Borough of Havering as of 31 March 2023 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)*]. (See Note A.)*

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records *(See Note B.)*

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).[1]

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the

[1] ISA (UK) 580.10

Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)], and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements. [*See Note I*]

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)], that are free from material misstatement, whether due to fraud or error. [2]

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.[3] We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].[4]

   [When the comparative figures have been restated]

   The comparative amounts have been restated to reflect the below matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and parent Authority financial statements. *[Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.]* There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended *[date]* are solely the result of reclassifications for comparative purposes.

6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

7. We confirm the Council does not have securities (debt or equity) listed on a recognised exchange [other than…].

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.[5]

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.[6]

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[2] ISA (UK) 210.6(b)(ii)
[3] ISA (UK) 450.14
[4] ISA (UK) 450.A24-1
[5] ISA (UK) 240.40(a) (Revised May 2021)

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

    - involving financial improprieties;
    - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council’s financial statements;
    - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council’s activities, its ability to continue to operate, or to avoid material penalties;
    - involving management, or employees who have significant roles in internal controls, or others; or
    - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.[7]

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.[8]

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.[9] *[See Note E]*

3. We have made available to you all minutes of the meetings of the Council and committees [*add the full title of the relevant committees]* (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the *[period]* to the most recent meeting on the following date: *[list date].*

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related

[6] ISA (UK) 240.39(b)
[7] ISA (UK) 240.39(c),(d), and ISA (UK) 250A.16

[8] ISA (UK) 580.11(a), ISA (UK) 210.6(b)(iii)
[9] ISA (UK) 580.11(b)

balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.[10] *[See Note F]*

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with [applicable financial reporting framework].[11] [see 'Other illustrative representations' Estimates example wording below]

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through to the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.[12]

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note *[X]* to the financial statements all guarantees that we have given to third parties.[13]

4. No other claims in connection with litigation have been or are expected to be received. [14]

E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note *[X]* to the financial statements. All assets to which the Council has satisfactory title appear in the balance sheet(s).

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

[10] ISA (UK) 550.26
[11] ISA (UK) 540.37 (Revised)
[12] ISA (UK) 501.12
[13] ISA (UK) 501.12
[14] ISA (UK) 501.12

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Note *[X]* to the financial statements, we have no other line of credit arrangements.

F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the *[describe assertion]* and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

G. Estimates [for audits of periods ending on or after 15 December 2020]

When we have identified a higher risk estimate, we include the following representation(s) (refer to ESTIMATES 17):

1. We confirm that the significant judgments made in making the *[insert name of the accounting estimate]* have taken into account all relevant information [and the effects of the COVID-19 pandemic on XXX] of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the *[insert name of the accounting estimate].*

3. We confirm that the significant assumptions used in making the *[insert name of the accounting estimate]* appropriately reflect our intent and ability to carry out *[describe the specific courses of action]* on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty [and the effects of the COVID-19 pandemic on XXX], are complete and are reasonable in the context of *[the applicable financial reporting framework].*

5. We confirm that appropriate specialised skills or expertise has been applied in making the [*insert name of the accounting estimate*].

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements [, including due to the COVID-19 pandemic].

7. *[When estimates have been identified that do not meet the recognition or disclosure criteria of the applicable financial reporting framework].* We confirm that the recognition and/or disclosure criteria within *[applicable financial reporting framework]* have not been met with respect to the accounting estimate for *[describe accounting estimate]* and accordingly we have [*not recognised the estimate in the financial statements / disclosed the existence in the notes to the financial statements but not recorded the estimate in the accounting records].*

H. Retirement benefits[15]

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

J. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

1. Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities, [continue listing as appropriate]) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

2. Matters referred to in the letters dated [date] issued to you by the Council's Monitoring Officer and the Council's legal advisor.

3. Matters referred to in the letter of comments received from the [name of regulator] regarding ….

4. ....

K. Going Concern[16]

1. Note *[1]* to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

L. Subsequent Events

1. Other than………. described in Note *[6]* to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.[17]

M. Other information[18]

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises [describe the other information applicable to the entity].

2. We confirm that the content contained within the other information is consistent with the financial statements.

3. We confirm that the Annual Governance Statement for 2022/23 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2022/23 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

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[16] ISA (UK) 570.12-2 (Revised)

[17] ISA (UK) 560.9

[18] Other information is financial and non-financial information (other than the financial statements and the auditor's report thereon) included in an entity's annual report.

Appendix G (ii)

N. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered [*include the following language when climate-related commitments have been made:*, including the impact resulting from the commitments made by the Council,] and reflected in the financial statements.

Yours faithfully,

____

Kathy Freeman, Strategic Director of Resources and S151 Officer

____

Cllr Julie Wilkes, Chairman of the Audit Committee

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Appendix H(i)

Kathy Freeman
Strategic Director of Resources

Resources
London Borough of Havering
Town Hall, Main Road,
Romford, RM1 3BD
t 01708 433471
e Kathy.Freeman@havering.gov.uk

Date 04 December 2024

www.havering.gov.uk

Mark Hodgson
Ernst & Young
One Cambridge Square,
Cowley Road
Cambridge
CB4 0AE

This letter of representations is provided in connection with your audit of the financial statements of the London Borough of Havering Pension Fund (“the Fund”) for the year ended 31 March 2022.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2021 to 31 March 2022 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2022, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the

United Kingdom 2021/22, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 that are free from material misstatement, whether due to fraud or error.

6. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

7. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

8. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty. We have drawn to your attention all correspondence and notes of meetings with regulators (if applicable).

6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

   - Involving financial improprieties

   - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements

   - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties

- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
   - Additional information that you have requested from us for the purpose of the audit.
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date – X November / December 2024.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.
7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.
10. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory

agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 26 to the financial statements all guarantees that we have given to third parties.

4. No other claims in connection with litigation have been or are expected to be received.

E. Going Concern

1. Note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than events after the reporting period as described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises of *London Borough of Havering Pension Fund Annual Report and Accounts 2021/22*, other than the financial statements and the auditor's report.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

I. Derivative Financial Instruments

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions.

   The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of ‘over the counter’ derivative financial instruments which the Fund is holding, and these have been communicated to you.

J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

K. Actuarial valuation

1. The latest report of the actuary Hymans Robertson LLP as at 31 March 2023 and dated 12 May 2023 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the fund assets and liabilities, Private Equity Investments / IAS26 disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

Level 3 Investments and IAS 26 valuation Estimates

1. We confirm that the significant judgments made in making the estimates have taken into account all relevant information and the effects of the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates.

3. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus are complete and are reasonable in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

M. Going Concern

1. That Note 2 to the financial statements discloses all the matters of which you are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, your plans for future action, and the feasibility of those plans.

Yours faithfully,

Kathy Freeman
Strategic Director of Resources,
Chief Financial (Section 151) Officer

Julie Wilkes
Chair of Audit Committee

Appendix H (ii)

Kathy Freeman
Strategic Director of Resources

Resources
London Borough of Havering
Town Hall, Main Road,
Romford, RM1 3BD
t 01708 433471
e Kathy.Freeman@Havering.gov.uk

Mark Hodgson
Ernst & Young
One Cambridge Square,
Cowley Road
Cambridge
CB4 0AE

Date 04 December 2024

www.havering.gov.uk

This letter of representations is provided in connection with your audit of the financial statements of the London Borough of Havering Pension Fund ("the Fund") for the year ended 31 March 2023.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2022 to 31 March 2023 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2023, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the

United Kingdom 2022/23, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that are free from material misstatement, whether due to fraud or error.

6. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

7. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because they relate to timing differences. Financial statements from the private market funds are issued quarterly in arrears and therefore the statements for 31 March are not issued until the closure of accounts deadline has passed. These market values are reflected by the Custodian in the following quarter. These timing will produce potential differences annually whilst the Fund holds these assets.

8. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty. We have drawn to your attention all correspondence and notes of meetings with regulators (if applicable).

6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

    - Involving financial improprieties
    - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements

- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties

- Involving management, or employees who have significant roles in internal control, or others

- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.

   - Additional information that you have requested from us for the purpose of the audit.

   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. You have been informed of all changes to the Fund rules.

3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date – 5 November 2024.

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

10. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 25 to the financial statements all guarantees that we have given to third parties.

4. No other claims in connection with litigation have been or are expected to be received.

E. Going Concern

1. Note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than events after the reporting period as described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises of *London Borough of Havering' Pension Fund Annual Report and Accounts 2022/23*, other than the financial statements and the auditor's report.

2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

I. Derivative Financial Instruments

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions.

The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.

2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

K. Actuarial valuation

1. The latest report of the actuary Hymans Robertson LLP as at 31 March 2023 and dated 12 May 2023 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the fund assets and liabilities, Private Equity Investments / IAS26 disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

Level 3 Investments and IAS 26 valuation Estimates

1. We confirm that the significant judgments made in making the estimates have taken into account all relevant information and the effects of the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates.

3. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus are complete and are reasonable in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

M. Going Concern

Appendix H (ii)

1. That Note 2 to the financial statements discloses all the matters of which you are aware that are relevant to the Fund's ability to continue as a going concern, including significant conditions and events, your plans for future action, and the feasibility of those plans.

Yours faithfully,

Kathy Freeman
Strategic Director of Resources,
Chief Financial (Section 151) Officer
Julie Wilkes
Chair of Audit Committee

Appendix H (ii)

Communication schedule for uncorrected misstatements

Entity: HPF **Period Ended:** 31-Mar-2023 **Currency:** £

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:												
1		Differences between draft accounts and fund manager confirmations										
		Investments		2,683,000								
		Change in value of investment (Fund account)							(2,683,000)			
		Total of uncorrected misstatements before income tax	0	2,683,000	0	0	0	0	(2,683,000)		0	
		Total of uncorrected misstatements	0	2,683,000	0	0	0	0	(2,683,000)		0	
		Financial statement amounts	16,962,000	879,202,000	(412,000)	0	895,752,000		24,331,000			
		Effect of uncorrected misstatements on F/S amounts	0.0%	0.3%	0.0%	0.0%	0.0%		-11.0%		0.0%	

		Income statement current period		Prior period
Memo: Total of non-taxable items (marked 'X' above)		0		0
Uncorrected misstatements before income tax	0.0%	(2,683,000)		0
Less: Tax effect of misstatements at current year marginal rate		0		0
Uncorrected misstatements in income tax		0		0
Cumulative effect of uncorrected misstatements after tax but before turnaround	-11.0%	(2,683,000)		0
Turnaround effect of prior period uncorrected misstatements		**After tax**	**Memo: Before tax**	
All factual and projected misstatements:		0	0	
Judgmental misstatements (Note 3):			0	
Cumulative effect of uncorrected misstatements, after turnaround effect	-11.0%	(2,683,000)		
Current year income before tax				
Current year income after tax		24,331,000		

Havering Annual Governance Statement 2021/22

ANNUAL GOVERNANCE STATEMENT 2021/22

This statement, from the Leader and Chief Executive, provides reasonable assurance to all stakeholders, that within the London Borough of Havering, processes and systems have been established which ensure that decisions are properly made and scrutinised, and that public money is being spent economically and effectively to ensure maximum benefit to everyone who is served by the Borough.

The Annual Governance Statement is co-ordinated within the Assurance Service and the production and progress of the statement is monitored by the officer Governance and Assurance Board.

Scope of responsibility

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

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

The London Borough of Havering is committed to operating in a manner which is consistent with the seven principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 Edition. This statement outlines how the London Borough of Havering has complied with these principles and also meets the requirements of regulations 6(1) (a) and (b) of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

There is a local election due to take place in May 2022 and this will lead to a turnover in Councillors and could mean a change in administration. Such changes resulting from the election will be managed in terms of the induction programme and planning for the transition, to ensure the governance framework is maintained.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assurance and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Havering's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework, available on the Havering website and provided in the link below, has been in place at the London Borough of Havering for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

https://www.havering.gov.uk/downloads/file/3000/code_of_governance

Review of governance effectiveness

Outlined below are the arrangements in place to review the effectiveness of the governance framework and the sources of information and assurance on which this statement is based.

Constitution

The Monitoring Officer keeps the Constitution under continual review, having delegated powers to make amendments arising from organisational changes and legal requirements and to correct errors. Other amendments are recommended by the Governance Committee for decision by Full Council.

Governance and Assurance Board

The London Borough of Havering has an established officer Governance and Assurance Board, that meets at least every six weeks, with standing membership including:

- Chief Finance Officer / Section 151 officer
- Deputy Director Legal and Governance (Monitoring Officer)
- Head of Assurance
- Deputy s151 Officer
- Director of Human Resources and Organisational Development (oneSource)
- Director of Technical Services
- Assistant Director Transformation
- Head of Procurement
- Head of Programme Management Office
- Head of Joint Commissioning Unit

The terms of reference for the Board (reviewed annually) provide the option to extend membership to meet demands and will regularly invite additional key officers to attend, to address or report on existing and/or emerging governance issues. This Board is charged with monitoring and reviewing the effectiveness of the governance arrangements throughout the year, overseeing the production of the Annual Governance Statement, monitoring progress against significant issues raised as part of this and reviewing arrangements for Risk Management, including the Corporate Risk Register.

The Board reviews the AGS significant issues as a standing item at each meeting and provides an update to Audit Committee on the progress of these issues at least once during the year. Emerging governance issues are also considered during the regular review of governance arrangements that takes place at each meeting.

Senior Leadership Team (SLT)

The Senior Leadership Team (SLT) consists of the Chief Executive, five Directors with responsibility for Regeneration, Neighbourhoods, Children's Services, Adult Services & Health and Public Health, plus the Chief Operating Officer which incorporates the role of Chief Finance Officer (s151 officer). Following the departure of the postholder in March 2020 interim arrangements have been put in place to cover the portfolio of the Chief Operating Officer, including arrangements for statutory S151 role.

Governance Committee

The Council's Governance Committee, attended by the Leader of the Council and other Group Leaders, is charged with overseeing the organisation's governance arrangements including the review of the Constitution and the Code of Conduct for Members.

Audit Committee

The Audit Committee is responsible for monitoring the adequacy and effectiveness of internal audit, the risk management environment, fraud and corruption arrangements and the provision of the external audit service. They receive regular reports in line with this remit and agree the annual audit plan, draft Annual Governance Statement and revisions to related policies. This monitoring is integral in the process to compile a robust Annual Governance Statement, which is approved by the Audit Committee. Significant governance issues are escalated to the Governance Committee by the Chair of the Audit Committee as required. Approval of the annual Statement of Accounts also falls under the remit of the Audit Committee.

Adjudication and Review Committee

The Adjudication and Review Committee is made up of Nine Councillors. The committee provides Members for panels to consider complaints against councillors and also to make up 'Member review' panels (which is the default panel for considering complaints made by members of the public at Stage Three of the Corporate Complaints procedure through a paper exercise). Should a Member Review Panel consider that a complaint warranted a formal hearing it would adjourn and reconvene to hear the matter with the parties present. The Adjudication and Review Committee is also responsible for overseeing and confirming the appointment of 'Independent Persons' and the Independent School Appeal panels which are convened to review permanent pupil exclusions.

Overview and Scrutiny

The Overview and Scrutiny function reviews and challenges decisions made by the Executive and other bodies, e.g., National Health Service organisations and the Police to assist in the development of policy.

An overarching Board undertakes all call-in functions and acts as a vehicle by which the effectiveness of scrutiny is monitored and where work undertaken by themed sub-committees is co-ordinated to avoid duplication and to ensure that areas of priority are being pursued.

The Overview and Scrutiny Board and its sub-committees have the opportunity to consider performance information within their area of responsibility using monthly Members packs and other relevant performance data.

Each year Overview and Scrutiny is tasked with identifying areas of the Council's work that it wishes to consider in detail, for which purpose task groups comprised of members of the Board or its sub-committees are set up to research the issue with the assistance of officers and sometimes external bodies and report their findings and recommendations.

Local Pension Board

The role of the Local Pension Board is to assist Havering as the Administering Authority to ensure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS.

This established Board holds quarterly meetings and an annual general meeting. During 2021/22 the Board met on 3rd August 2021, 28th September 2021, 8th February 2022 and 29th March 2022. The Board produced an Annual Report for 2020/21, which sets out the work and training activities undertaken during the year. This report was presented to the Pensions Committee, for noting, at its meeting on the 9 November 2021. The report for 2021/22 is in production and expected to be presented to the Pension's Committee later in 2022.

The Pension Fund's Governance Compliance statement also incorporates the Local Pension Board which is reviewed annually and reports the extent of compliance against a set of principles.

Internal Audit (Assurance Services)

Internal Audit is an independent assurance function that measures, evaluates and reports upon the effectiveness of the controls in place to manage risk. In doing so Internal Audit supports the Chief Finance Officer in their statutory role as Section 151 Officer. Annually the Head of Internal Audit Opinion and annual report provides assurance to officers and Members regarding the system of internal control; this assurance has also been considered in the production of this statement.

From the work undertaken during 2021/22 , reasonable assurance can be provided that there is generally a sound system of internal control across the Council. However, our work has highlighted certain areas where reasonable assurance could not be provided on the control environment, most significantly:

- ICT delivery and project management;
- Interface between the Fusion system and business users; and
- Procurement continues to be an area of continued risk, particularly with the challenging financial position the Council faces.

It should be noted that it has been judged that the above issues do not affect the opinion on the overall control environment, due to the actions of senior management in response to these and the improvement plans already in place during 2021/22. Internal audit has scheduled significant work to follow up these areas of control weakness during 2022/23.

Risk Management

The strategic risks to the achievement of the Authority's objectives are captured within a corporate risk register which is overseen by the Governance and Assurance Board and progress reported to the Audit Committee. Work has continued during 2021/22 to review all the Directorate risk registers and the Governance and Assurance Board has overseen this process to ensure that the corporate risk register reflects the risks facing the Council.

The risk management strategy and supporting policies are reviewed regularly to ensure they remain relevant to the Council's systems and procedures and will be approved by the Audit Committee biannually.

External Inspectors

The Council is subject to review and appraisal by a number of external bodies; results of such reviews are considered within the performance management framework. The work of the Council's External Auditor, currently Ernst and Young (EY) is reported to the Audit Committee. The Committee received a copy of the Audit Letter issued by Ernst & Young following completion of the 2019/20 audit. They issued unqualified opinions on the Council's and Pension Fund's financial statements along with the unqualified assessment of the Council's value for money. The Audit Results Report was issued on 24th February 2021 and the accounts were signed off on 28th May 2021.

The council published its draft statement of Accounts for 2020/21 on 31 July 2021 in line with the deadline. As with many other local authorities the audit of the 2020/21 accounts is not yet completed. This is due to well publicised resourcing issues and more recently waiting for advice on the changes on the infrastructure accounting requirements.

Information Commissioner's Office

The Council must comply with the UK General Data Protection Regulation, Data Protection Act 2018, and Freedom of Information Act 2000. In the financial year 2021-22, the Information Commissioner's Office (ICO) has taken no enforcement action for non-compliance and no fines were imposed for weak controls. We continue to develop and improve processes and use mistakes and data breaches to inform those improvements to ensure we uphold Individual Information Rights (IIR) and process all personal data compliantly. Furthermore, we continually strive to improve processes and compliance with Freedom of Information Act requests.

