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Havering
LONDON BOROUGH

AUDIT COMMITTEE
AGENDA

7.00 pm	**Thursday 30 January 2025**	**Appointment Centre Rooms 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	Philip Ruck

For information about the meeting please contact:
Luke Phimister 01708 434619
luke.phimister@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

What matters are being discussed?

DPI

Does the business relate to or is it likely to affect a disclosable pecuniary interest. These will include the interests of a spouse or civil partner (and co-habitees):
• any employment, office, trade, profession or vocation that they carry on for profit or gain;
• any sponsorship that they receive including contributions to their expenses as a councillor; or the councillor's election expenses from a Trade Union;
• any land licence or tenancy they have in Havering
• any current contracts leases or tenancies between the Council and them;
• any current contracts leases or tenancies between the Council and any organisation with land in Havering in they are a partner, a paid Director, or have a relevant interest in its shares and securities;
• any organisation which has land or a place of business in Havering and in which they have a relevant interest in its shares or its securities.

YES → Declare Interest and Leave

NO ↓

PERSONAL INTEREST

Might a decision in relation to that business be reasonably be regarded as affecting (to a greater extent than the majority of other Council Tax payers, ratepayers or inhabitants of ward affected by the decision)
• Your well-being or financial position; or
• The well-being or financial position of:

o A member of your family or any person with whom you have a close association; or
- Any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
- Any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000;

o Any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your Authority; or

o Any body exercising functions of a public nature, directed to charitable purposes or whose principal includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management?

NO → You can participate in the meeting and vote (or remain in the room if not a member of the meeting)

YES ↓

PECUNIARY INTEREST

You must disclose the existence and nature of your personal interests

↓

Would a member of the public, with knowledge of the relevant facts, reasonably regard your personal interest to be so significant that it is likely to prejudice your

NO → You can participate in the meeting and vote (or remain in the room if not a member of the meeting)

YES ↓

- Does the matter affect your financial position or the financial position of any person or body through whom you have a personal interest?
- Does the matter relate to an approval, consent, licence, permission or registration that affects you or any person or body with which you have a personal interest?
- Does the matter not fall within one of the exempt categories of decisions?

NO → You can participate in the meeting and vote (or remain in the room if not a member of the meeting)

YES ↓

Speak to Monitoring Officer in advance of the meeting to avoid allegations of corruption or bias

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 - 10)

To approve as correct the minutes of the meeting held on 3rd December 2024 and authorise the Chairman to sign them.

5 STATEMENTS OF ACCOUNTS 2023/24 AND EXTERNAL AUDIT REPORTS TO THOSE CHARGED WITH GOVERNANCE (Pages 11 - 298)

6 HEAD OF ASSURANCE PROGRESS REPORT 2024/25 (Pages 299 - 318)

7 RISK MANAGEMENT UPDATE (Pages 319 - 336)

8 ACCOUNTING POLICIES 2024/25 (Pages 337 - 358)

9 TREASURY UPDATE - QUARTER 3 2024/25 (Pages 359 - 368)

10 TREASURY MANAGEMENT STRATEGY STATEMENT (TMSS) AND ANNUAL INVESTMENT STRATEGY 2025/26 (Pages 369 - 404)

11 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 7 & 8 Town Hall, Romford
3 December 2024 (7.00 - 8.10 pm)

Present:

COUNCILLORS:

Conservative Group	Keith Prince and David Taylor
Residents' Group	Julie Wilkes (Chair) Jacqueline Williams (Vice-Chair) and John Crowder
Residents Association Independent Group	Philip Ruck

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

6 **DISCLOSURE OF INTERESTS**

There were no disclosures of interest.

7 **MINUTES OF THE MEETING**

The meeting minutes of the Committee held on 25 July 2024 were agreed as a correct record and signed by the Chairman following a rewording of paragraph 3 of the item on Annual Treasury Management report.

8 **STATEMENTS OF ACCOUNTS 2021/22 & 2022/23 AND EXTERNAL AUDIT REPORTS TO THOSE CHARGED WITH GOVERNANCE**

The Head of Financial Control introduced the report and then invited the representative of Ernst and Young (EY), the external auditors, to present the report 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.

The Council was required to prepare annual financial accounts covering the period from 1 April to 31 March. These accounts were required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Accounts and Audit Regulations 2015 required that the authority prepared and published 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. Regulation 9(2) required Members to approve the Statement of Accounts that was to be published, either by meeting as a whole or through a committee.

Once Members had approved the Statement of Accounts, regulation 10 set 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. Over recent years Havering, like many local authorities, had experienced significant delays with the audit of its accounts.

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 would be published with modified opinions. To mitigate any potential reputational risk and so that local bodies were not unfairly judged due to disclaimed or modified opinions, auditors would be expected to provide clear reasons for the issuing of such opinions. Havering's draft accounts were published on the Council's website. The 2021/22 accounts were published on the 29th of July 2022, and the 2022/23 accounts were published on the 31st of May 2023.

The local audit backstop arrangements had 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 had been made by the auditor. It was to be noted that the first of these dates was the 13th of December 2024, by which time the 2022/23 should be published. The 2021/22 and 2022/23 statement of accounts that the Committee were asked to approve were unchanged from the draft versions which were previously published on the Council's website. The auditor had done a value of money for both years and the pension fund accounts for both years were also audited.

A number of procedures were preformed to ensure understanding of the entity and fraud risks through letters to management, the Audit chair, internal audit and the Monitoring Officer. Limited comparative and casting cheques that made recommendations were made to ensure consistency. Page 8 of the report gave the reason for the disclaimer and the background of why the audit of 2021/22 and 2022/23 was unable to be performed. The 2023/24 audit was underway and would be reported in January and February to the Committee.

In discussion, it was explained that it is the auditor's responsibility to look at the arrangements any local authority had in place, primarily around governance, economy, efficiency and effectiveness, and financial sustainability. Under governance it would be the committee structure and whether it was appropriate to discharge the Council's business, but not whether that structure provided the best value that a policy decision that the management would want to make. If recommendations and follow up to queries were not done in a timely matter that would be an issue for internal audit and then in turn for the auditor. It was also agreed that a deep dive could be done on any specific issues where concerns were raised. In addition, EY would come and speak to the Committee once a year independently as well. Therefore, should Members wish to raise specific concerns they could do so.

In regard to a question asked about Mercury Land Holdings and it being a significant borrower of Council finance, the business plan was scrutinised yearly and it was explained that if it's a wholly owned subsidiary, auditors don't necessary have the capacity or policy mechanisms to scrutinise how business plans were run properly. However, that would be a worthwhile discussion and could be taken offline to see if an internal audit review could come back to the Committee.

RESOLVED that the Committee:

1. Considered 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. Approved 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. Approved 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. Approved 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. Approved 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).

9 HEAD OF ASSURANCE PROGRESS REPORT 2024/25

The Head of Assurance introduced the report that summarised 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.

The Accounts and Audit Regulations required 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 was a key component of corporate governance within the Council. The three lines of defence model, as detailed in the report, provided a framework for understanding the role of internal audit in the overall risk management and internal control processes of an organisation. The Council's third line of defence included internal audit, which should provide independent assurance to senior management and the Audit Committee on how effectively the first and second lines of defence had been operating.

An independent internal audit function would, through its risk-based approach to work, provided 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 was critical to the evaluation of the Council's overall assessment of its governance, risk management and internal control systems, and formed the basis of the annual opinion provided by the Head of Assurance which contributed to the Annual Governance Statement. It could also perform a consultancy role to assist in identifying improvements to the organisation's practices.

The limited assurance reports issued since the last Audit Committee were included in Appendix 1 and it was confirmed that the authority had operated within the Treasury and prudential indicators set out in the TMSS; all Treasury management operations had been conducted in full compliance with the authority's treasury management practises.

Key indicators would be produced for the next quarter and it was explained that schools were reviewed every 3 years. However, the Towers requested the review was brought forward due to some concerns and there was work on-going to resolve those issues and the progress would be checked on in the next 6 months to ensure any risk was mitigated. In regard to the first recommendation, the control process to ensure all procurements were subject to appropriate governance etc. It was explained that implementation was due in February 2025 and Officers would go through and look at the detail of the average balance over the course of the year and processes were in place and provide clarification.

A debt board was created and the first meeting was being held in January which looked at assurance issues and ensured a process was in place to pursue and recover payments from non-payers.

RESOLVED that the Committee noted the contents of the report and raised any issues of concern and asked specific questions where required.

10 **MID-YEAR TREASURY MANAGEMENT REPORT 2024/25**

The Capital Strategy Manager provided a report that covered 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), and the report covered 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 aimed to bring together the Council's capital programme and its budget to ensure borrowing decisions were affordable and sustainable in line with regulation.

It was explained that the average cash balance was about 90 million and the average of the authorities' performance was 5.36% for the full year.

RESOLVED that the Committee noted the treasury management activities to the end of September 2024 as detailed in the report.

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Chairman

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Havering
LONDON BOROUGH

AUDIT COMMITTEE **30th January 2025**

Subject Heading:	Statements of Accounts 2023/24 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 is responsible for approving the 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 draft Audit Results Reports from Ernst and Young LLP on the 2023/24 Statement of Accounts, together with the 2023/24 Financial Statements for approval.

RECOMMENDATIONS

The Committee is asked to:

1. Consider the following External Auditor's reports in relation to the financial year 2023/24:
    - Draft Council Audit Results Report (Appendix A)
    - Draft Pension Fund Audit Results Report 2023/24 (Appendix B)

2. **Approve** the Statement of Accounts for the financial year ended 31st March 2024 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 C).