Ombudsmen

The Council comes within the jurisdiction of the Local Government and Social Care Ombudsman (LGSCO). In 2021/22, the Ombudsman found ten cases of maladministration against the Council. Two cases were "maladministration & injustice without penalty" and six cases were "maladministration & injustice with penalty". There were a further two determinations of maladministration with no injustice.

Housing complaints are governed by the Housing Ombudsman, who aims for local resolution rather than formal investigations. There were three cases of maladministration found against the Council in the 2021/22 year.

Local Government Association (LGA) Independent READI Peer Review

In May 2021, the Council commissioned the LGA to undertake an Independent Review of its Race, Equality, Accessibility, Diversity and Inclusion work, (READI REVIEW). This was an organisational requested "holding the mirror up" review. Havering Council prepared for the READI review by conducting an in-depth self-assessment, of its equality, diversity and inclusion challenges and needs. This involved 27 nominated leads, conducting 22 detailed service self-assessments, a detailed data analysis, including an in-depth EDI Staff Survey and a self-assessment report. This was modelled on the current LGA EFLG Assessment Framework, with an additional fifth strand on race equality and a series of Race Equality Workshops.

The review team undertook the review virtually and reviewed range of documents and information in order to ensure they were familiar with the Council and the challenges it is facing. The team:

- Spoke to more than 150 people including a range of council staff together with councillors and external partners and stakeholders
- Gathered information and views from around 25 meetings, research and reading.
- Collectively spent more than 250 hours to determine their findings – the equivalent of one person spending around seven weeks in LBH.

The LGA's independent report was sent to Members, Staff and make available in the public domain. It was reported to the Cabinet, Council and Overview and Scrutiny Board along with the Councils' required high level action plan to the fifteen priority recommendations.

The Action Plan is a positive step and sets out strategic steps to tackle racism, and to help achieve the delivery of the Council's Programme to be an Employer of Choice and Achieve the Excellence Standard. The Action plan should evolve as the programme progresses making sure the impact on health and well-being – on the work force and wider population, is inclusive.

Impact of COVID-19

The pandemic impacted on governance across the Council into early 2021/22. Broadly, this included: ongoing impact on business as usual delivery of services and assessment of the longer-term disruption and consequences arising from the pandemic e.g., existing projects and programmes put on hold. This was incorporated into the risk register and associated action plans.

During the latter part of 2021/22 the majority of functions under the latest outbreak management plan response have been withdrawn in line with the withdrawal of Covid-19 legislative requirements.

- There will be no further Contain Outbreak Management Fund (COMF) grant to support key activity relating to the local Covid-19 pandemic response, with majority of functions having ceased on 31st March 2022 and reverting to pre-pandemic business as usual.
- All plans for stopping or continuing any aspects of the response including activities set by prior key decision papers in the policy context of Covid-19 outbreak management, have been reviewed and agreed under the Council’s Constitution, Part3, Section 3.2, Powers of the Chief Executive.
- The local authority will now be required to manage outbreaks as part of emergency planning and health protection responsibilities of the Council and Director of Public Health, and through pre-existing public health powers, as they would with other infectious disease.

Progress of significant governance issues raised in the 2021/22 AGS

The issues identified in the 2020/21 Annual Governance Statement have been monitored by management and the Governance and Assurance Board throughout the year with review periodically to challenge actions and progress by both the Senior Leadership Team and the Audit Committee. Whilst progress has been made in each of the areas identified during 2020/21, all issues were considered to have remained significant enough to be carried forward into the action plan for 2021/22 with the exception of Covid-19 Impact and Recovery, which has been closed with continuing actions incorporated into business as usual.

Significant governance issues 2021/22 (to be addressed in 2022/23)

1. **Delivery of a balanced budget:** The Council was able to set a balance budget for the 2021/22 financial year. As set out in the report to Council at the start of the year there continues to be pressure over the medium term to the Council due to increased service demand and demographic pressures while available resources are reducing. As outlined in the budget setting report for 2021/22 approved in March 2021, uncertainty around many aspects of the future funding model for Local Government remains a challenge in the medium term. However over and above all this sits the ongoing implications of the COVID19 pandemic and the impact on the service delivery of the council. The ongoing impact and the implementation of the recovery plan during 2021/22 has continued to put pressures on the council's finances. The challenges facing the national economic position add to the challenges on the budget and will be closely monitored during the year.

Actions taken during 2021/22

- Monthly reports provided to the Senior Leadership Team outlining anticipated outturn for the financial year, assisting in the identification of Medium-Term financial pressures and opportunities.
- Regular update of the Medium-Term Financial Strategy and overarching financial position provided to Cabinet throughout the year.
- Continued delivery of the transformation and modernisation programme with theme board focus on core business and transformation delivery. Transition to Oracle Fusion has been an ongoing project during 2020/21.
- Detailed monitoring of the impact of the COVID19 pandemic and the planned recovery on the financial standing of the organisation and the MTFS included as part of the corporate monthly monitoring process, and compliance with the MHCLG /DLUHC reporting requirements on expenditure, loss of income and impact on savings proposals was achieved.
- Close monitoring of the revenue and capital plans and scrutiny of the balances and reserves of the council is included in the monitoring reporting, including the potential impact on the collection fund and forecast for year-end position.
- Regular reporting to Cabinet and Overview and Scrutiny Board on the COVID19 response and the sustainability of the MTFS has taken place including the position in reserves, taking in to account the impact on the base assumptions.
- Delivery of the corporate recovery programme which contains the main strands of the Council's approach to successful recovery to the new normal. Recovery Officer Group meets to manage and monitor the recovery planning. Transition into the new business as usual operating models was monitored closely with the move from the pandemic arrangements.
- A balanced position for the 21/22 budget and a revised MTFS was presented to cabinet in February 2021 and Council in March 2021.

Planned actions for 2022/23

- Acknowledgement of ongoing issues with embedding Fusion – work will continue developing confidence of service users in deployment of product. The Fusion Improvement Board will monitor the ongoing progress.
- Continue to monitor the impact of the Covid-19 pandemic and the changing economic circumstances on the financial standing of the organisation and the MTFS which is reviewed as part of the corporate monthly monitoring process.
- The budget and MTFS will be reviewed as required following changes resulting from the local elections in May 2022.
- Continued focus on the delivery of the corporate recovery programme and close monitoring of the revenue and capital plans.
- Senior Leadership continue to monitor the MTFS and the recovery plan to ensure the sustainability of the Council's finances.

Lead Officer: Dave McNamara, S151 and Julie Oldale, Deputy S151

2. Cyber Security
Actions taken during 2021/22
• Raised awareness concerning cyber security. • Inclusion of Cyber Security within the Corporate Risk Register. • All staff trained in the General Data Protection Regulation (GDPR) with refresher training offered in mid-2021. • Develop tools to help identify vulnerabilities. • Obtained funding for the development of cyber security online training. • Cyber Security Programme commenced • On-boarded an external Partner to deliver a Security Operations Centre function • Ensured appropriate statutory DPO in place • Improved relationship with the ICO • Instigation of a revised Information Governance Board • Increased capacity and capability of the Information Assurance function
Planned actions for 2022/23
• Continued monitoring and consideration of cyber security risks • Continued development of our response to cyber security attacks • Continuing to raise awareness and train staff in cyber security • Review and update our governance and policies • The Cyber Security Programme will oversee the delivery of several key projects to help strengthen our current cyber security measures. This is split into across the following themes and will be delivered over 12 – 18 months period • Designing a secure digital service • Delivering a secure digital service • Operating and managing a secure digital service • Enhanced audit and validation of BCP arrangements and Application Management/Ownership is being performed during 2022/23. Further actions will be included within the mitigation plans within the Corporate and Directorate Risk Registers, monitored through Governance and Assurance Board.
Lead Officer: Paul Fisher, SIRO

3. Joint Venture Governance: Circumstances that have arisen at other councils have highlighted the importance of monitoring the sustainability of significant regeneration programmes.
Actions taken during 2021/22
• Joint venture boards are regularly held. • Regeneration group was established to manage and monitor the progress of the joint venture schemes. • Programme dashboards are produced including progress of key deliverables and future milestones, key risks and issues. • Business plans refreshed and reported to cabinet and implications included in MTFS.
Planned actions for 2022/23
· As above plus: • The regeneration schemes and the progress of the joint ventures will be part of the capital programme reporting to theme board. • The pipeline schemes for the JVs and Mercury Land Holdings are reviewed at the officer board every six weeks. • The financial viability of the joint ventures is regularly reviewed and professional advice sought as part of each Annual Business Plan refresh. • Financial risks are included in each Regeneration Officer Board report (on a six-weekly basis) • Specific COVID 19 risks are recorded in Regeneration Officer Board reports and on the Regeneration Covid 19 risk register • Project progress and risks are reviewed regularly at the Prouder steering group
Lead Officer: Neil Stubbings, Director of Regeneration

4. Contract Register

Actions taken during 2021/22

- The Director of Procurement has initiated a programme of procurement improvement.
- We now have a dedicated resource focussing on the Contact Register Please note that despite our focus on the contract register this has not been well supported by officers or manager in Havering
- We have asked all Directors to provide their contract information see above Contract Register update will form Gateway 3 of a new Gateway process
- We have developed a Power BI dashboard available to all Directors to enable self-service. The contract register is now live on Teams as is the draft procurement forward plan. The same information is also visible in Power BI.
- All Procurement Managers are asked to work with their counterparts in the services to review and correct the register data see above
- Established the Gateway Review Group to manage and govern the procurement programmes of the council.
- We are reviewing/ renewing the contract standing orders
- We are drafting a new procurement intranet site; all guidance and templates are being reviewed /refreshed launched
- All waiver requests (relating to contract extension) are refused if no contract is registered to improve compliance waivers are discussed at Gateway Review group, and we now have a record of all waivers requested and approved as part of the gateway system.

Planned actions for 2022/23

- Approval for new CPR's Given recent changes to national advice on procurement it becomes necessary for us to pause the current governance process to ensure that the new CPR's a) reflect new guidance and b) are aligned with Newham to be able to deliver better value for both Councils
- Launch new guidance, documents, and templates The new intranet is now launched, new guidance has been uploaded and templates are being reviewed
- Initiate training, videos, drop-in sessions etc. Training has been run for new managers, we have regular drop-in sessions when we launch new guidance or processes.

Lead Officer: Steve Atherton, Interim Director of Procurement

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 their implementation and operation as part of our next annual review.

Conclusion

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year. We did not find any matters that needed addressing during our review other than those that were previously identified and on which action has been taken to address.

Signed:

Leader of the Council .... Date 16/3/23

Chief Executive .... Date 21/3/23

Havering Annual Governance Statement 2022/23

ANNUAL GOVERNANCE STATEMENT 2022/23

This statement, from the Leader and Chief Executive, provides reasonable assurance to all stakeholders, that within the London Borough of Havering, processes and systems have been established which ensure that decisions are properly made and scrutinised, and that public money is being spent economically and effectively to ensure maximum benefit to everyone who is served by the Borough.

The Annual Governance Statement is co-ordinated within the Assurance Service and the production and progress of the statement is monitored by the officer Governance and Assurance Board.

Scope of responsibility

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

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

The London Borough of Havering is committed to operating in a manner which is consistent with the seven principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 Edition. This statement outlines how the London Borough of Havering has complied with these principles and also meets the requirements of regulations 6(1) (a) and (b) of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Havering's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework, available on the Havering website and provided in the link below, has been in place at the London Borough of Havering for the year ended *31 March 2023* and up to the date of approval of the statement of accounts.

https://www.havering.gov.uk/downloads/file/3000/code_of_governance

Review of governance effectiveness

Outlined below are the arrangements in place to review the effectiveness of the governance framework and the sources of information and assurance on which this statement is based.

Constitution

The Monitoring Officer keeps the Constitution under continual review, having delegated powers to make amendments arising from organisational changes and legal requirements and to correct errors. Other amendments are recommended by the Governance Committee for decision by Full Council.

A cross party constitutional working group (including officers) is currently up and running and is systematically reviewing various sections of the constitution to ensure it is fit for purpose. It is likely that amendments to the planning regulations, the scheme of delegations and the access to information regulations (amongst others) will be presented to governance committee in 2023/24.

The Constitution Working Party reviews the Constitution and includes representation from each political group in its membership. The lead officer for the working party is the Council's monitoring officer.

Governance and Assurance Board

The London Borough of Havering has an established officer Governance and Assurance Board, that is scheduled to meet monthly, with standing membership, included in the Terms of Reference including:

- Chief Finance Officer / Section 151 officer
- Deputy Director Legal and Governance (Monitoring Officer)
- Head of Assurance
- Deputy s151 Officer
- Director of Human Resources and Organisational Development (oneSource)
- Director of Technical Services
- Transformation Programme Director (acting as SIRO)
- Head of Procurement
- Head of Programme Management Office
- Head of Joint Commissioning Unit

The terms of reference for the Board (reviewed annually) provide the option to extend membership to meet demands and will regularly invite additional key officers to attend, to address or report on existing and/or emerging governance issues. This Board is charged with monitoring and reviewing the effectiveness of the governance arrangements throughout the year, overseeing the production of the Annual Governance Statement, monitoring progress against significant issues raised as part of this and reviewing arrangements for Risk Management, including the Corporate Risk Register.

The Board reviews the AGS significant issues as a standing item at each meeting and provides an update to Audit Committee on the progress of these issues at least once during the year. Emerging governance issues are also considered during the regular review of governance arrangements that takes place at each meeting.

Senior Leadership Team (SLT)

During 2022/23, the Senior Leadership Team (SLT) consisted of the Chief Executive, five Directors with responsibility for Regeneration, Neighbourhoods, Children's Services, Adult Services & Health and Public Health. Interim arrangements were in place to cover the portfolio of the Chief Operating Officer, including arrangements for statutory S151 role. SLT is supported by the Monitoring Officer who attends all SLT meetings.

Meetings between the Council's three statutory officers (Head of Paid Service, Section151 officer and Monitoring Officer) (often known as the golden triangle) have been instituted this year.

Governance Committee

The Council's Governance Committee, attended by the Leader of the Council and other Group Leaders, is charged with overseeing the organisation's governance arrangements including the review of the Constitution and the Code of Conduct for Members. The Governance Committee oversees the Council's complaints process and provides Members for any panels required to hear stage 3 corporate complaints.

Audit Committee

The Audit Committee is responsible for monitoring the adequacy and effectiveness of internal audit, the risk management environment, fraud and corruption arrangements and the provision of the external audit service. They receive regular reports in line with this remit and agree the annual audit plan, draft Annual Governance Statement and revisions to related policies. This monitoring is integral in the process to compile a robust Annual Governance Statement, which is approved by the Audit Committee. Significant governance issues are escalated to the Governance Committee by the Chair of the Audit Committee as required. Approval of the annual Statement of Accounts also falls under the remit of the Audit Committee.

Overview and Scrutiny

The Overview and Scrutiny function reviews and challenges decisions made by the Executive and other bodies, e.g., National Health Service organisations and the Police to assist in the development of policy.

An overarching Board undertakes all call-in functions and acts as a vehicle by which the effectiveness of scrutiny is monitored and where work undertaken by themed sub-committees is co-ordinated to avoid duplication and to ensure that areas of priority are being pursued.

The Overview and Scrutiny Board and its sub-committees have the opportunity to consider performance information within their area of responsibility using monthly Members packs and other relevant performance data.

Each year Overview and Scrutiny is tasked with identifying areas of the Council's work that it wishes to consider in detail, for which purpose task groups comprised of members of the Board or its sub-committees are set up to research the issue with the assistance of officers and sometimes external bodies and report their findings and recommendations.

Local Pension Board

The role of the Local Pension Board is to assist Havering as the Administering Authority to ensure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS.

This established Board holds quarterly meetings and an annual general meeting. During 2022/23 the Board met on 6th September 2022, 15th November 2022 and 7th February 2023. No annual general meeting was held. The Board produced an Annual Report for 2021/22, which sets out the work and training activities undertaken during the year. This report was presented to the Pensions Committee, for noting, at its meeting on the 8 November 2022. The report for 2022/23 is in production and expected to be presented to the Pension's Committee later in 2023.

The Pension Fund's Governance Compliance statement also incorporates the Local Pension Board, which is reviewed annually and reports the extent of compliance against a set of principles, this was presented to the Pensions Committee on the 8th November 2022.

Internal Audit (Assurance Services)

Internal Audit is an independent assurance function that measures, evaluates and reports upon the effectiveness of the controls in place to manage risk. In doing so Internal Audit supports the Chief Finance Officer in their statutory role as Section 151 Officer. Annually the Head of Internal Audit Opinion and annual report provides assurance to officers and Members regarding the system of internal control; this assurance has also been considered in the production of this statement.

From the work undertaken during 2022/23, reasonable assurance can be provided that there is generally a sound system of internal control across the Council. This opinion is broadly consistent with the 2021/22 view. However, it should be noted that the reasonable assurance opinion provided this year contains one significant issue, as detailed below:

- Procurement and contract management continues to be an area of ongoing risk, particularly with the challenging financial position the Council faces.

Furthermore, this opinion takes into account the increase in ICT related risks added to the Strategic Risk Register during 2022/23. Whilst the majority of these remain at a 'high' risk, they are being monitored and reviewed through the Council's risk management process.
The Internal Audit Plan will continue to focus on these areas to provide assurance to the Audit Committee.

Risk Management

The strategic risks to the achievement of the Authority's objectives are captured within a corporate risk register which is overseen by the Governance and Assurance Board and progress reported to the Audit Committee. Work has continued during 2021/22 to review all the Directorate risk registers and the Governance and Assurance Board has overseen this process to ensure that the corporate risk register reflects the risks facing the Council.

The risk management strategy and supporting policies are reviewed regularly to ensure they remain relevant to the Council's systems and procedures and will be approved by the Audit Committee biannually.

External Inspectors

The Council is subject to review and appraisal by a number of external bodies; results of such reviews are considered within the performance management framework. The work of the Council's External Auditor, currently Ernst and Young (EY) is reported to the Audit Committee.

The council published its draft statement of Accounts for 2021/22 on 29 July 2022 in line with the deadline. As with many other local authorities the audit of the 2020/21 and 2021/22 accounts is not yet completed. This is due to well publicised resourcing issues and more recently waiting for advice on the changes on the infrastructure accounting requirements. Infrastructure accounting advice has now been received and with legislation on Infrastructure now updated, EY have identified no issues with the accounting for Highways infrastructure in the Accounts. No governance issues have been raised.

Information Commissioner's Office

The Council must comply with the UK General Data Protection Regulation, Data Protection Act 2018, and Freedom of Information Act 2000. In the financial year 2022/23, all incidences were reported to the Information Commissioner's Office (ICO and no fines were imposed for weak controls. We continue to develop and improve processes and use mistakes and data breaches to inform those improvements to ensure we uphold Individual Information Rights (IIR) and process all personal data compliantly. Furthermore, we continually strive to improve processes and compliance with Freedom of Information Act requests. We also focused on improving staff awareness of GDPR and cyber security responsibilities through the launch of refreshed L&D material via a new platform. Over 96% of registered users have now completed this L&D.