3. **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 D and Appendix E).

4. **Approve** the 2023/24 Annual Governance Statement, signed by the Leader and the Chief Executive, confirming the governance arrangements that were in place during the year (Appendix F).

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.

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. As reported to the committee on 3 December 2024, 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. The backstop date for the 2023/24 financial year is 28 February 2025.

2. Statement of Accounts 2023/24

2.1. The Council published its draft 2023/24 Accounts on 31 May 2024, thereby adhering to the statutory deadline. Following publication and in accordance with the regulations, the accounts and supporting documentation were made available for public inspection from 3 June to 12 July 2024 and the relevant statutory public notice was published on the Council's website. There were no objections raised during the inspection period.

2.2. The audit of the Council's accounts commenced in September, in line with the audit plan presented to the committee on 25 July 2024. The draft Audit Results Report (ARR), attached at Appendix A, details the findings of the audit and sets out any adjustments made to the accounts since they were published in draft in May 2024. Despite every effort being made by both the Council and the Auditor, it has not been possible for the Auditor to complete the audit of the Council's accounts before the backstop date of 28 February 2025.

2.3. As the 2021/22 and 2022/23 accounts received disclaimed opinions, it will take several years to build back the assurances required for the Council's accounts to receive an unmodified opinion and consequently the 2023/24 accounts will again receive a disclaimed opinion. It should be noted that the Executive Summary in the ARR shows the position at a point in time and some of the areas outstanding are expected to be completed ahead of the backstop date and audit opinion. Further details can be found in the ARR.

2.4. The Strategic Director for Resources (section 151 officer), is satisfied that the accounts represent a 'true and fair' view of the financial position of the authority at 31 March 2024.

2.5. Should there be any further 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.

2.6. 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. Appendices D and E include drafts of these letters that will be completed and signed, on behalf of the authority, by the Council's Section 151 Officer and the Chair of the Audit Committee.

3. Pension Fund Accounts 2023/24

3.1. The audit of the Pension Fund Accounts for the 2023/24 financial year commenced at the beginning of June and is substantially complete. The audited Pension Fund Accounts are included in the Financial Statements, Appendix C.

3.2. The draft Audit Results Report for the Pension Fund can be found at Appendix B and the Auditor will present their findings and update the Committee on any matters that may have arisen since the conclusion of the audit.

3.3. The auditor expects to issue an unqualified opinion on the 2023/24 Pension Fund Accounts.

4. Value for Money Assessment

4.1. The external auditor's assessment of the Council's value for money (VfM) arrangements for the period 1 April 2023 to 31 March 2024 is included in the ARR, Appendix A.

5. Annual Governance Statements

5.1. The Annual Governance Statement (AGS) 2023/24 is attached at Appendix F. A draft was approved by the committee on 14 May 2024 and approved by the Leader and Chief Executive of the Council in January 2025.

5.2. 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.

5.3. The Annual Governance Statement for 2023/24 has been reviewed in line with the CIPFA guidance and the committee are asked to approve it 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 – Draft Council Audit Results Report 2023/24
Appendix B – Draft Pension Fund Audit Results Report 2023/24
Appendix C – Statement of Accounts for the financial year ended 31st March 2024
Appendix D – Draft Letter of Representations for Havering Council, 2023/24
Appendix E – Draft Letter of Representations for Havering Pension Fund, 2023/24
Appendix F – Annual Governance Statement 2023/24

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APPENDIX A

London Borough of Havering
Audit Results Report

Year ended 31 March 2024

20 January 2025

EY
Building a better working world

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

20 January 2025

Dear Audit Committee Members,

2023/24 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 30 January 2025 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 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on London Borough of Havering's accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise 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 London Borough of Havering'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.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 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).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

APPENDIX A

As reported in our 18 November 2024 Audit Completion Report to Those Charged with Governance, we issued a disclaimed audit report on the Council's financial statements for 2021/22 and 2022/23 under the arrangements to reset and recover local government audit.

Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, as set out within this report we have not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over all closing balances.

As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and some closing balances (particularly reserves). We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements.

Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed.

Taken together alongside the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

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

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APPENDIX A

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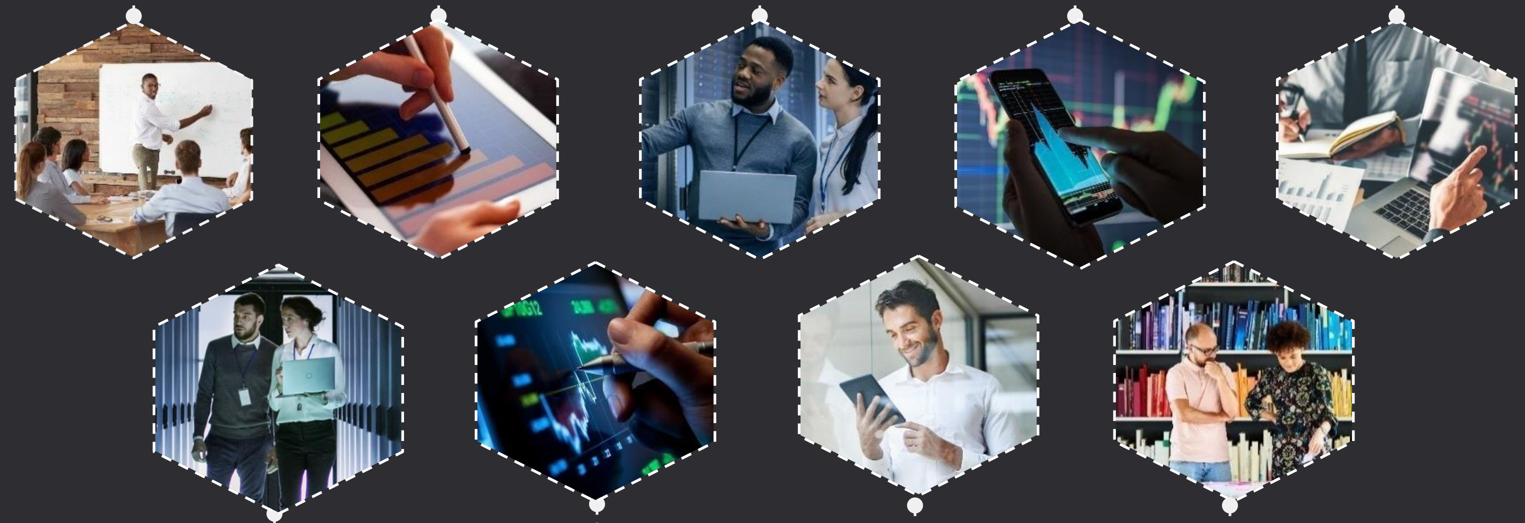

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits). 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 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.

APPENDIX A

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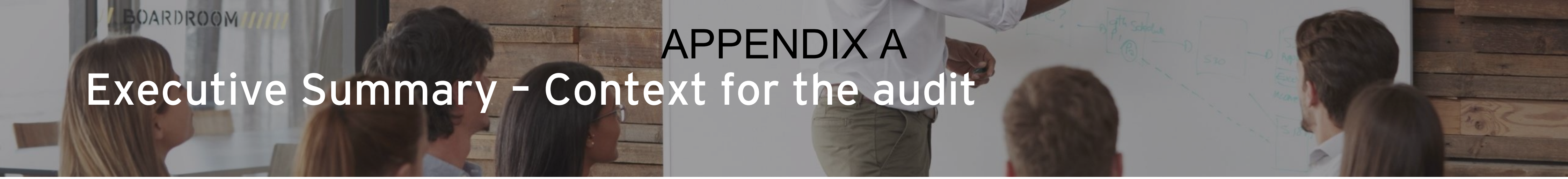
01 Executive Summary



APPENDIX A

Executive Summary – Context for the audit

Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) 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 need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting profession
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists 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, starting from 2023/24, 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. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 18 November 2024 Audit Completion Report to the Audit Committee we issued a disclaimed audit report on the Council's financial statements for 2021/22 and 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.

Exec Summary Section

Expected modification to the audit report

As reported in our 18 November 2024 Audit Completion Report to Those Charged with Governance, we issued a disclaimed audit report on the Council's financial statements for 2021/22 and 2022/23 under the arrangements to reset and recover local government audit.

Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, as set out within this report we have not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over all closing balances.

As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and some closing balances (particularly reserves). We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements.

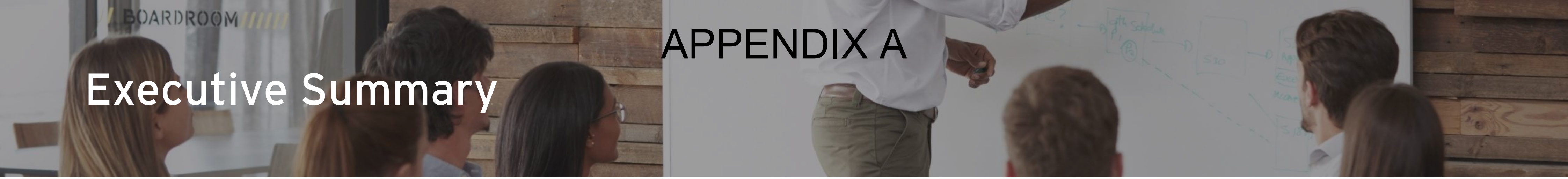
Taken together alongside the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed

We note that our audit resource to complete your audit are finite before the 2023/24 backstop date. Even if it were possible by the backstop date, we will not move resources from other audits to complete the outstanding elements from our programme of work for 2023/24, which would put those other audits at risk through no fault of their own. Insufficient support to the audit meaning that it takes significantly longer than should be necessary is one example of the factors that led to the backlog in the first place, and why the backstop has been introduced.