Ombudsmen

The Council comes within the jurisdiction of the Local Government and Social Care Ombudsman (LGSCO). In 2022/23, there were nine cases raised with the Ombudsman. Of these, three were identified as "maladministration & injustice" and the remaining six cases were closed after initial enquiries, with no further action taken.

Local Government Association (LGA) Independent READI Peer Review

The Council requested two Sector Lead Improvement Reviews buy the LGA.

In May 2021, the Council commissioned the LGA to undertake an Independent Review of its Race, Equality, Accessibility, Diversity and Inclusion work, (READI REVIEW). This was an organisational requested "holding the mirror up" review. Havering Council prepared for the READI review by conducting an in-depth self-assessment, of its equality, diversity and inclusion challenges and needs. This involved 27 nominated leads, conducting 22 detailed service self-assessments, a detailed data analysis, including an in-depth EDI Staff Survey and a self-assessment report. This was modelled on the current LGA EFLG Assessment Framework, with an additional fifth strand on race equality and a series of Race Equality Workshops.

The subsequent LGA Formal report and the Councils response to the Recommendations was published in May 2022. In August 2022, the READI Programme Manager and Support officer was recruited, they have progressed the actions and presented an update report to Cabinet that will be published. This will show progress made and key actions to be undertaken.

Following the May Elections and new Cabinet, Vision and Corporate Plan. The Council requested a Corporate Peer Challenge to be undertaken in November 2022 the Council. This was to provide an independent peer lens on how we are doing, how aware we are about our challenges, opportunities and how we are taking our ambition for Havering forward, whilst tackling our acute financial resilience challenge and closing a £70m budget gap over the next four years.

All Members were involved in the process and had the opportunity to be part of the Improvement focus, In the spirit of this there were three Member peers, one from each of our largest parties. This was an approach adopted to ensure all 55 ward councillors had the opportunity to be part of and shape the future improvement journey.

The LGA Report when available will be published at a future Cabinet Meeting and onto the Overview and Scrutiny Board.

Modern Slavery

Councils have a statutory key role to play in tackling modern slavery including the duty to notify the Home Office of any individual encountered who we believe is a suspected victim of modern slavery or human trafficking. Part of the commitment to the modern slavery Act 2015 requires an annual transparency

A statement is to be written by every company with an annual turnover of £36m or more-which includes us. The statement should set out what it has done to ensure that slavery and human trafficking is not taking place in the Council or its supply chain. In summary the Councils role can be separated into four distinct areas:

1. identification and referral of victims
2. supporting victims – this can be through safeguarding children and adults with care and support needs and through housing/ homelessness services
3. community safety services and disruption activities
4. ensuring that the supply chains councils procure from are free from modern slavery

There are three risks identified in relation to modern slavering this year, including lack of up to date documentation (including a previous annual transparency statement), more awareness raising for officers who do not sit within social care, procurement or community safety and the management of the agenda across the council and overseeing the annual statement. Actions for all three risks have already been put into place and associated steps have been included in the statement.

Progress of significant governance issues raised in the 2021/22 AGS

The issues identified in the 2021/22 Annual Governance Statement have been monitored by management and the Governance and Assurance Board throughout the year with review periodically to challenge actions and progress by both the Senior Leadership Team and the Audit Committee. Whilst progress has been made during 2022/23 in each of the areas identified in the 2021/22 AGS, all issues were considered to have remained significant enough to be carried forward into the action plan for 2023/24, with an expansion on the fourth issue.

Significant governance issues 2022/23 (to be addressed in 2023/24)

1. Delivery of a balanced budget:

The Council was able to set a balanced budget for the 2022/23 financial year. As set out in the report to Council at the start of the year there continues to be pressure over the medium term to the Council due to increased service demand and demographic pressures while available resources are reducing. As outlined in the budget setting report for 2022/23 approved in March 2022, uncertainty around many aspects of the future funding model for Local Government remains a challenge in the medium term. However over and above all this sits the ongoing implications of the COVID19 pandemic and the impact on the service delivery of the council. Reports to the council's cabinet throughout the year highlighted the spending pressures and the actions being taken to address them, including scrutiny of savings delivery and social care costs. The challenges facing the national economic position added to the challenges on the budget and will be closely monitored during the year. The situation identified as part of the council's in year monitoring processes in the first half of the 2023/24 financial year have established the scale of the future challenge and the council has increased the measures being taken to control expenditure.

Actions taken during 2022/23

- Monthly reports provided to the Senior Leadership Team outlining anticipated outturn for the financial year, assisting in identification of Medium-Term financial pressures and opportunities.
- Regular update of the Medium-Term Financial Strategy and overarching financial position provided to Cabinet throughout the year.
- Continued delivery of the transformation and modernisation programme with theme board focus on core business and transformation delivery. Transition to Oracle Fusion has been an ongoing project during 2022/23.
- Detailed monitoring of the financial standing of the Council and MTFS included as part of the corporate monthly monitoring process, and compliance with the MHCLG /DLUHC reporting requirements on expenditure, loss of income and impact on savings proposals was achieved.
- Close monitoring of the revenue and capital plans and scrutiny of the balances and reserves of the council is included in the monitoring reporting, including the potential impact on the collection fund and forecast for year-end position.
- Regular reporting to Cabinet and Overview and Scrutiny Board on the sustainability of the MTFS has taken place including the position in reserves, taking in to account the impact on the base assumptions and the changing demographics and demand.
- A balanced position for the 22/23 budget and a revised MTFS was presented to cabinet in February 2022 and Council in March 2022.

Planned actions for 2023/24

- Acknowledgement of ongoing issues with embedding Fusion – work will continue developing the product available to service users and investigate management information solutions. The Fusion Improvement Board will monitor the ongoing progress.in making best use of the system to manage the financial challenges for the organisation.
- Continue to monitor the impact of the changing demographics and increasing demand on the financial standing of the organisation and the MTFS which is reviewed as part of the corporate monthly monitoring process.
- The budget and MTFS will be reviewed as required to verify key assumptions/delivery plans.
- Continued focus on the delivery of the corporate recovery programme including savings delivery and close monitoring of the revenue and capital plans.
- Challenge and review of the adults and children's social care budget assumption
- Senior Leadership continue to monitor the MTFS and the recovery plan to ensure the sustainability of the Council's finances.

Lead Officer: Strategic Director, Resources

2. Cyber Security Threats

Actions taken during 2022/23

- Raised awareness concerning cyber security.
- Inclusion of Cyber Security within the Corporate Risk Register.
- All staff trained in the General Data Protection Regulation (GDPR) with refresher training offered in mid-2021.
- Develop tools to help identify vulnerabilities.
- Obtained funding for the development of cyber security online training.
- Cyber Security Programme commenced
- On-boarded an external Partner to deliver a Security Operations Centre function
- Ensured appropriate statutory DPO in place
- Improved relationship with the ICO
- Instigation of a revised Information Governance Board
- Increased capacity and capability of the Information Assurance function

Planned actions for 2022/23

- Continued monitoring and consideration of cyber security risks
- Continued development of our response to cyber security attacks
- Continuing to raise awareness and train staff in cyber security
- Review and update our governance and policies
- The Cyber Security Programme will oversee the delivery of several key projects to help strengthen our current cyber security measures. This is split into across the following themes and will be delivered over 12 – 18 months period
    - Designing a secure digital service
    - Delivering a secure digital service
    - Operating and managing a secure digital service
- Enhanced audit and validation of BCP arrangements and Application Management/Ownership is being performed during 2023/24.

Further actions will be included within the mitigation plans within the Corporate and Directorate Risk Registers, monitored through Governance and Assurance Board.

Lead Officer: Strategic Director, Resources

3. Joint Venture Governance: Circumstances that have arisen at other councils have highlighted the importance of monitoring the sustainability of significant regeneration programmes.
Actions taken during 2022/23
• Joint venture boards are regularly held. • Regeneration group was established to manage and monitor the progress of the joint venture schemes. • Programme dashboards are produced including progress of key deliverables and future milestones, key risks and issues. • Business plans refreshed and reported to cabinet and implications included in MTFS.
Planned actions for 2023/24
As above plus: • The regeneration schemes and the progress of the joint ventures will be part of the capital programme reporting to theme board. • The pipeline schemes for the JVs and Mercury Land Holdings are reviewed at the officer board every six weeks. • The financial viability of the joint ventures is regularly reviewed and professional advice sought as part of each Annual Business Plan refresh. • Financial risks are included in each Regeneration Officer Board report (on a six-weekly basis) • Risks are reported on a monthly basis via Verto and JCAD. • Project progress is considered at each individual Joint Venture's monthly board meeting.
Lead Officer: Strategic Director, Place

4. Procurement: Weaknesses in the governance arrangements for procuring goods and services may be compounded by resourcing issues and the imminent split from the oneSource joint procurement service.
Actions taken during 2022/23
• The Director of Procurement has initiated a programme of procurement improvement. • We have asked all Directors to provide their contract information see above Contract Register update will form Gateway 3 of a new Gateway process • We have developed a Power BI dashboard available to all Directors to enable self-service. The contract register is now live on Teams as is the draft procurement forward plan. The same information is also visible in Power BI. • All Procurement Managers are asked to work with their counterparts in the services to review and correct the register data see above • Established the Gateway Review Group to manage and govern the procurement programmes of the council. • We are reviewing/ renewing the contract standing orders • We are drafting a new procurement intranet site; all guidance and templates are being reviewed /refreshed launched. • All waiver requests (relating to contract extension) are refused if no contract is registered to improve compliance waivers are discussed at Gateway Review group, and we now have a record of all waivers requested and approved as part of the gateway system.
Planned actions for 2023/24
• A project is in place to separate the procurement teams for Havering and Newham away from onesource by 4th December 2023, following a decision made by both councils and the oneSource joint committee. • Recruitment of a Head of Procurement for Havering and a restructure which reshapes the new Havering team. This provides an opportunity to really review the function of the team and the capacity to meet demand for the future. • Approval for new CPRs.key governa Given recent changes to national advice on procurement it becomes necessary for us to pause the current governance process to ensure that the new CPRs reflect new guidance and have a Havering focus. • Renewed focus on self-service and training for managers across the council in their obligations around procurement and compliance for procurements above and below threshold. Initiate training, videos, drop-in sessions etc. Training has been run for new managers, we have regular drop-in sessions when we launch new guidance or processes, review intranet pages and ensure templates and guidance notes are up to date and processes are as streamlined as possible. • Introduction of a temporary Gateway Review Group (GRG) to replace the shared group with Newham following split of oneSource procurement services. • Constitution review to include procurement aspects. • Implementation of a Corporate Procurement and Commissioning Board to replace GRG. • Launching a new process for Procurement Initiation Forms and waivers, utilising new technology and governance arrangements. • Launch of a Procurement Forward Plan for Havering, to increase visibility, reduce bureaucracy and manage demand within the team.

Lead Officer: Strategic Director, Resources

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 their implementation and operation as part of our next annual review.

Conclusion
To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year. We did not find any matters that needed addressing during our review other than those that were previously identified and on which action has been taken to address.

Signed:

Leader of the Council .... Date...28/1/2024

Chief Executive .... Date..30/1/2024.

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Financial Reporting Council

Local Audit Backlog Rebuilding Assurance

Accessible Guide

September 2024

1. Timely, high-quality financial reporting and audit is vital for supporting decision-making and accountability of local bodies. This external assurance gives local taxpayers and elected representatives confidence in the financial management of their local body.

2. The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level, peaking on 30 September 2023 at 918. Without decisive action, the backlog risks rising to over a thousand.

3. On 9 September 2024, the Government laid in Parliament a Statutory Instrument, 'The Accounts and Audit (Amendment) Regulations 2024', to introduce backstop dates by which point local bodies must publish audited accounts. The Government, on behalf of the Comptroller and Auditor General (C&AG) has also laid a revised 'Code of Audit Practice 2024', that requires auditors to give their opinion in time to enable local bodies to comply with the backstop date. The measures have been developed collaboratively by all organisations involved in the regulation and oversight of local body financial reporting and audit ('system partners') to clear the backlog of outstanding historical audit opinions.

4. This briefing explains how the Recovery period may operate in practice for bodies that receive modified or disclaimed audit opinions primarily as a result of statutorily imposed backstop dates limiting the scope of the audit so that finance teams in local bodies, elected members and other interested parties can understand what the recovery process may look like in practice.

Measures to clear the backlog

5. The Government's approach to clear the backlog of local audits and embed timely audit consists of two parts:

   - **Reset measures** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 13 December 2024.

   - **Recovery period** after the Reset Measures that reduces the likelihood of the backlog re-emerging by using backstop dates to allow assurance to be rebuilt over one or more audit cycles.

6. Alongside the backlog measures, the Government has announced its intention to 'overhaul the local audit system', with a further update on these plans in Autumn 2024.

7. As set out in the in the Written Ministerial Statement published on 30 July 2024, 'Local Audit Backlog', the Reset measures could result in hundreds of disclaimed audit opinions being issued and that some may continue for a number of years.

8. The overarching objective of the proposals is to clear the backlog and reduce the likelihood of it returning. The Recovery period is designed to allow auditors to recover from the modified or disclaimed opinions anticipated from the Reset measures in a way that does not cause timeliness issues to recur. This is achieved by using backstop dates to enable auditors

to rebuild assurance over multiple years rather than needing to perform all this work in a single year.

9. To help auditors meet the requirements of the forthcoming legislation and revised Code of Audit Practice, the National Audit Office (NAO) has published a package of Local Authority Reset and Recovery Implementation Guidance (LARRIGs). These have been prepared by the NAO, working with the FRC, in consultation with audit firms and are endorsed by the FRC.

10. The Written Ministerial Statement sets out that the Government and local audit system partners have an aspiration that the local audit system recovers as quickly as possible. This means disclaimed opinions driven by backstop dates should, in most cases, be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026).

11. Recovery from the backlog is a shared endeavour between auditors and local bodies. Accounts preparers have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The success of these proposals relies on both auditors and accounts preparers working closely together to agree jointly-owned delivery plans for each year's audit. Chartered Institute of Public Finance and Accountancy (CIPFA) are responsible for the production of guidance to support accounts preparers. Audit Committees should ensure that they are planning and able to play their full part in the process.

12. The Code of Audit Practice requires auditors to carry out full scope audit of Value for Money (VFM) arrangements for 2023/24 onwards. From 2024/25 onwards, auditors will be required to issue their annual auditor's report containing the VFM commentary each year by 30 November. This has been designed to ensure that, even where the financial audit opinion is disclaimed, the audit still provides useful information to audit committees and other stakeholders about the financial management and financial sustainability of local bodies.

13. The requirement for auditors to report any significant weaknesses in VFM arrangements that they identify remains. The temporary changes introduced during Covid-19 to enable auditors to report significant weaknesses in VFM arrangements in the audit certificate or the audit opinion will remain until 2023/24. For 2024/25 auditors must report significant weaknesses in VFM arrangements in the audit opinion.

Introduction to the financial statements and the audit

14. A local body's financial statements include the following (in addition to explanatory disclosure notes):

- the opening balances brought forward from the prior year which includes cash, general fund and ringfenced reserves, and the property valuation at the start of the year;
- the closing balances which include cash, general and ringfenced (e.g. Housing Revenue Account) fund reserves and the property valuation at the end of the year;
- the in-year expenditure, income, reserves, and cash flow movements; and

- the comparative figures from the prior year.

15. The objective of the auditor is to obtain sufficient evidence to conclude that they have reasonable assurance that the financial statements as a whole are free from material misstatement. Where an auditor is unable to gain enough evidence or is unable to reach this conclusion based on the evidence gathered, they are required to issue a modified opinion. Auditors will disclaim their opinion where they lack the evidence to support an opinion.

16. The following table shows the types of modified opinion that auditors can issue:

	Material but not pervasive	**Material and pervasive**
Financial statements are materially misstated	Qualified	Adverse
Auditor is unable to obtain sufficient evidence to conclude on whether the financial statements are materially misstated	Qualified	Disclaimer

In an audit following an unmodified opinion

17. In an audit following an unmodified, or 'clean', opinion, the auditor normally relies on the prior year audit for reasonable assurance over:

- the opening balances brought forward from the prior year (the prior year's audited closing balance); and
- the comparative figures.

18. Therefore, during an audit following an unmodified opinion, the auditor performs testing to obtain reasonable assurance over:

- The closing balances such as cash, general fund reserves and the property valuation at the end of the year being audited; and
- The in-year expenditure, income, reserves and cash flow movements.

In an audit following a disclaimer

19. In an audit following a disclaimer, the auditor will not have assurance over:

- the opening balances brought forward from the prior year; and
- the comparative figures.

20. It is also unlikely that the auditor will be able to obtain sufficient evidence to conclude they have reasonable assurance over the in-year income, expenditure, cash flow and reserves

movements without assurance over the opening balances. To use a very simple example: if a body has £100 at the end of the year but the auditor does not know whether the body had £50 or £10 at the start of the year, the auditor will not know whether the body has gained £50 or £90 during the year.

Rebuilding assurance

21. In normal circumstances, where a disclaimer is issued, an auditor would effectively have to perform work to assure all the opening balances and prior year comparatives in a single year. The Recovery period has been designed to allow auditors to rebuild assurance for balances related to 2022/23 or earlier over multiple audit cycles, reducing the risk of the backlog recurring. Because auditors will need to make prioritisation decisions to issue audit opinions ahead of the backstop dates, they may not be able to obtain evidence to support all balances nor all in-year and comparative expenditure, income, cash flow and reserves movements.

22. The knock-on impact of the auditor not having assurance over in-year movements (see Paragraph 10) means they will also not have assurance over those figures when they are shown as comparatives in the following year.

23. We anticipate that many bodies that received disclaimers in 2022/23 will follow a similar cycle to that shown in the table below. However, this depends on individual circumstances and it may take longer for auditors to rebuild assurance on some bodies, especially those with underlying weaknesses in financial reporting.

Audit Year	Opinion	Reason
2023/24	Disclaimer	The auditor has begun limited work to rebuild assurance ahead of the 2023/24 backstop date. They have not obtained sufficient evidence to have reasonable assurance over closing balances. The auditor does not have assurance over the brought forward balances from 2022/23 (the opening balances). This means they do not have assurance over the in-year movements. They also do not have assurance over the comparative prior year movements. The auditor judges the lack of evidence over these movements and balances means they cannot conclude that the accounts are free from material and pervasive misstatement of the financial statements. Therefore, they disclaim their audit opinion.
2024/25	Disclaimer	The auditor has obtained sufficient evidence to have assurance over closing balances in 2024/25.

		The auditor does not have assurance over brought forward balances that were deprioritised on the 2023/24 audit. This means they do not have assurance over all in-year movements. They also do not have assurance over the comparative prior year movements. The auditor judges the lack of evidence over these movements and balances means they cannot conclude that the accounts are free from material and pervasive misstatement of the financial statements. Therefore, they disclaim their audit opinion.
2025/26	Qualified (Except for)	The auditor has assurance over the opening and closing balances plus in-year movements. The auditor does not have assurance over the comparative figures. The auditor judges that this means there could be material but not pervasive misstatement and will need to qualify their opinion for 2025/26 by limiting its scope to not provide assurance over the comparative figures.
2026/27	Unmodified	The auditor has assurance over opening balances, closing balances, in-year movements and prior year comparatives. The auditor can therefore issue an unmodified opinion.