This is in line with the Government's recovery phase and guidance issued by the FRC within their 'Accessible Guide' which sets out a minimum 3 year timeline to re-build audit assurances to gain full assurance over opening, closing balances and in year movements.



APPENDIX A

Executive Summary

Scope update

In our Audit Plan presented at the 25 July 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 the following exceptions:

- As a result of the conclusion of the 2020/21 audit, we have increased the level of risk on Going Concern from inherent to significant. We have summarised the changes to our approach in the relevant risk section of the Audit Results Report.
- Changes in materiality: In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £7.3 million. We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £7.6 million (Audit Planning Report – £7.3 million). This results in updated performance materiality, at 75% of overall materiality, of £3.8 million, and an updated threshold for reporting misstatements of £0.382 million.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

Status of the audit

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Our audit work in respect of the London Borough of Havering opinion is nearing completion. We have met with Management to discuss the importance of facilitating remaining requests to achieve the backstop date, and have set out our Summary of Assurances in Appendix A. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

• Cash and Cash Equivalents – Resolution of final queries on unsupported cash balances	• Short Term Debtors – Resolution of remaining sample queries
• Investments in Subsidiaries and Joint Ventures – Final consideration of impact of 20/21 reporting points on 2023/24	• Payroll Testing – Resolution of final comments, including procedures around starters & leavers and our residual sample testing
• Pension Scheme Liability – Assurances required from the Pension Fund auditor	• Housing Benefits – Initial variance based on our analytical procedures is outside of threshold and requires resolution.
• Property, Plant and Equipment Valuations – Follow up queries on detailed valuation assumptions	• Other Expenditure – awaiting receipt of requested sample queries
• Property, Plant and Equipment Additions – Outstanding queries in respect of our selected sample	• REFCUS – to review received responses in respect of follow up queries
• Collection Fund – To review final work performed & consideration of differences to the specialist report (in respect of NDR Appeals Provision)	• All Other Disclosures – final comments to support minor disclosure figures
• Going Concern – To review going concern disclosures & consult with Professional Practice on our going concern conclusions	• Reserves – resolution of final queries in respect of movements in Reserves
• MRP and CFR - Final consideration of impact of 20/21 reporting points on 2023/24	• HRA Income & Expenditure - Initial variance based on our analytical procedures is outside of threshold and requires resolution.
• Value for Money – specific procedures required to address our identified risk around budget setting and monitoring	• Journal Entry Testing – Testing of final journal entry items based on receipt of final evidence

Executive Summary (cont'd)

Closing Procedures:

- Review of the final version of the financial statements;
- Completion of subsequent events review;
- Receipt of the signed management representation letter; and
- Final Manager and Engagement Partner reviews.

Until work is complete, further amendments may arise. We expect to issue the audit certificate after we issue the audit opinion, once the requirements in respect of the WGA submission are known and any procedures completed.

Value for Money

In our Audit Plan dated 14 May 2024, we reported that we had not completed our value for money (VFM) risk assessment. Having updated and completed the planned procedures in these areas we have identified two areas of risk of a significant weakness. See Section 03 of the report for further details.

Audit differences

We have identified the following through the course of our audit to date:

Corrected differences

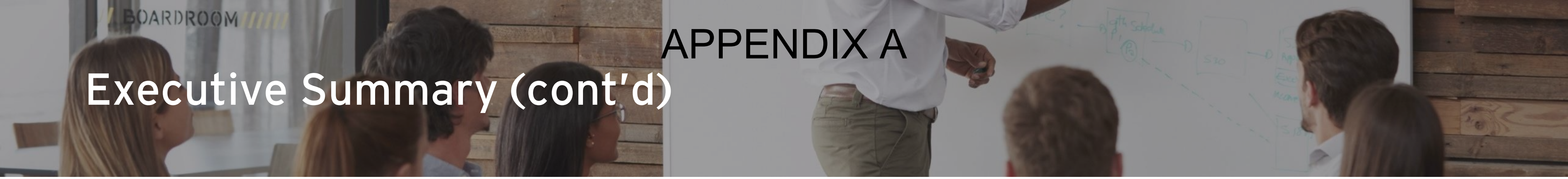
- The Bad Debt Provision in respect of Council Tax is understated by £0.385 million for the Collection Fund. This would have a net impact of increasing expenditure for the Council by £0.302 million.
- The Bad Debt Provision in respect of Sundry Debtors is overstated by £2.552 million. The level of provision was retained at the 2022/23 level, despite a significant fall in the level of aged debtors. Using the same methodology as in 2022/23 generated a Bad Debt Provision £2.552 million lower than that included in the Statement of Accounts. This would have an impact of decreasing expenditure for the Council by £2.552 million.
- Whilst the Collection Fund correctly reflects the movement in the closing NDR Appeals Provision, the closing provision on the Council's Balance Sheet is inconsistent with the figures calculated by the external specialist. As a result, the NDR Appeals Provision is understated by £0.839 million, which would increase expenditure for the Council by the same amount.

Corrected Differences

- Management have corrected misstatements amounting to £10.609 million, where HRA interest was grossed up. This meant that both Interest Income & Interest Expenses were overstated by £10.609 million, and this has no net impact on the Comprehensive Income & Expenditure Statement.

Disclosure Differences

- Disclosure misstatements have also been identified and corrected by the Council. This includes an update of the Cash Flow Statement, an updated Going Concern disclosure and amendments to disclosures around Related Party Transactions.



Executive Summary (cont'd)

Areas of audit focus

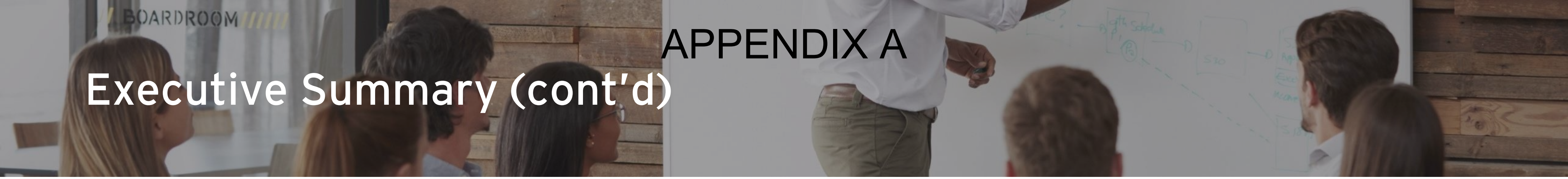
In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of London Borough of Havering. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential 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.

Type of risk	Description	Findings and conclusion
Fraud Risk	Management Override: Misstatements due to fraud or error	We have not yet fully completed our work in this area and will provide a verbal update on 30 January 2025.
Fraud Risk	Risk of incorrect capitalisation of revenue expenditure (including Revenue Expenditure Funded from Capital Under Statute)	We have not yet fully completed our work in this area and will provide a verbal update on 30 January 2025.
Fraud Risk	Accounting adjustments made in the 'Movement in Reserves Statement	We have not yet fully completed our work in this area and will provide a verbal update on 30 January 2025.
Significant risk	Valuation of Investment Property	We have not yet fully completed our work in this area and will provide a verbal update on 30 January 2025.
Significant risk	Going Concern	We have not yet fully completed our work in this area and will provide a verbal update on 30 January 2025.
Inherent Risk	Valuation of land and buildings and council dwellings	We have not yet fully completed our work in this area and will provide a verbal update on 30 January 2025.
Inherent Risk	Pension Liability valuation	We have not yet fully completed our work in this area and will provide a verbal update on 30 January 2025.
Inherent Risk	Accounting for impairments of a receivable	We have completed our work in this area and have identified two audit differences. The net impact is that the Bad Debt Provision is overstated by £2.167 million.
Inherent Risk	Business Rates Appeals Provision	We have not yet completed our work in this area and will provide a verbal update on 30 January 2025. We have identified a difference between the amount recognised by the Council, and the specialist total, which equates to a difference of £0.839 million.
Inherent Risks	Group Financial Statements Valuation of Inventory at lower of cost and net realisable value Consolidation Procedures	To date, we have not received the required reporting from any of the component auditors of the subsidiaries or joint ventures that we have scoped into our group audit procedures. Given the procedures we would need to perform locally to gain assurance over group balances, we are no longer able to complete this in advance of the backstop date. We will therefore not be able to provide any assurance over the group financial statements and have stopped further procedures.

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.
- 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 the Audit Committee.



Executive Summary (cont'd)

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 not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts, as we await their annual instructions.

Control observations

During the audit, we did not have any specific observations in respect of the control environment.

Independence

Please refer to Section 08 for our update on Independence.

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02 Areas of Audit Focus

Areas of Audit Focus

Fraud Risk

Misstatements due to fraud or error – management override and incorrect posting of investment journals

What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 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.

Our response to the key areas of challenge and professional judgement

As set out in the Audit Plan, we have performed the below procedures:

- Identified fraud risks during the planning stage;
- Inquired management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address the identified risks of fraud.
- Undertook procedures to identify significant unusual transactions.