24. As set out in the Written Ministerial Statement, the aspiration of all local audit system partners including the Government is that disclaimed opinions driven by backstop dates should, in most cases, be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026). Auditors and audited bodies should work together to agree jointly-owned delivery plans for each year's audit to enable this.

25. Noting this aspiration, there may be some bodies where the process to rebuild assurance starts from the 2024/25 audit cycle such as bodies with unmodified opinions in 2022/23 but that receive modified or disclaimed opinions in 2023/24 due to the time constraints imposed by the 2023/24 backstop.

Potential audit approaches

26. Audit firms will need to design their own approaches which may differ between individual firms and audited bodies. Relevant factors include the:

- Audit opinion for 2022/23 and earlier years.
- Nature and complexity of the audited bodies' transaction streams and balances.
- The auditor's previous experience of the audited body.

- Ability of the audited body to provide high quality audit evidence.
- Firm-wide audit methodology.

27. When designing approaches to rebuild assurance over multiple years, auditors will need to decide which balances to prioritise each year so as to deliver the optimal pathway to returning, as soon as possible, to a position where they are able to complete audits in full and the opinion is not influenced by backstop dates. One potential audit approach would be for an auditor to prioritise obtaining assurance over all year-end balances as quickly as possible.

28. For some balances, which are cumulative in nature, auditors may need assurance over the opening position to conclude on the closing position. An example is the usable reserves, where the closing position equals the opening balance plus the net movements in year. This means they may perform testing on income, expenditure, capital additions and other reserve movements (such as minimum revenue provision) from 2022/23 and other earlier years subject to a disclaimed audit opinion.

29. The testing may be slightly different from normal as the auditors may need slightly different evidence to conclude that they have reasonable assurance over the closing balances.

30. It is anticipated that auditors will also seek to test the opening 2023/24 cash balances because of the intrinsic importance of cash to the financial statements. For certain other balances, the auditor should not need assurance over the opening balances to conclude on the closing position (e.g. short-term trade creditors).

The auditor’s opinion

31. The nature of the audit opinion in each financial audit cycle will depend on the professional judgement of the auditor, and the evidence available to support the opinion given. The auditor is required to disclaim their opinion if they are unable to gather sufficient evidence to conclude whether the financial statements are free from material misstatement (error).

32. A disclaimer of opinion does not mean that the auditor has not carried out any work. Even where an auditor has disclaimed or modified their opinion, an auditor may consider if they can assure individual balances or classes of transactions to support rebuilding assurance on a timely basis.

33. Key to the success of this plan is effective communication between the auditor and the audited body, including its audit committee. Auditors should set out their assessment of risks and planned programme of work. Interim progress reports should highlight the work that has been performed, any key findings so far and to manage expectations on the likely opinion. Auditors have a responsibility under the standards to communicate any significant weaknesses in internal control.

34. Auditors have a responsibility under auditing standards to clearly communicate the reasons for modified or disclaimed audit opinions in the auditor’s report, and communications with

the audit committee. This includes making it clear where the modified or disclaimed opinion has been caused by the statutory backstop dates. Local bodies should not be unfairly judged for modified or disclaimed opinions that are beyond their control.

35. The measures have been designed to enable any limitation of scope of the audit to be caused by the system-imposed backstop and not by the actions of management, as the latter may lead to significant consequences for a local body. In circumstances where the local body has significantly delayed the publication of their statement of accounts or withheld audit evidence, the auditor may use their judgement determine that management's failure to meet the backstop date represents a management-imposed limitation of scope.

Summary

36. The Statutory Instrument laid in Parliament to introduce backstop dates for the publication of audited accounts alongside the revised Code of Audit Practice from the NAO will clear the backlog of outstanding audit opinions and reduce the likelihood of it returning.

37. The Government's Written Ministerial Statement set out that the Reset measures could result in hundreds of disclaimed audit opinions being issued and that some may continue for a number of years. Auditors have a responsibility to clearly communicate the reasons for modified or disclaimed audit opinions, including where it is caused by the backstop dates. Local bodies should not be unfairly judged for modified or disclaimed opinions beyond their control.

38. The proposals have been designed to allow auditors to rebuild assurance after a modified or disclaimed opinion over multiple years so that the backlog does not recur. Auditors will need to make prioritisation decisions to issue audit opinions ahead of backstop dates and, as a result, they may not be able to obtain evidence over all balances. This means that it could take several years for modified or disclaimed opinions to be lifted.

39. The aspiration of the Government and local audit system partners, as set out in the Written Ministerial Statement, is that disclaimed opinions driven by backstop dates should, in most cases, be limited to the next two years (up to and including the 2024/25 backstop date of 27 February 2026).

Financial Reporting Council

Financial Reporting Council
8th Floor
125 London Wall
London EC2Y 5AS

+44 (0)20 7492 2300

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Havering
LONDON BOROUGH

AUDIT COMMITTEE
03 12 2024

Subject Heading:	Head of Assurance Progress Report 2024/25
SLT Lead:	Kathy Freeman, Strategic Director Resources
Report Author and contact details:	Jeremy Welburn, Head of Assurance Tel: 01708 432610 / 07976539248 Email: jeremy.welburn@onesource.co.uk
Policy context:	To present a summary of the outcomes of Internal Audit and Counter Fraud work.
Financial summary:	There are no financial implications or risks arising directly from this report which is for information only.

The subject matter of this report deals with the following Council Objectives

People making Havering	[X]
Places making Havering	[X]
Resources making Havering	[X]

SUMMARY

This report summarises the cumulative outcomes of audit and counter fraud work from 1st April to 31st October 2024, including actions taken by management in response to audit and counter fraud activity, which supports the governance framework of the authority.

Limited assurance reports issued since the last Audit Committee are included in Appendix 1

RECOMMENDATIONS

1. To note the contents of the report.

2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

Introduction

The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) and other guidance.

Internal audit is a key component of corporate governance within the Council. The three lines of defence model, as detailed below, provides a framework for understanding the role of internal audit in the overall risk management and internal control processes of an organisation:

- First line – operational management controls
- Second line – monitoring controls, e.g. the policy or system owner/sponsor
- Third line – independent assurance.

The Council's third line of defence includes internal audit, which should provide independent assurance to senior management and the Audit Committee on how effectively the first and second lines of defence have been operating.

An independent internal audit function will, through its risk-based approach to work, provide assurance to the Council's Audit Committee and senior management on the higher risk and more complex areas of the Council's business, allowing management to focus on providing coverage of routine operations.

The work of internal audit is critical to the evaluation of the Council's overall assessment of its governance, risk management and internal control systems, and forms the basis of the annual opinion provided by the Head of Assurance which contributes to the Annual Governance Statement. It can also perform a consultancy role to assist in identifying improvements to the organisation's practices.

The attached appendix summarises the cumulative outcomes of audit and counter fraud work to November 2024.

Peer Review

An external quality assessment peer review of Internal Audit has been scheduled to take place in December 2024 / January 2025. The outcome of this review will be reported to Audit Committee as soon as the report is received.

Standards

New Global Internal Audit Standards have been released which will replace the current Public Sector Internal Audit Standards. Internal Audit is preparing for these changes which will apply to the public sector from the 1st April 2025.

Appendices:

Appendix 1 – Internal Audit Progress report to 31^{st} October 2024

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications or risks arising directly from this report which is for information only.

By maintaining an adequate internal audit service, management are supported in the effective identification and efficient management of risks and ultimately good governance. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obliged to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work. Such failures may result in financial losses for the Council.

Legal implications and risks:

Regulation 6 of the Accounts and Audit Regulations 2015 requires the Authority to conduct a review of the effectiveness of the system of internal control which must be considered by the relevant committee or by full Council. This report seeks to comply with that statutory obligation and there are no apparent risks in considering the end of year report.

Human Resources implications and risks:

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

Climate Change implications and risks:

None arising directly from this report. Risks around this are reflected in the Corporate Risk Register, added into the Internal Audit Plan and incorporated into the scope of audits where relevant.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have ‘due regard’ to:

(i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;

(iii) Foster good relations between those who have protected characteristics and those who do not.

Note: ‘Protected characteristics’ are age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

An EHIA (Equality and Health Impact Assessment) is usually carried out and on this occasion this isn’t required.

The Council seeks to ensure equality, inclusion, and dignity for all in all situations. There are no equalities and social inclusion implications and risks associated with this decision

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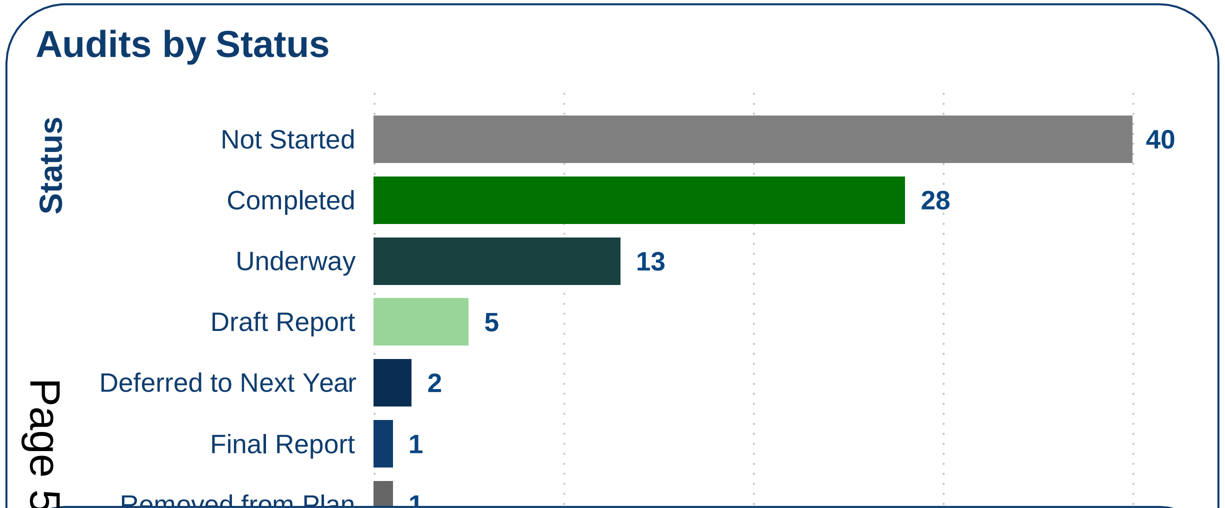
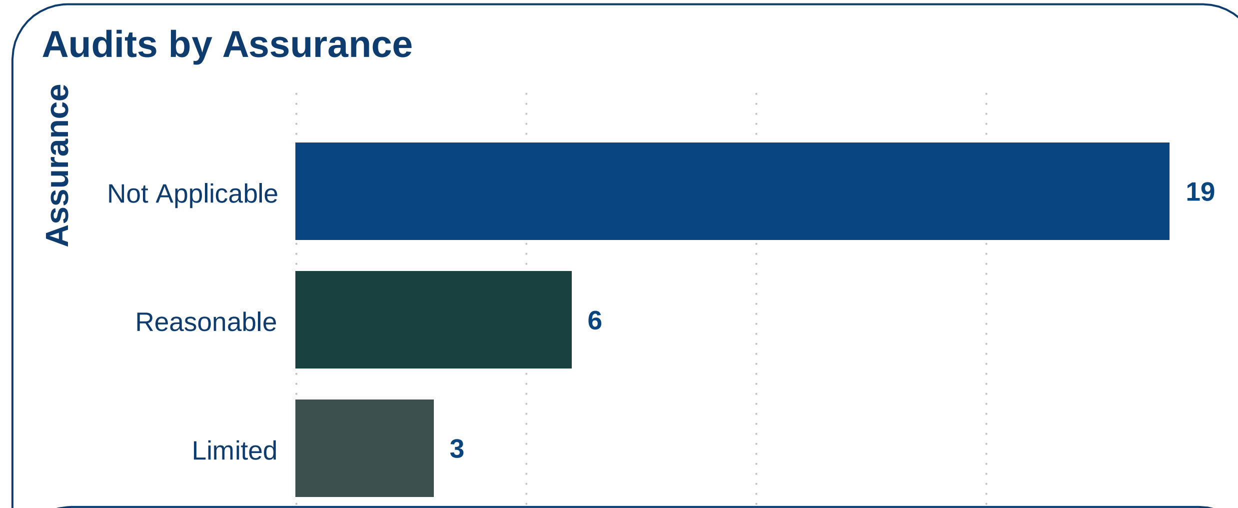
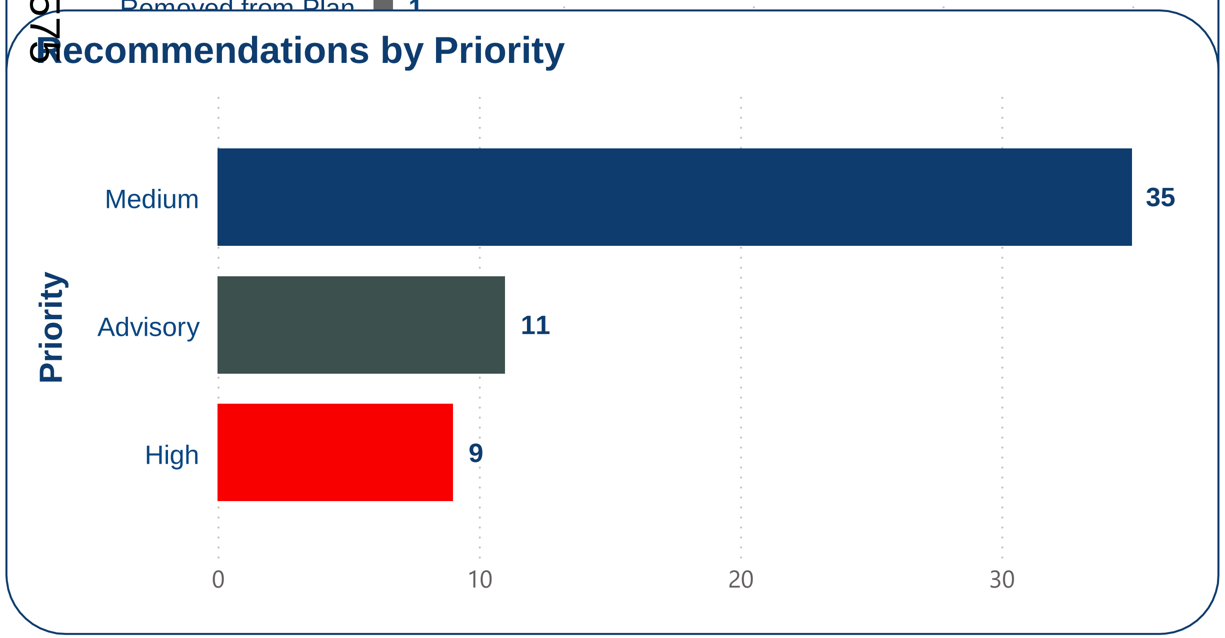
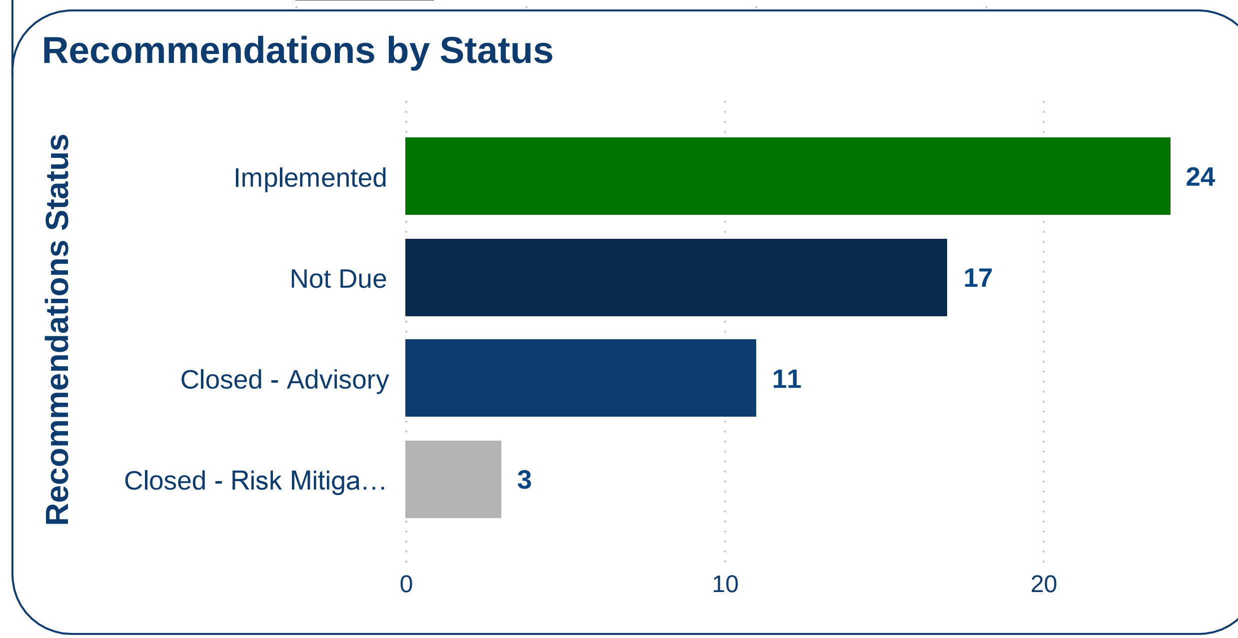
Appendix 1

2024/25 Audit Plan Quarter 1 & 2 Outturn Report - Systems, Schools & Early Years









2024/25 Audit Plan Quarter 1 & 2 Outturn Report - Systems, Schools & Early Years

Recommendation Status by Priority

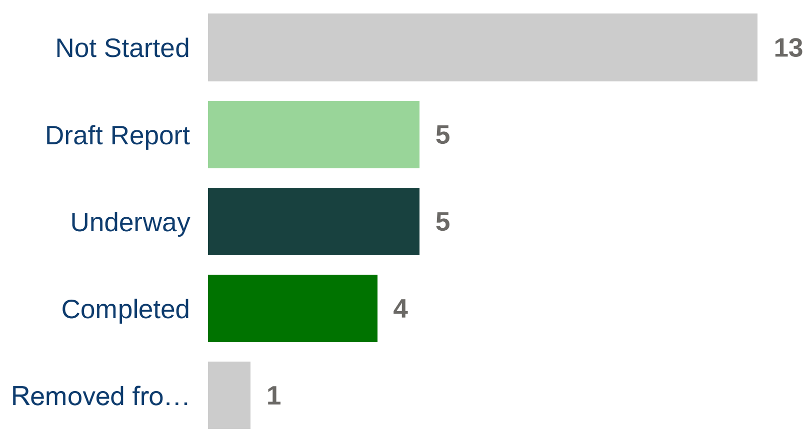
Audit Type	Status	Total
EY Audit	Not Started	15
Systems	Not Started	13
Schools	Not Started	10
Triennial	Not Started	2
Total		**40**

Audit Type	Assurance	Assurance
Systems	Limited	2
Systems	Not Applicable	2
Schools	Reasonable	3
EY Audit	Not Applicable	17
Total		**24**

Type	Closed - Advisory	Implemented	Not Due	Total
Systems		3	2	**5**
Schools	9	16	15	**40**
Health Check	2	5		**7**
Total	**11**	**24**	**17**	**52**

2024/2025 Auc

Audits by Status



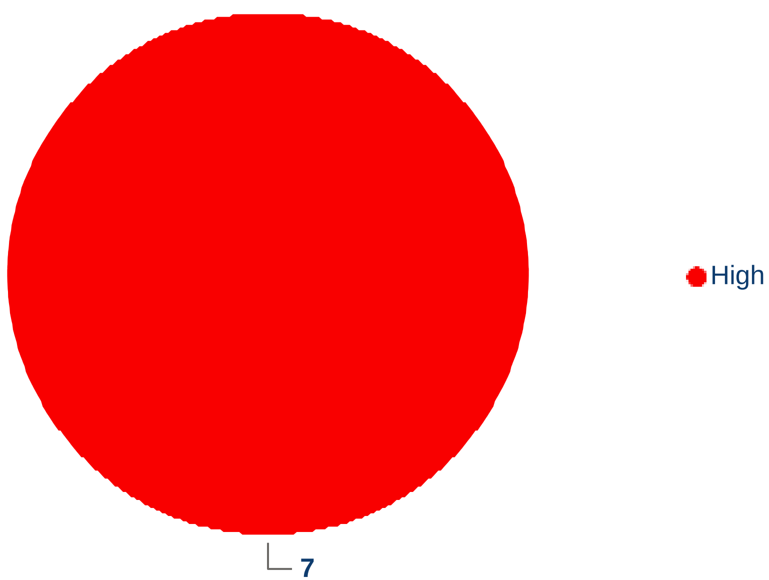
Audits by Assurance

Title	Status	Assurance
Engagement of Consultants via Matrix - Governance & Compliance Culture (Phase 1)	Completed	Limited
Procurement Processes	Completed	Limited
Supported Families (Q1)	Completed	Not Applicable
Supported Families (Q2)	Completed	Not Applicable
Community Leasing	Draft Report	
Court of Protection: Deputyship and Appointeeships	Draft Report	
Engagement of Consultants via Matrix Follow Up	Draft Report	
Tenant Management Organisations	Draft Report	
Waivers Follow Up	Draft Report	
Children's: School and Early Years audit programme	Not Started	
Complaints	Not Started	
Contract Management - Waste	Not Started	
Contracts	Not Started	
High Income Areas	Not Started	
Joint Counter-Fraud Work	Not Started	
Risk and Assurance Mapping	Not Started	
Starting Well	Not Started	
Starting Well/ Aging Well	Not Started	
Supported Families	Not Started	
Supported Families (Q3)	Not Started	
Supported Families (Q4)	Not Started	
Whistleblowing	Not Started	
Data Protection - legacy contracts	Removed from Plan	
Council Tax (Empty Property Charges)	Underway	
Financial Assessment and Benefits	Underway	
Governance and Compliance Culture	Underway	
Highways	Underway	
Voids (Tenant Rechargeable Repairs)	Underway	

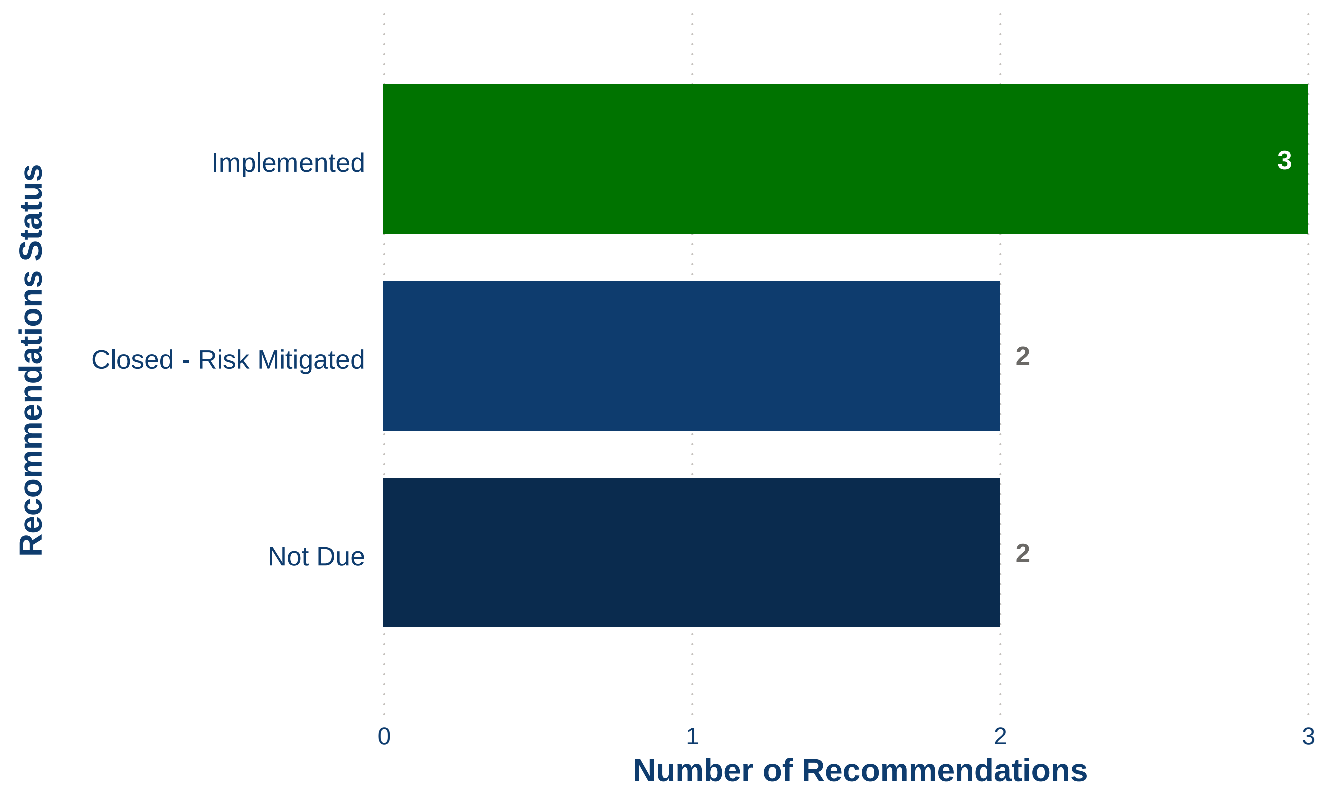
2024/2025 Audit Recommendations Progress - Systems

Internal Audit follows up all audit recommendations with management when the deadlines for implementation are due. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation of audit recommendations, in systems where limited assurance was provided, is verified through a follow up audit review. This work is of high importance given that the Council's risk exposure remains unchanged if management fail to implement the recommendations raised in respect of areas of control weakness. A key element of the Audit Committee's role is to monitor the extent to which recommendations are implemented as agreed and within a rea
recommendations.

Recommendations Raised in 2024/25 by Priority

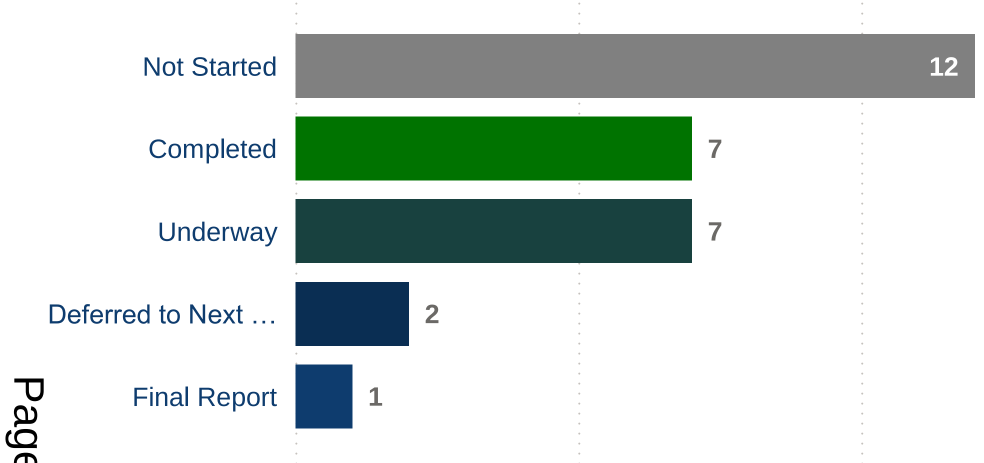


Recommendations by Status

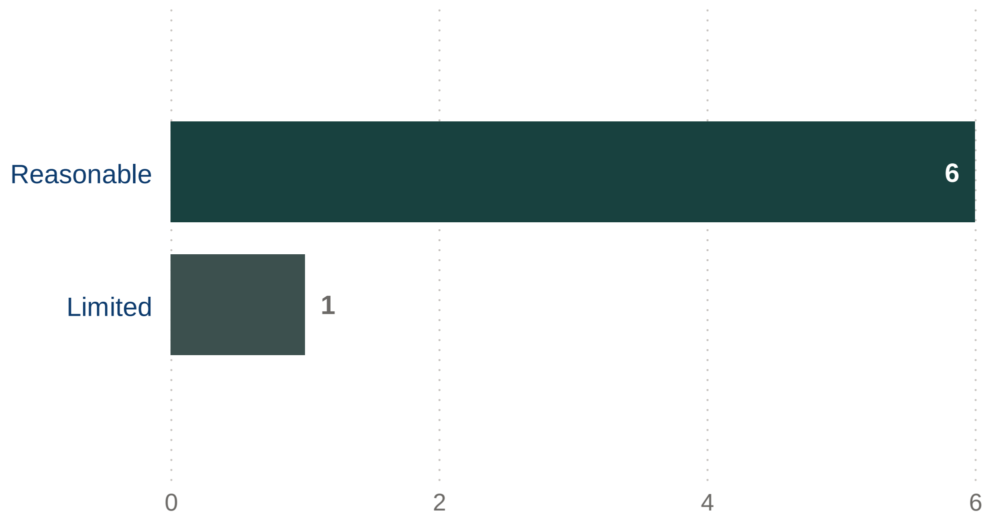


2024/2025 Audit Plan Monitoring - Schools

Audits by Status



Audits by Assurance



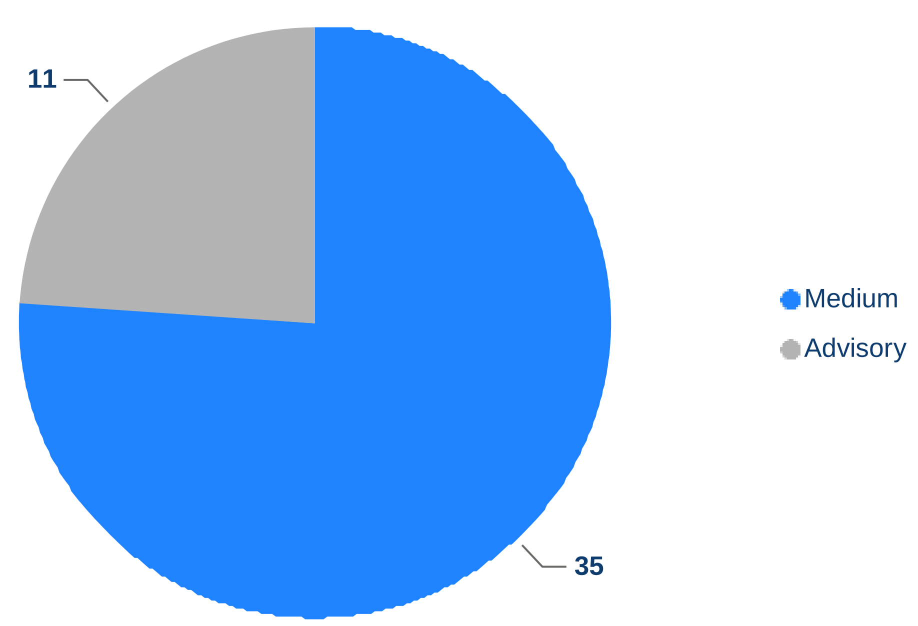
Title	Status	Assurance
Brady (TR)	Completed	Reasonable
Crownfield Infants (HC)	Completed	Reasonable
Hilldene Primary (TR)	Completed	Reasonable
La Salette RC Primary (HC)	Completed	Reasonable
Shaw Primary Academy (HC)	Completed	Reasonable
Suttons (TR)	Completed	Reasonable
The Towers Federation (TR)	Completed	Limited
St Josephs Catholic Primary (TR)	Deferred to Next Year	
The Towers Federation (HC)	Deferred to Next Year	
Harold Court Primary (TR)	Final Report	
Clockhouse Primary (HC)	Not Started	
Corbets Tey Primary (HC)	Not Started	
Engayne Primary (HC)	Not Started	
Harold Wood Primary (TR)	Not Started	
La Salette Catholic Primary (HC)	Not Started	
Langtons Infants (HC)	Not Started	
Rainham Village Primary (HC)	Not Started	
St Albans Catholic Primary (HC)	Not Started	
St Edwards Church of England Primary (HC)	Not Started	
St Josephs Catholic Primary (HC)	Not Started	
St Patricks Roman Catholic Primary (HC)	Not Started	
The Growing Together Federation (TR)	Not Started	
Emerson Park Academy (HC)	Underway	
Squirrels Heath Infants (TR)	Underway	
St Josephs - (HC)	Underway	
St Marys Catholic Primary (TR)	Underway	
St Peters Catholic Primary (TR)	Underway	
The Aspire Learning Federation (HC)	Underway	

The Learning and Achievement Federation (TR)	Underway

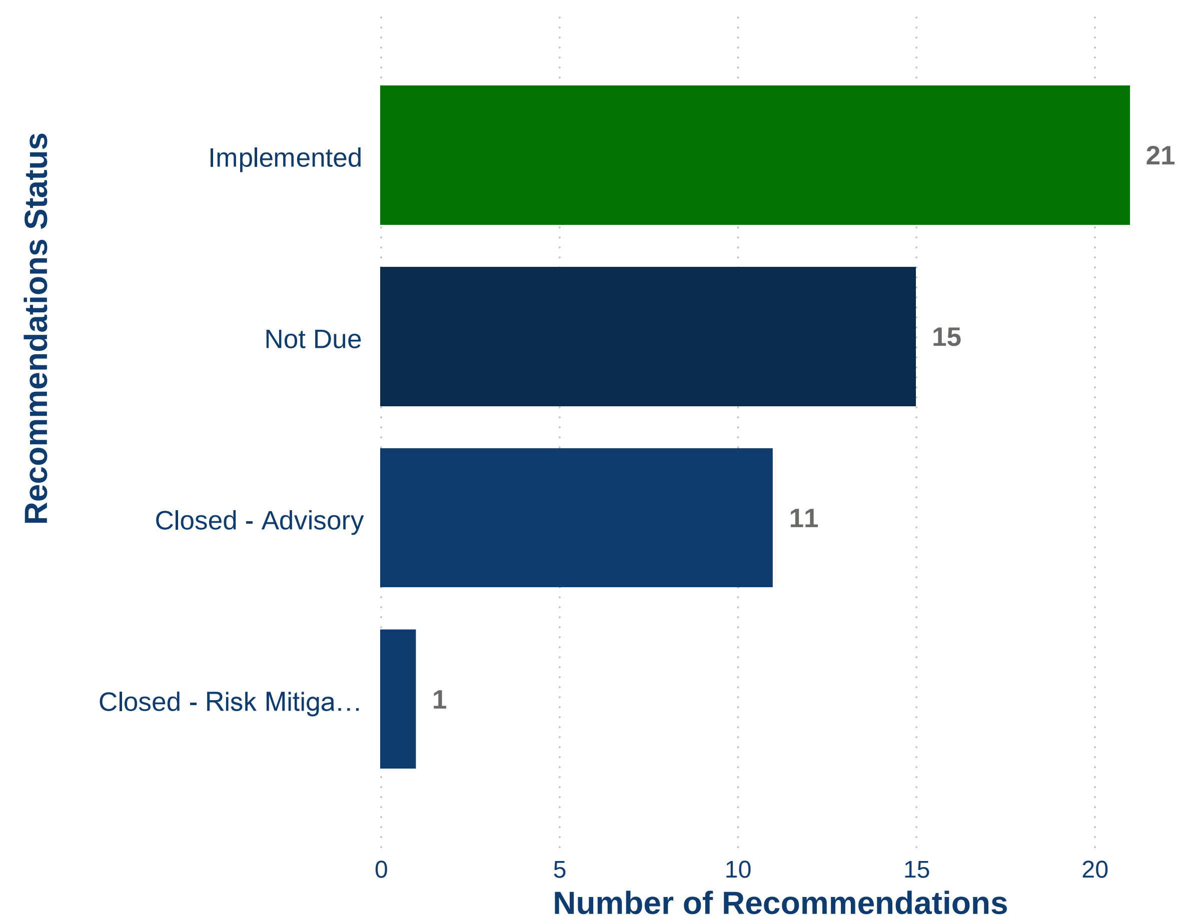
2024/2025 Audit Recommendations Progress - Schools

Similarly to systems audit recommendations, Internal Audit follows up all audit recommendations when the deadlines for implementation are due. Where schools buy in an annual Health Check, the scope would include following up on the implementation of recommendations raised during the previous audit.