We are yet to perform the following procedures in full:

- Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Considered whether management bias was present in the key accounting estimates and judgements in the financial statements.

What are our conclusions?

As reported in our Audit Plan, our work to identify fraud risks during the planning stages identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation. The identified areas were:

- the incorrect capitalisation of revenue expenditure
- accounting adjustments made in the 'Movement in Reserves Statement

The status of our work on these specific risks are set out on the following two pages.

Areas of Audit Focus

Fraud Risk

Inappropriate capitalisation of revenue expenditure (including Revenue Expenditure Funded from Capital Under Statute)

What is the risk, and the key judgements and estimates?

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.

In our Audit planning, we assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

Our response to the key areas of challenge and professional judgement

We are yet to perform the following procedures in full:

- Tested Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assessed whether the capitalised spend clearly enhanced or extended the useful like of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Considered whether any development or other related costs that have been capitalised are reasonable to capitalise I.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Tested REFCUS to ensure that it was appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Identified and understood the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What is the status of our work?

At the date of issuing our Audit Results Report, we have not completed our work in respect of the Inappropriate capitalisation of revenue expenditure risk.

We will update the Audit Committee verbally at the meeting on 30 January.

Areas of Audit Focus

Fraud Risk

Accounting adjustments made in the 'Movement in Reserves Statement'

What is the risk, and the key judgements and estimates?

The Council is under financial pressure to achieve its revenue budget. Manipulating expenditure is a key way of achieving these targets.

We consider the risk applies to accounting adjustments made in the movement in reserves statement.

The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning:

- REFCUS
- Capital Grants
- Depreciation, impairments and revaluation losses
- Minimum revenue provision

Our response to the key areas of challenge and professional judgement

We are yet to perform the following procedures in full:

- Sample testing REFCUS to ensure the expenditure met the definition of allowable expenditure, or is incurred under direction from the Secretary of State.
- Reconciled entries for consistency to other audited accounts within the financial statements, for example our work on Property, Plant and Equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants.
- Reviewed the Council's policy and application of the 'Minimum Revenue Provision'
- Used our data analytics tool to identify and test journal entries adjustments made in the movement in reserves statement.

What is the status of our work?

At the date of issuing our Audit Results Report, we have not completed our work in respect of the Accounting adjustments made in the 'Movement in Reserves Statement'.

We will update the Audit Committee verbally at the meeting on 30 January.

Areas of Audit Focus

Significant Risk

Going Concern

What is the risk, and the key judgements and estimates?

There is material uncertainty on the current levels of service provision as set out in the 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 the capitalisation direction of £53.7 million.

We initially flagged this is as an inherent risk in our audit strategy, and escalated this to a significant risk based on the conclusion of the 20/21 audit which included an Emphasis of Matter on the going concern disclosures.

Our response to the key areas of challenge and professional judgement

We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosures in the accounts by:

- Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as going concern;
- Undertaking a 'stand back' review to consider all of the evidences obtained, whether corroborative or contradictory, when we draw our conclusions on going concern;
- Revising the appropriateness of the Council's going concern disclosure and corroborating evidence;
- Consideration of exercising our statutory powers at this point and if appropriate issuing a statutory written recommendations under section 24 (schedule 7) of the Local Audit and Accountability Act 2014.

What else did we do?

In order to reach our conclusion we will also:

- Review the latest financial forecasts and consider the impact of our work on Value for Money arrangements on the going concern disclosure
- Consult on any modifications to our opinion wording with our Professional Practice

What is the status of our work?

At the date of issuing our Audit Results Report, we have not completed our work in respect of Going Concern.

We will update the Audit Committee verbally at the meeting on 30 January.

Areas of Audit Focus

Significant risk

Valuation of Investment Property

What is the risk, and the key judgements and estimates?

Investment Property represents a significant balance in the Council accounts (22/23: £48.124 million).

Management is required to make material judgments and apply estimation to calculate the year-end balances recorded in the Balance Sheet.

Our response to the key areas of challenge and professional judgement

We are yet to perform the following procedures in full:

- Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and results of their work.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. market rent).
- Considered the annual cycle of valuations to ensure that investment properties have been valued annually as required by the Code.
- Tested if accounting entries had been correctly processed in the financial statements.

What is the status of our work?

At the date of issuing our Audit Results Report, we have not completed our work in respect of the valuation of investment property.

We will update the Audit Committee verbally at the meeting on 30 January.

APPENDIX A

Areas of Audit Focus

Inherent Risk

Valuation of land and buildings and council dwellings

What is the risk, and the key judgements and estimates?