Recommendations Raised in 2024/25 by Priority

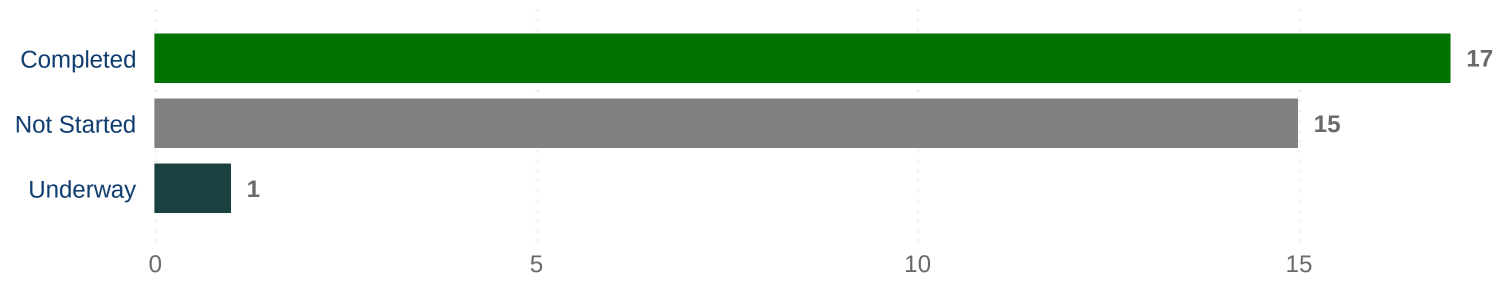


Recommendations by Status



2024/2025 Audit Plan Monitoring - Early Years

Audits by Status



Title	Status
Wingle-Tye Preschool Ltd 1 (Nelmes School)	Completed
Truly Scrumptious Early Years (Romford) Day Nursery	Completed
Toddle-Inn Day Nursery	Completed
Rise Park Infants' School	Completed
Playhouse Preschool	Completed
Lottie and Ollie Day Nursery	Completed
Immanuel School	Completed
Elm Park Baptist Church Playgroup	Completed
Edenberries Day Nursery And Preschool	Completed
Creative Kids Day Nursery (Gidea Park)	Completed
Clockhouse Primary School	Completed
Childminder - SS	Completed
Childminder - KB	Completed
Childminder - DL	Completed
Childminder - BK	Completed
Childminder - AP	Completed
Childminder - AI	Completed

Title	Status
Towers Infant School	Underway
Bretons Preschool	Not Started
Chatterbugs Day Nursery	Not Started
Childminder - EW	Not Started
Childminder - JL	Not Started
Drapers' Pyrgo Priory School	Not Started
Essex After Schools Club Ltd - Drapers Pyrgo Priory	Not Started
Fledgelings Day Nursery (Hornchurch)	Not Started
Forget-me-Not Day Nursery	Not Started
Gidea Park Preparatory School and Nursery	Not Started
Playdays 1 Preschool (Harold Hill Community Centre)	Not Started
Playdays 2 Preschool (Betty Strathern Centre)	Not Started
Star Bright Day Nursery	Not Started
The Railway Children Gidea Park Nursery	Not Started
Tiddlywinks Playgroup Ltd	Not Started
Topsy Turvy Preschool	Not Started

Appendix 2

Counter Fraud Audit Work

The counter fraud service is continuing to follow up, fraud referrals, desk based intelligence checks and investigations with doorstep visits and Interviews under Caution where necessary. The Council take a zero tolerance approach to tenancy fraud and currently have 98 open investigations.

One non-housing referral was brought forward from the previous period and is still under investigation.

During the period 01/04/2024 to 31/10/2024, 17 non-housing referrals were also received; four of which were Whistleblowing referrals. Eight cases have been investigated and concluded and nine referrals are currently being investigated.

Proactive Counter Fraud Investigations Work undertaken between 01/04/2024 to 31/10/2024

Description	No. Received
Advice to Other Local Authorities: All Data Protection Act requests via Local Authorities, Police etc.	34
National Fraud Initiative: To co-ordinate the 2024/25 NFI. The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and is conducted every two years.	Data has now been uploaded to the NFI database for matching. Matches to be released from Friday 20/12/24

Reactive Investigation Cases

One referral was brought forward from the previous period and is still under investigation.

During 01/04/2024 to 31/10/2024 17 referrals were received; four of which, information was provided by Whistle-blowers:

- Eight cases have been investigated and concluded; and
- Nine referrals are under investigation.

The following table illustrates the work undertaken in relation to housing fraud and right to buy (RTB) applications:

Description	**2023/24**	**2024/25 to date**
Number of referrals for investigation	127	98
Properties recovered	14	4
Notional Saving *	£588,000	£168,000
RTB referred and reviewed	94	101
RTB stopped ***	3	17
Notional Saving	£383,820	£2,318,800
Total Notional Saving	**£971,820**	**£2,486,800**

- Notional saving revised from 2022/23 figures as recommended method uses a stan dard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of £42,000

Appendix 2

The following table illustrates the breakdown of cases:

Description	2024/25 (to date)
Number of referrals brought forward	*84*
Number of new referrals retained for investigation **	*14*
Number of referrals currently under investigation	***79***
• Notice To Quit (NTQ) issued	2
• Pending bailiff action / Eviction	2
• Passed to Legal Services for Criminal / Civil Proceedings	7
• Awaiting Court Hearing	1
• Open Investigations	67
Number of completed/ closed investigations	**19**
• Properties Recovered	3
• RTB stopped ***	0
• Housing Application Cancelled	1
• Closed - Fraud Detected	2
• NFA / No Offence	13

Key:,.,. Total number of referrals received and triaged was 83. However, only 14 are being investigated as the remaining referrals do not get investigated by the Counter Fraud Team, e.g. Housing Benefit, other LA's.

,.,.,. Total number of RTB's referred and reviewed was 101. Seventeen RTB cases were stopped by Counter Fraud at the initial review stage and therefore are not counted as investigations.

Housing Services refer Mutual Exchanges and Succession to the Counter Fraud Team to review. A total of 23 Mutual Exchanges and 25 Successions have been referred and reviewed.

Two Mutual Exchanges and four Successions were denied.

Appendix 2

Final Internal Audit Report – Procurement Processes

Background
A review regarding Engagement of Consultants, which has been outlined in a separate report, highlighted thematic risks regarding the procurement practices and processes across the Council. This report sets out the issues that were identified during that review.

Assurance Opinion - Limited
The overall audit opinion can only provide limited assurance that the control framework is adequate to manage the risks regarding procurement of goods and services.

Summary Key Findings	Recommendations
There is a lack of clarity regarding the Council's procurement policies and processes	**High**: A control process should be established to ensure that all procurements are subject to appropriate governance (sufficient control, transparency, scrutiny, visibility and challenge) and that there are sufficient mechanisms in place to prevent and detect non-compliance with these expectations.
There is a lack of clear guidance available and training provided to officers who wish to procure goods or services.	**High**: The Council's intranet, oneSource intranet and any other applicable sources of information / documents should be updated to incorporate any changes or additional information gathered and documented as part of this review. This should include any supporting documents and should clearly signpost users to other applicable governance processes. Consideration should also be given as to the clarity of guidance available to officers and if there is a risk that this is left open to interpretation.
There are a lack of detective controls within the procurement process to identify non-compliance.	**High**: A decision should be made as to whether non-compliance with any of the governance processes referred to in this report, would be deemed unacceptable and if so, how will non-compliance be reported and addressed. This should also include consideration as to whether the Council can meet its statutory obligations through the current processes.

Appendix 2

Procurement Processes Recommendation Action Plan			
Ref	**Recommendation**	**Recommendation Owner and Management Response**	**Assurance and Timescale**
R1	A control process should be established to ensure that all procurements are subject to appropriate governance (sufficient control, transparency, scrutiny, visibility and challenge) and that there are sufficient mechanisms in place to prevent and detect non-compliance with these expectations. This should include: • Introduce a golden thread (similar to that provided by the original introduction of i-Decision) to streamline the process, reduce administrative / resources costs, ensure compliance with legal & local requirements and support delivery of the Councils statutory obligations. • Ensure that any processes capturing information (such as i-Decision) is visible to all interested parties. • That the composition of any groups includes all relevant stakeholders (such as the representation of IT at Gateway Review Group).	New procurement legislation shortly being introduced will require the Council to comply with three different sets of procurement legislation. All of these will require different processes and reporting obligations. The issues identified in this report will be addressed as part of the work being done to implement these processes and the revision to the Contract Procedure Rules.	**High** Implementation Due **February 2025**

Ref	Recommendation	Recommendation Owner and Management Response	Assurance and Timescale
R2	The Council's intranet, oneSource intranet and any other applicable sources of information / documents should be updated to incorporate any changes or additional information gathered and documented as part of this review. This should include any supporting documents and should clearly signpost users to other applicable governance processes. Consideration should also be given as to the clarity of guidance available to officers and if there is a risk that this is left open to interpretation.	Work has already been undertaken to replace the Council's existing Intranet. Information has been migrated over to the new Intranet and any duplication has been removed. Updates and changes to processes / documents will continue going forward as the new procurement legislation comes into effect. Information around procurement and specifically MMM will be addressed as part of the ongoing work around the Contract Procedure Rules, with the aim of completion by February 2025 when the new Procurement legislation is introduced.	**High** Implementation Due **October 2024** Management have confirmed that this recommendation has since been implemented.
R3	A decision should be made as to whether non-compliance with any of the governance processes referred to in this report, would be deemed unacceptable and if so, how will non-compliance be reported and addressed. This should also include consideration as to whether the Council can meet its statutory obligations through the current processes.	Currently the Contract Procedure Rules do outline non-compliance, however this isn't something that is being enforced or pursued in cases of non-compliance with procurement. In future a process of Procurement flagging serious non-compliance can be established with this being reported to Executive Leadership Group / relevant Director on an exception basis.	**High** Implementation Due **October 2024** Management have confirmed that this recommendation has since been implemented.

Final Triennial Internal Audit Report – Towers Federation

Background

The audit of The Towers Federation was undertaken as part of the rolling triennial programme of school audits as set out in the Council's 2024/2025 audit plan.

The Towers Federation was last audited in May 2023 when the completion of the audit health check resulted in six medium recommendations being raised, and a Reasonable Assurance on the system of internal control being given. Progress on the implementation of these recommendations has been followed up as part of this audit

The audit objective was to provide an independent opinion on the adequacy and effectiveness of the control environment within the school, to provide assurance to the Governing Body and Head Teacher, that risks are being adequately managed.

A system of exception reporting is operated whereby only risks that are not being adequately managed or controls that are not being performed effectively are reported on. Advisories are used to report issues that do not require a formal recommendation, but will enhance controls or improve operational efficiency.

Assurance Opinion

Limited Assurance
This means that there are fundamental weaknesses in the internal control environment within the areas reviewed, and further action is required to manage risks to an acceptable level.

Appendix 2

Summary Findings	Recommendations
Asset Management Planning - The school maintains an Asset Management Plan for each school that includes all remedial works required to the premises. There are some items within the plan that have a priority description of 'Essential', but that remain outstanding as at the time of this audit. In light of the schools significant financial deficit, it is unlikely that the current budget is sufficient for the school to complete all works deemed essential in the Asset Management Plan.	**High:** The school and Governing Body should engage with relevant teams (Education Finance, Insurance and Health & Safety) for guidance and advice, as an insurance claim would result in a financial burden to the Local Authority. This should include ensuring that works have been correctly categorised as essential, enabling the school to prioritise the completion of works. The school must assess whether failure to complete essential works poses a significant risk of injury, which would carry a potential financial consequence (insurance claim). **Timescale:** Spring Term
Procurement - All procurements should be supported by adequate audit trails and evidence of compliance with the delegated authorities set out in the Finance Policy. • A sample of 15 purchases was reviewed, of which 12 orders had been raised after receipt of the invoice. • There was also one instance of the Executive Head Teacher signing the cheque that related to payment for themselves to attend a conference. • Seven of the 15 payments were made more than 30 days after receipt of the invoice. • Throughout the testing it was not always possible to identify who the approver had been.	**High:** Action should be taken to address the issues highlighted in this report, to ensure that the school can demonstrate compliance with the scheme of delegation and allow the school to raise orders/ pay purchases in a timely manner. **Timescale:** Spring Term **Medium**: The school should take action to fully implement the BACs process as a matter of urgency. **Timescale:** Implemented **Advisory:** To ensure that there is an appropriate level of segregation within the procurement process, staff to which payments relate should not be involved in the approval or authorisation process. **Timescale:** N/A as advisory

Appendix 2

Summary Findings	Recommendations
Governance - Information held on the school website at the time of the audit was not up to date, as pecuniary interests shown on the website had not been updated to reflect the latest information held by the school and details relating to the attendance at meetings had not been updated since July 2023.	**Medium:** To ensure that the school are compliant with the School Information Regulations 2008 details relating to the Governing Body declarations of interest and attendance at meetings should be recorded and updated on the schools website. **Timescale:** Autumn Term
Finance - The school closed the 2023/24 budgets for both schools with an overall deficit. There is a current forecasted deficit for 2024/25, across both schools. School budgets should have been submitted to the boroughs LMS team by 1st May 2024, but this had not been completed at the time of the audit in mid May 2024. Schools that are operating under a deficit budget should also submit a deficit recovery plan to the boroughs LMS team. This plan had not been submitted to LMS at the time of the audit.	**Medium:** The schools budget should be submitted to LMS in line with the deadlines provided. **Timescale:** Implemented **Medium:** A deficit recovery plan should be completed and submitted to LMS detailing action that the school plan to reduce the budget deficit. **Timescale:** 31st December 2024
Inventory Control - In order to ensure that the school inventory is an accurate reflection of the assets held by the school, an annual check should be undertaken. Whilst discussions with staff noted that the schools inventory was last fully checked for accuracy in February 2023, there is no documentary evidence of this check nor is there a record of the outcome of the check being reported to the Governing Body.	**Medium**: The school should ensure that the annual inventory check is completed in order to confirm that the school have an accurate and up to date record of assets. **Timescale:** Spring Term
Inventory Control - Checks were undertaken for all of the equipment currently recorded as on loan to staff. Testing found that not all of the items on loan at the time of the audit, had a corresponding loan form. Of the forms that were located, these were not consistently signed by an approver.	**Medium:** A record of equipment on loan should be maintained, which includes authorising signatures for each loan to be agreed and verified when returned. **Timescale:** Spring Term

Summary Findings	Recommendations
School Trips - In the event that income collected for a school trip is less than the costs originally anticipated, the Schools Charging and Remissions policy sets out that the school will issue a refund to parents where the difference exceeds £5 per pupil. Documents were provided for the residential school trip undertaken in 2023. However this information was not collated into a profit and loss summary. The overall financial outcome of the trip was not summarised so it was not possible during this audit to reconcile the trip income and expenditure, in order to verify whether the trip resulted in the school making a profit or loss. Whilst discussions with staff during the audit highlighted that the trip would have likely made a loss, this is an assumption and without adequate records and the completion of a profit and loss summary, the exact financial position of the trip is unknown.	**Medium:** In order to meet the expectations of the Charging and Remissions policy, the school should ensure that a profit and loss summary should be completed at the end of each school trip. Any income collected that exceeds the financial threshold set out in the Charging Policy should be refunded to parents. **Timescale:** Spring Term
Petty Cash - The school maintain a petty cash account with an imprest balance of £600. It was noted that the account is not used often, so the account does not need to be topped up on a regular basis. The documentation reviewed showed that for some of the reimbursements the petty cash slip had not been signed by the member of staff claiming as such there is no evidence that they have been reimbursed. Discussions with staff noted that the school is progressing the use of BACs which will reduce the need for petty cash account once that process is fully implemented.	**Medium**: Petty cash vouchers should be signed by the claimant to evidence receipt of funds. **Timescale:** Implemented – Closed - risk mitigated as school have closed the petty cash.

Appendix 2

Summary Findings	Recommendations
Charge Cards - In February 2024 the School Business Manager identified unauthorised cash withdrawals between 8th November 2023 and 23rd January 2024. Discussions with the school have determined that the statement for January 2024 was received by the school, however a reconciliation was not undertaken at that point. Had the reconciliation of this statement been undertaken in a timelier manner, it would have identified the authorised transactions earlier. However, it is unlikely to have made any material difference to the amount of loss to the school on this occasion. Following this issue the bank has been contacted and the ability to withdraw cash on school charge cards has been removed.	**Advisory:** To ensure that any future spend is monitored in a timely manner statements should be reviewed as soon as received from the bank. The school should also consider exploring the possibility of online banking, in order to have access to the latest information. **Timescale:** N/A as advisory
Payroll and Personnel - Controls are in place for checks to be undertaken on the monthly payroll report. Whilst this is not an expected control, the school is advised that the pay entry for the person completing this check should be verified by a second member of staff. A preventative control would provide an additional safety measure for the individual completing the check, in the event that an error in their pay, which provides a financial advantage, goes undetected.	**Advisory**: Payroll details of the person checking the payroll report should be subject to independent verification. **Timescale:** N/A as Advisory
Access to Systems - A reconciliation was undertaken between the Finance Policy and FMS system which identified that two individuals had access to the system but were not included within the Finance Policy. One was a secondment. The school stated that removing the access may create issues once the secondment period is over, if access is required again. The second was a member of staff who joined the school at Easter 2024 and has yet to undergo training so is currently not using the system.	**Advisory:** To ensure that the Governors are aware of who has access to the system the school should ensure that the Finance Policy is a reflection of the current access rights. Additionally the school should consider removing the Executive Head Teachers (currently on secondment) access until such time that the secondment has ended. **Timescale:** N/A as Advisory

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AUDIT COMMITTEE **03 December 2024**

Subject Heading:	Mid-Year Treasury Management Report 2024/25
ELT Lead:	Kathy Freeman Strategic Director of Resources and S151 Officer
Report Author and contact details:	Tony Piggott Treasury Manager 01708 434 368 Tony.piggott@havering.gov.uk
Policy context:	The code of practice on treasury management 2021 requires that the Authority be provided with a mid-year report on treasury activities
Financial summary:	The Treasury Strategy supports the Authority's Budget strategy.

The subject matter of this report deals with the following Council Objectives

People – Supporting our residents to stay safe and well	x
Place – A great place to live, work and enjoy	x
Resources – Enabling a resident-focused and resilient Council	x

SUMMARY

The CIPFA TM Code requires that authorities report on the performance of the treasury management function to Full Council at least twice per year (mid-year and at year-end), this report covers the period from 1st April 2024 to 30th September 2024.

The Authority's Treasury Management Strategy Statement (TMSS) 2024/25 was approved by Full Council on the 1 March 2024. The TMSS aims to bring together the Council's capital programme and its budget to ensure borrowing decisions are affordable and sustainable in line with regulation.

The Authority borrowed and invested substantial sums of money and is potentially exposed to financial risk from loss of invested funds and the revenue impact from changing interest rates. This report covers activity on treasury managed investments and borrowings and the associated monitoring and control.

RECOMMENDATIONS

- To note the treasury management activities to the end of September 2024 as detailed in the report.

KEY HIGHLIGHTS

- The investment portfolio weighted average rate of return for the period 1st April 2024 to the 30th September 2024 was **5.36%.** Current investments total **£45.50m** yielding **4.97%** consisting of deposits placed with the Government Debt Management Office and a number of Local Authorities, see breakdown Appendix 2.
- The Authority's debt, totalled **£437.29m** and is fixed at an average rate of **3.47%,** with an average duration of **17.5 years**. There has been no new debt issued since

the start of the financial year as cash levels have been higher than the liquidity buffer and there is expectation of further rate reductions going forward.

- During the period the Authority's treasury activities remained within the treasury limits and prudential indicators set out in the TMSS.

REPORT DETAIL

1. Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). The primary requirements of the Code are as follows:

• A mid-year, treasury update report (Audit Committee 3 December 2024)

• An annual Treasury Management Strategy Statement (TMSS) in advance of the year (Council 28th February 2024)

• An annual review following the end of the year describing the activity compared to the strategy, (Audit Committee July 2025)

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the mid-year position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2024/25 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Authority's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Authority's investment portfolio for 2024/25;
- A review of the Authority's borrowing strategy for 2024/25;
- A review of any debt rescheduling undertaken during 2024/25;
- A review of compliance with Treasury and Prudential Limits for 2024/25.

The primary focus of effective treasury management is to ensure cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

Accordingly, treasury management is defined as:

> "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. Economics and Interest Rates

2.1 Economics Update

- The third quarter of 2024 (July to September) saw:
  - CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
  - Core CPI inflation increasing from 3.3% in July to 3.6% in August;
  - The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
  - 10-year gilt yields falling to 4.0% in September.

- The economy's stagnation in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index (PMI), from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an uptick in September, although readings after the Chancellor's announcements at the Budget on 30th October will be more meaningful.

- CPI inflation stayed at 2.2% in August, but services inflation rose from a two-year low of 5.2% in July to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025.

- The Bank initiated its loosening cycle in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August shifted to a solid 8-1 vote in favour of no change.

- Looking at gilt movements in the first half of 2024/25, 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. Following the decision to hold the Bank Rate at 5.0% in September, the market response was muted, with the 10-year yield rising by only 5bps after the announcement.

2.2 Interest Rate Forecasts

The Authority has appointed Link Group as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates.

Link's latest forecast on 28 May sets out a view that short, medium and long-dated interest rates will fall back over the next year or two, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance.

The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1 November 2012.

Link Group Interest Rate View	28.05.24									
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2024/25, which includes the Annual Investment Strategy, was approved by the Authority on 28th February 2024. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Authority's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Authority's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, using the Link suggested creditworthiness approach, and the operation lending list.

Investment Counterparty criteria
The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function

Investment balances

The average weighted level of funds available for investment purposes during the first half of the financial year was **£92.2m**.

Investment performance year to date as of 30 September 2024

	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	5.25	5.20	5.21	5.20	5.17	5.08
High Date	02/04/2024	03/05/2024	27/06/2024	17/04/2024	31/05/2024	30/05/2024
Low	5.00	4.95	4.90	4.79	4.58	4.17
Low Date	01/08/2024	01/08/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
Average	5.17	5.12	5.11	5.06	4.96	4.75
Spread	0.25	0.25	0.31	0.41	0.58	0.91

The table above covers the first half of 2024/25.

Period	SONIA 3 month benchmark return	Authority performance	Investment interest earned
3 month	**5.06**	**5.36**	**£2.47m**

The Authority *outperformed* the benchmark by **30 bps**. The Authority's budgeted investment return for 2024/25 is **£1.25m**, and performance for the year to date is **£1.22m** above budget.

Approved limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30 September 2024, a full list of investments held as of 30 September 2024 is in appendix 2.

4. The Authority's Capital Position (Prudential Indicators) 2024/25

- The following tables show the Authority's capital expenditure plans, how these plans are being financed. The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow.

4.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure	2024/25 TMSS Estimate £m	2024/25 (P6 Forecast) £m
GF (exc Regeneration)	80	77
Regeneration	99	42
Total GF	**179**	**119**
HRA	161	118
Total Cap Expenditure	**340**	**237**

As a result of the slippage in the capital programme cash balances have remained higher then originally forecast and borrowing has been delayed. This has resulted in higher treasury investment income and lower interest borrowing cost, leading to a forecast underspend for the financial year of £1.5m. This is reflected in the latest period 6 reporting to members.

4.2 Financing of the Capital Programme

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding, borrowing need.

Capital Expenditure	**2024/25 TMSS Estimate £m**	**2024/25 (P6) Forecast £m**
Total capital expenditure	340	**237**
Financed by:		
Capital receipts	54	70
Capital grants	72	48
Capital reserves & revenue	12	13
Total financing	**138**	**131**
Borrowing requirement	**202**	**106**

4.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

The Authority's Capital Financing Requirement (CFR), is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for (e.g. by capital grants), through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (OLTL) which relates to PFI schemes and finance leases. The Authority currently has no such liabilities within its CFR.

Prudential Indicator – the Operational Boundary for external debt

	2024/25 TMSS Estimate £m	2024/25 (P6) Forecast £m
Prudential Indicator – CFR		
CFR – GF	320	280
CFR – HRA	529	436
Total CFR	**849**	**716**
Net movement in CFR from 2023/24	**161**	**98**
Prudential Indicator – Operational Boundary for external debt		
Borrowing	900	900
Other long-term liabilities	10	10
Total debt (year- end position)	**910**	**910**

4.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. **Gross external borrowing** should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Authority has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2024/25 TMSS Estimate £m	2024/25 (P6) Forecast £m
Borrowing	900	900
Other long-term liabilities	10	10
Total debt	**910**	**910**
CFR (year - end position)	**849**	**716**

A further prudential indicator controls the overall level of borrowing. This is **the Authorised Limit** which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	**2024/25 TMSS Estimate £m**	**2024/25 (P6) Forecast**
Borrowing	950	950
Other long-term liabilities*	10	10
Total	**960**	**960**

The authority during the first half of the year has at all times kept within both the operational and authorised limit.

5. Borrowing

The Authority's capital financing requirement (CFR) at the start of 2024/25 was £618m forecast to rise to £716m by the year end. The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

The capital programme is being kept under regular review due to the effects of on-going budgetary pressures. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, to achieve optimum value and risk exposure in the long-term.

It is anticipated that further borrowing will be undertaken during this financial year to re finance maturing PWLB debt in February and March 2025, see Appendix 1, current debt outstanding.

PWLB maturity certainty rates (gilts plus 80bps) year to date to 30 September 2024

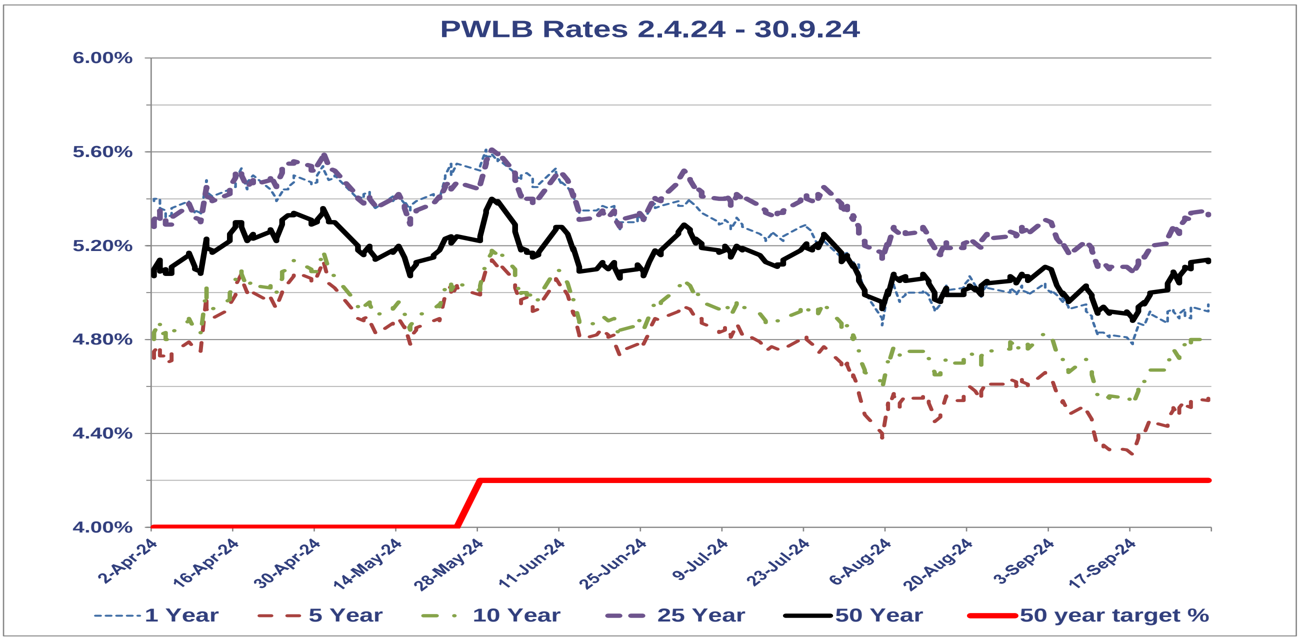
Gilt yields and PWLB certainty rates were less volatile than at this time last year. Overall, the 10, 25 and 50-year part of the curve endured a little volatility but finished September very much as it started in April.

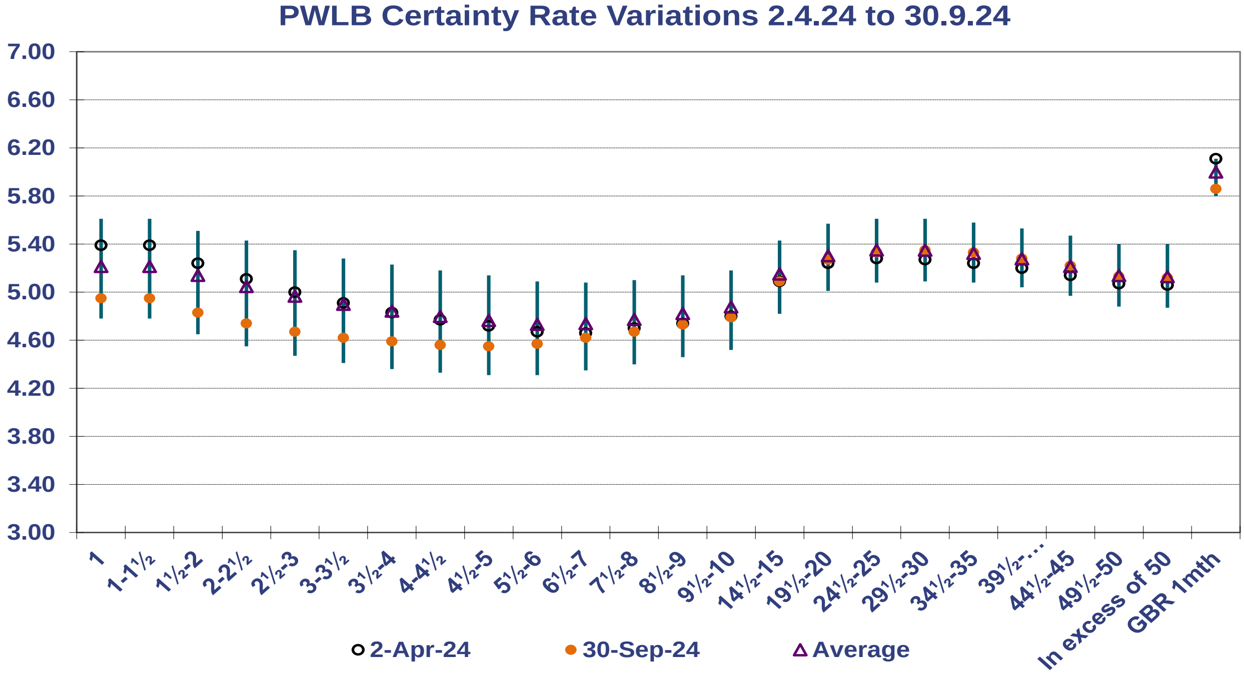
Where there was some movement downwards, this came in the shorter part of the curve as markets positioned themselves for Bank Rate cuts in the second half of 2024 and into 2025, although the continued stickiness of inflation and the prevailing tight labour market is a concern for those looking for more sizeable falls ahead.

At the beginning of April, the 5-year certainty rate was the cheapest part of the curve at 4.72% whilst the 25-year rate was relatively expensive at 5.28%. May saw yields at their highest across the whole curve.
-
Conversely, 17 September saw the low point for the whole curve, with the 5-year certainty rate falling to 4.31% before rebounding to 4.55% by the end of the month. Similarly, the 50-year certainty rate fell to 4.88% but finished the month at 5.13%, slightly higher than at the start of April.

At this juncture, our treasury advisors Link forecast rates to fall back over the next two to three years as inflation dampens, although there is upside risk to their Bank Rate forecast at present. The CPI measure of inflation is expected to fall below 2% in the second half of 2025, however, they forecast 50-year rates to stand at 4.20% by the end of September 2026. The major caveats are that there is considerable gilt issuance to be digested by the market over the next couple of years, and geo-political uncertainties – which are generally negative for inflation prospects – abound in Eastern Europe and the Middle East, in particular.

PWLB RATES 02.04.24 - 30.09.24





HIGH/LOW/AVERAGE PWLB RATES FOR 02.04.24 – 30.09.24

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
30/09/2024	4.95%	4.55%	4.79%	5.33%	5.13%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.14%	5.18%	5.61%	5.40%
High date	29/05/2024	01/05/2024	01/05/2024	01/05/2024	01/05/2024
Average	5.21%	4.76%	4.88%	5.35%	5.14%
Spread	0.83%	0.83%	0.66%	0.53%	0.52%

- The current PWLB rates are set as margins over gilt yields as follows: -.
    - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
    - **PWLB Certainty Rate (GF)** is gilt plus 80 basis points (G+80bps)
    - **PWLB Local Infrastructure Rate** is gilt plus 60 basis points (G+60bps)
    - **PWLB Certainty Rate (HRA)** is gilt plus 40bps (G+40bps)
- The **UK Infrastructure Bank** will lend to local authorities that meet its scheme criteria at a rate currently set at gilt plus 40bps (G+40bps).

6. Debt Rescheduling

Debt repayment and rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings. However, no debt repayments or rescheduling have been undertaken to date in the current financial year.

7. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2024, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2024/25.

All treasury management operations have also been conducted in full compliance with the Authority's Treasury Management Practices.

IMPLICATIONS AND RISKS

Financial implications and risks:

The Authority uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times. All decisions will be undertaken with regards to all available information, including, but not solely our treasury adviser.

Risk is inherent in all treasury activity. The Investment Strategy identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk.

Treasury operations are undertaken by nominated officers as prescribed by the Treasury Management Policy Statement as approved by the Council.

Legal implications and risks:

There are no direct legal implications or risks from noting this report.

Part 1, Chapter 1 of the Local Government Act 2003, provides that the Council may borrow money for any purpose relevant to its functions, or for the purposes of the prudent management of its financial affairs. It must determine and keep under review its borrowing limit and how much money it can afford to borrow.

In doing so, the Authority must have regard to the CIPFA Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities. This report has been produced in accordance with both codes.

Human Resources implications and risks:

There are no HR implications from this report

Equalities implications and risks:

There are no Equalities implications arising from this report.

The report has no direct equalities implications.
The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

(i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) Foster good relations between those who have protected characteristics and those who do not.
Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.
The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

Health and Wellbeing implications and risks:

The Council is committed to improving the quality of life and wellbeing for all Havering employees and residents in respect of socio-economics and health determinants. Whilst there are no direct implications to the Council's workforce and residents health and wellbeing as a result of this report.

ENVIROMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

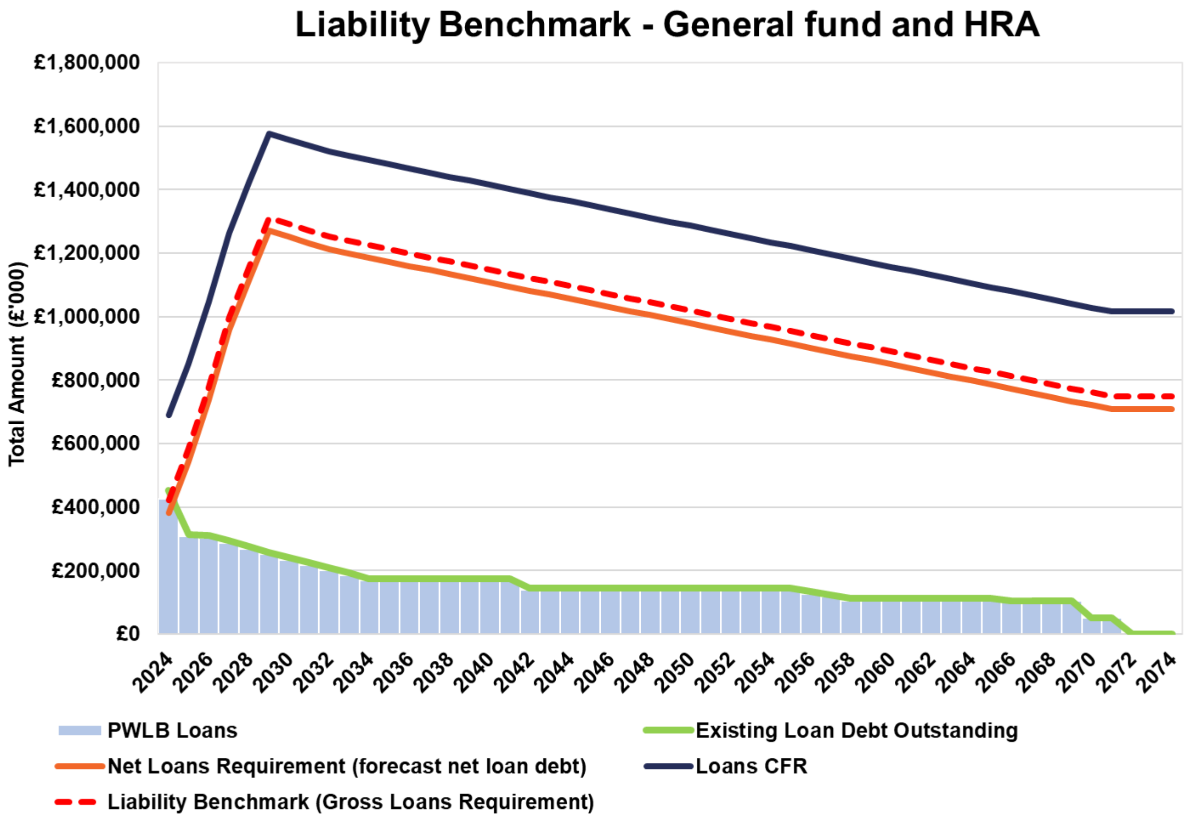
There are no implications from this report

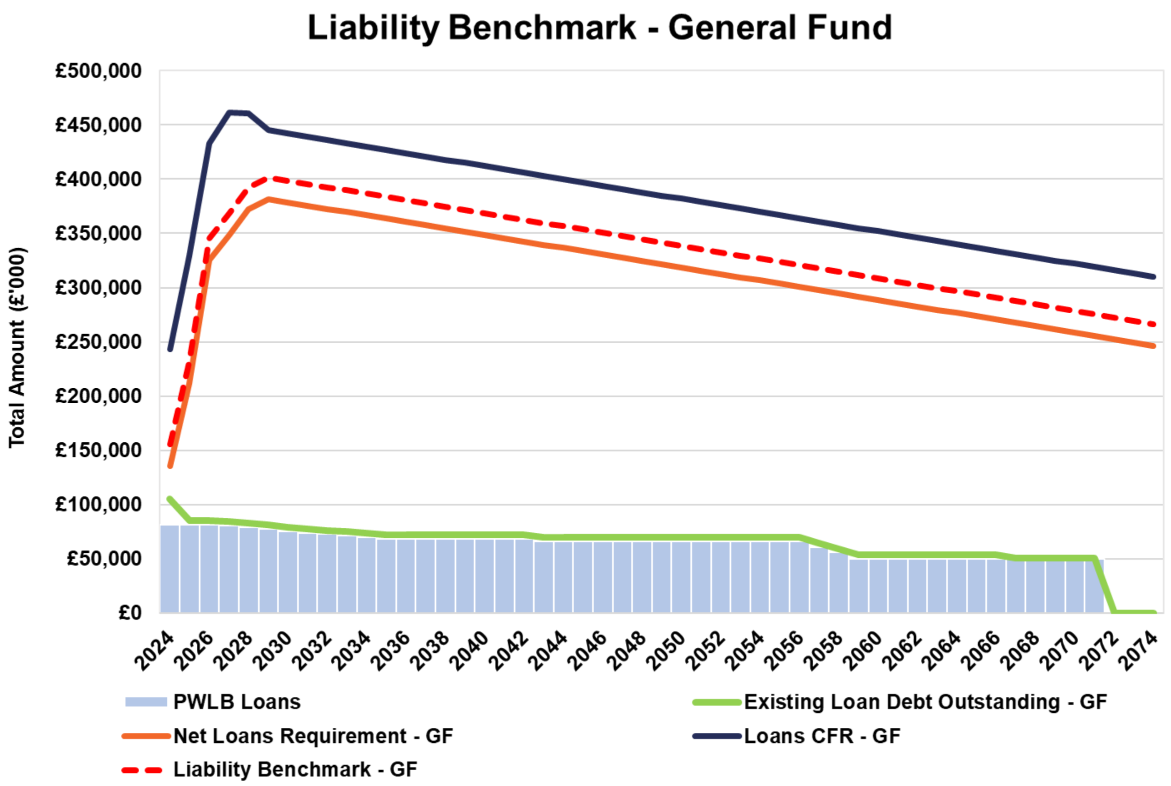
BACKGROUND PAPERS

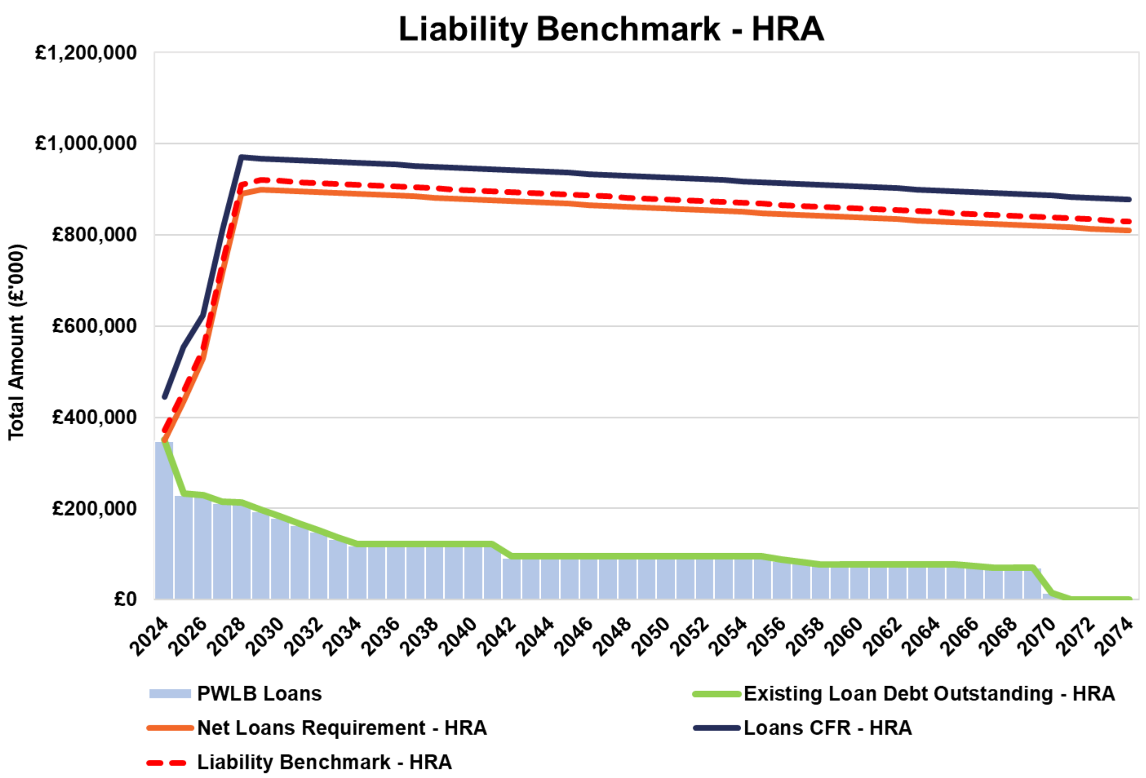
None

APPENDIX 1: The CFR, Liability Benchmark and Borrowing

The following graphs show the Liability benchmark for the authority and the split between the general fund and the HRA.



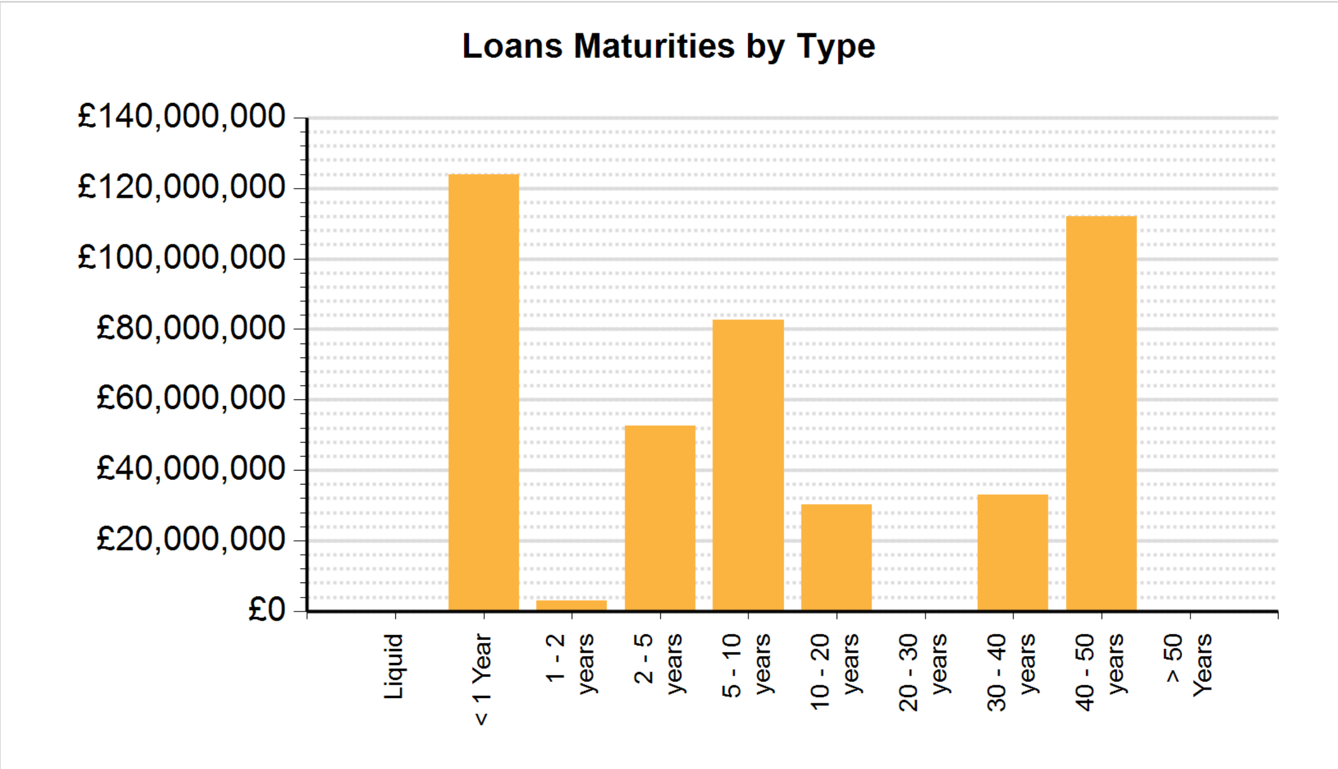

Liability Benchmark - General Fund
Total Amount (£'000)
£500,000
£450,000
£400,000
£350,000
£300,000
£250,000
£200,000
£150,000
£100,000
£50,000
£0
2024 2026 2028 2030 2032 2034 2036 2038 2040 2042 2044 2046 2048 2050 2052 2054 2056 2058 2060 2062 2064 2066 2068 2070 2072 2074
PWLB Loans
Existing Loan Debt Outstanding - GF
Net Loans Requirement - GF
Loans CFR - GF
Liability Benchmark - GF


Liability Benchmark - HRA
Total Amount (£'000)
£1,200,000
£1,000,000
£800,000
£600,000
£400,000
£200,000
£0
2024 2026 2028 2030 2032 2034 2036 2038 2040 2042 2044 2046 2048 2050 2052 2054 2056 2058 2060 2062 2064 2066 2068 2070 2072 2074
PWLB Loans
Existing Loan Debt Outstanding - HRA
Net Loans Requirement - HRA
Loans CFR - HRA
Liability Benchmark - HRA

Borrowings as of 30 September 2024

Class	Start Date	Maturity Date	Counterparty	Rate	Principal O/S (£)
Loan	19/02/24	19/02/25	PWLB	5.0300%	35,000,000.00
Loan	29/02/24	28/02/25	PWLB	5.0600%	45,000,000.00
Loan	19/03/24	19/03/25	PWLB	4.9300%	10,000,000.00
Loan	28/03/24	28/03/25	PWLB	4.9200%	28,000,000.00
Loan	06/04/00	04/04/25	PWLB	4.8750%	478,411.83
Loan	06/04/00	04/04/25	PWLB	4.8750%	500,694.11
Loan	28/03/12	28/03/26	PWLB	2.9200%	2,801,126.17
Loan	28/03/12	28/03/26	PWLB	2.9200%	248,473.83
Loan	28/03/12	28/03/27	PWLB	3.0100%	15,178,400.38
Loan	28/03/12	28/03/27	PWLB	3.0100%	1,346,399.62
Loan	14/07/99	27/06/27	PWLB	4.7500%	478,411.83
Loan	14/07/99	27/06/27	PWLB	4.7500%	500,694.11
Loan	28/03/12	28/03/28	PWLB	3.0800%	15,178,400.38
Loan	28/03/12	28/03/28	PWLB	3.0800%	1,346,399.62
Loan	23/07/98	04/04/28	PWLB	5.5000%	956,823.67
Loan	23/07/98	04/04/28	PWLB	5.5000%	1,001,388.21
Loan	28/03/12	28/03/29	PWLB	3.1500%	15,178,400.38
Loan	28/03/12	28/03/29	PWLB	3.1500%	1,346,399.62
Loan	28/03/12	28/03/30	PWLB	3.2100%	15,178,400.38
Loan	28/03/12	28/03/30	PWLB	3.2100%	1,346,399.62
Loan	28/03/12	28/03/31	PWLB	3.2600%	15,178,400.38
Loan	28/03/12	28/03/31	PWLB	3.2600%	1,346,399.62
Loan	28/03/12	28/03/32	PWLB	3.3000%	15,178,400.38
Loan	28/03/12	28/03/32	PWLB	3.3000%	1,346,399.62
Loan	28/03/12	28/03/33	PWLB	3.3400%	15,178,400.38
Loan	28/03/12	28/03/33	PWLB	3.3400%	1,346,399.62
Loan	28/03/12	28/03/34	PWLB	3.3700%	15,178,400.38
Loan	28/03/12	28/03/34	PWLB	3.3700%	1,346,399.62
Loan	28/03/12	28/03/42	PWLB	3.5000%	27,555,674.58
Loan	28/03/12	28/03/42	PWLB	3.5000%	2,444,325.42
Loan	01/04/94	01/04/44	Richard Beard	0.3800%	6,971.26
Loan	01/04/94	01/04/44	Lucas Playsite	0.3800%	157,762.41
Loan	01/04/96	01/04/46	Havering Theatre Trust	0.3800%	443.60
Loan	23/01/06	23/01/56	PWLB	3.7000%	956,823.67
Loan	23/01/06	23/01/56	PWLB	3.7000%	1,001,388.21
Loan	27/01/06	23/01/56	PWLB	3.7000%	956,823.67
Loan	27/01/06	23/01/56	PWLB	3.7000%	1,001,388.21
Loan	31/01/06	23/01/56	PWLB	3.9000%	956,823.67
Loan	31/01/06	23/01/56	PWLB	3.9000%	1,001,388.21
Loan	14/03/06	14/03/56	PWLB	4.1000%	2,818,135.14
Loan	14/03/06	14/03/56	PWLB	4.1000%	2,949,391.21
Loan	06/04/06	04/04/56	PWLB	4.2000%	642,028.68
Loan	06/04/06	04/04/56	PWLB	4.2000%	671,931.49

Loan	16/06/06	16/06/56	PWLB	4.2500%	1,210,674.25
Loan	16/06/06	16/06/56	PWLB	4.2500%	1,267,062.01
Loan	31/08/06	28/08/56	PWLB	4.2000%	478,411.83
Loan	31/08/06	28/08/56	PWLB	4.2000%	500,694.11
Loan	08/03/07	28/02/57	PWLB	4.2500%	2,392,059.17
Loan	08/03/07	28/02/57	PWLB	4.2500%	2,503,470.53
Loan	07/08/97	01/08/57	PWLB	6.8750%	1,435,235.50
Loan	07/08/97	01/08/57	PWLB	6.8750%	1,502,082.32
Loan	22/12/97	01/08/57	PWLB	6.2500%	334,888.28
Loan	22/12/97	01/08/57	PWLB	6.2500%	350,485.88
Loan	05/08/97	05/08/57	PWLB	6.8750%	3,588,088.75
Loan	05/08/97	05/08/57	PWLB	6.8750%	3,755,205.80
Loan	04/03/98	01/02/58	PWLB	6.0000%	334,888.28
Loan	04/03/98	01/02/58	PWLB	6.0000%	350,485.88
Loan	18/11/05	18/11/65	Danske Bank (LOBO)	3.6000%	3,420,347.79
Loan	18/11/05	18/11/65	Danske Bank (LOBO)	3.6000%	3,579,652.21
Loan	01/12/20	01/12/69	PWLB	1.5300%	30,000,000.00
Loan	24/03/20	24/03/70	PWLB	1.4800%	25,000,000.00
Loan	08/11/21	08/11/71	PWLB	1.7000%	25,000,000.00
Loan	29/12/21	29/12/71	PWLB	1.4300%	25,000,000.00
Long Term Fixed Total				**3.4749%**	**432,289,455.78**
Loan	05/10/23	03/10/24	West Midlands Combined Authority	4.4000%	5,000,000.00
Temporary Borrowing Total				**4.4000%**	**5,000,000.00**
Loan Total				**3.4855%**	**437,289,455.78**



APPENDIX 2: Investment Portfolio

Investments held as of 30 September 2024

Class	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal (£)
Deposit	30/09/24	01/10/24	DMADF (Debt Management Account Deposit Facility)	Maturity	4.9400%	25,500,000.00
Deposit	02/09/24	02/10/24	Surrey County Council	Maturity	5.0500%	5,000,000.00
Deposit	22/08/24	22/11/24	Central Bedfordshire Council	Maturity	5.0000%	5,000,000.00
Deposit	30/08/24	29/11/24	Oxford City Council	Maturity	5.0000%	5,000,000.00
Deposit	30/09/24	31/01/25	Blackpool Council	Maturity	5.0000%	5,000,000.00
Deposit Total					**4.9719%**	**45,500,000.00**

APPENDIX 3: Glossary of Terms

Glossary of Terms

A bond is a debt instrument in which an investor lends money for a specified period of time at a fixed rate of interest. The issuing entity could be corporate, financial or government.

A floating rate note (FRN) is a money market instrument with a Floating/variable rate of interest, which re-fixes over a reference rate, for example 3 month LIBOR.

Bail in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings. A **bail**-in is the opposite of a **bail**-out, which involves the rescue of a financial institution by external parties, typically governments using taxpayer's money.

Borrowing Requirements The principal amount the Council requires to borrow to finance capital expenditure and loan redemptions.

Capital Financing Requirement (CFR) Capital Financing Requirement- a measure of the Council's underlying need to borrow to fund capital expenditure.

Certificates of deposit (CDs) are a negotiable form of fixed deposit, ranked pari passu with fixed deposits. The difference is that you are not obligated to hold the CD to maturity, you can realise the cash by selling in the secondary market.

Coupon is the total amount of interest a security will pay. The coupon period depends on the security. A CD will often pay interest at maturity, while a bond may pay semi-annually or annually and an FRN will most likely pay every 3 months.

Covered bond Covered bonds are conventional bonds (fixed or floating) issued by financial institutions, that are backed by a separate group of loans, usually prime residential mortgages. This lowers the creditor's exposure to default risk, enhancing the credit. This is why the issue is usually rated AAA, higher than the rating given to the issuer reduces exposure to bail-in risk.

Counterparties Organisations or Institutions the Council lends money to e.g. Banks; Local Authorities and MMFs.

CPIH (Consumer Prices Index including owner occupiers' housing costs) The new additional measure of consumer price inflation including a measure of owner occupiers' housing costs (OOH). CPI inflation measure excludes housing costs.

CPI (Consumer Prices Index) this measure excludes housing costs.

Credit Default Swap (CDS) A kind of protection that can be purchased by MMF companies from insurance companies (for their investment) in exchange for a payoff if the organisation they have invested in does not repay the loan i.e. they default.

Credit rating A measure of the credit worthiness of a borrower. A credit rating can be assigned to country, organisation or specific debt issue/ financial obligation. There are a number of credit ratings agencies but the main 3 are Standard & Poor's, Fitch or Moody's.

Credit Watch A scoring system issued by credit rating agencies such as Fitch, Moody's and Standard & Poor's that indicate the financial strength and other factors of a bank or similar Institution.

DMO (Debt Management Office) a department in the treasury where deposits can be placed with the government.

Interest Rate Exposures A measure of the proportion of money invested and what impact movements in the financial markets would have on them.

LOBO Loan (Lender Option, Buyer Option) loan, the lender who has the option to propose an increase in the interest rate at set dates, while the borrower has the option to either accept the new rate or to repay the loan at no additional cost.

Market Loans Loans from banks available from the London Money Market including LOBOS (Lender Option, Borrowing Option) which enable the authority to take advantage of low fixed interest for a number of years before an agreed variable rate comes into force.

MIFID is the Markets in Financial Instruments Directive. A European Union Directive.

Minimum Revenue Provision (MRP) this is the amount which must be set aside from the revenue budget each year to cover future repayment of loans.

Money Market Fund (MMF) A 'pool' of different types of investments managed by a fund manager that invests in lightly liquid short term financial instruments with high credit rating.

Monetary Policy Committee (**MPC**) is a committee of the Bank of England, which meets for three and a half days, eight times a year, to decide the official interest rate in the United Kingdom (the Bank of England Base Rate).

Principal is the total amount being borrowed or lent.

PWLB Loan, (Public Works Loan Board),The PWLB lending facility is operated by the UK Debt Management Office (DMO) on behalf of HM Treasury and provides loans to local authorities, and other specified bodies, from the National Loans Fund, operating within a policy framework set by HM Treasury.

SONIA sterling overnight interest average rate, the average rate at which banks offer funds in the overnight sterling market.

Spread is the difference between the buy and sell price of a security. It can also be the gap, usually in basis points, between the yield of a security and the benchmark security.

Treasury bills (T-bills) are UK government rated, short-dated form of Government debt, issued by the Debt Management Office (DMO) via a weekly tender. T-bills are normally issued for one, three or six month duration

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