The valuation of land and buildings and council dwellings represent significant balance in the Council's accounts (22/23: £1.279 billion). These balances are subject to valuation changes, impairment reviews, and depreciation charges. In calculating amounts recorded in the balances sheet, management are required to make material judgements and apply estimation techniques. We consider that the judgments and estimates made by management are likely to have a material impact on the valuation of these assets.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

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Our response to the key areas of challenge and professional judgement

We are yet to perform the following procedures in full:

- Considered the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre).
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements.

What is the status of our work?

At the date of issuing our Audit Results Report, we have not completed our work in respect of the valuation of other land and buildings and council dwellings.

We will update the Audit Committee verbally at the meeting on 30 January.

Areas of Audit Focus

Inherent Risk

Pension Liability Valuation

What is the risk, and the key judgements and estimates?

Practice and IAS19 require the Council / Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund asset is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2023 this totalled £136.692 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

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.

Our response to the key areas of challenge and professional judgement

As set out in the Audit Plan, we have performed the below procedures:

- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We are yet to perform the following procedures in full:

- Liaise with the auditors of London Borough of Havering Pension Fund, to obtain assurances over the information supplied to the actuary in relation to London Borough of Havering.

What is the status of our work?

At the date of issuing our Audit Results Report, we have not completed our work in respect of the pension liability valuation.

We will update the Audit Committee verbally at the meeting on 30 January.

Areas of Audit Focus

Inherent Risk

Accounting for impairments of a receivable

What is the risk, and the key judgements and estimates?

The impairment of receivable balances is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation at year end and assess the appropriateness of the estimation technique. Therefore, we have raised an inherent risk for this in our audit strategy.

Our response to the key areas of challenge and professional judgement

As set out in the Audit Plan, we have performed the below procedures:

- Reviewed the calculation of the bad debt provision for reasonableness and accuracy;

We are yet to perform the following procedures in full:

- Consider the recoverability of debts by testing a sample of trade receivables.

What is the status of our work?

At the date of issuing our Audit Results Report, we have not completed our work in respect of accounting for impairments of a receivable.

We have identified two misstatements, which have not been corrected by management:

- The Bad Debt Provision in respect of Council Tax is understated by £0.385 million for the Collection Fund. This would have a net impact of increasing expenditure for the Council by £0.302 million.
- The Bad Debt Provision in respect of sundry debtors is overstated by £2.552 million. The level of provision was retained at the 22/23 level, despite a significant fall in the level of aged debtors. Using the same methodology as in 22/23 generated a Bad Debt Provision £2.552 million lower than that included in the Statement of Accounts. This would have an impact of decreasing expenditure for the Council by £2.552 million.

We will update the Audit Committee verbally at the meeting on 30 January.

APPENDIX A

Areas of Audit Focus

Inherent Risk

Business Rates Appeals Provision

What is the risk, and the key judgements and estimates?

The NNDR appeals provision is an estimate calculated with the assistance of an external expert using data from the Valuation Office Agency on outstanding appeals and the outcomes of historic appeals. Inherent uncertainties remain around the quantity, value and success rates of appeals.

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Our response to the key areas of challenge and professional judgement

As set out in the Audit Plan, we have performed the below procedures:

- Reviewed the assumptions made by the Council's NNDR appeals provision specialist;

We are yet to perform the following procedures in full:

- Assess the reasonableness of any local adjustments made by the Council on the NDNR appeals provision.

What is the status of our work?

At the date of issuing our Audit Results Report, we have not completed our work in respect of the Business Rates Appeals Provision.

We have identified one misstatement, which has not been corrected by management:

- We have identified a difference between the amount recognised by the Council, and the specialist total, which equates to a difference of £0.839 million.

We will update the Audit Committee verbally at the meeting on 30 January.

Areas of Audit Focus

Inherent Risks

Group Financial Statements – Valuation if Inventory at Lower of Cost & Net Realisable Value

What is the risk, and the key judgements and estimates?

Inventories 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 the assumptions and actual events could have a material impact on the ultimate net realisable value.

Our response to the key areas of challenge and professional judgement

As set out in the Audit Plan, we have performed the below procedures:

- Prepared and issued group instructions for the component auditors of the Council's subsidiaries

We have not performed the following procedures due to not receiving relevant responses to our group instructions:

- Reviewing the work undertaken by component auditors and determine whether we can place reliance on their work to obtain assurance over the stock balances consolidated into the group accounts.

What is the conclusion of our work?

At the date of issuing our Audit Results Report, we have not received full reporting from the component auditors. Given the remaining time before the backstop date and the scope of procedures that would be required to conclude this risk, we no longer have sufficient time to address this risk.

We are therefore unable to provide any assurances in respect of this risk.

Areas of Audit Focus

Inherent Risks

Group Financial Statements

What is the risk, and the key judgements and estimates?

The Council prepares group accounts to consolidate Mercury Land Holdings Limited, Bridge Close Regeneration LLP, Havering and Wates Regeneration LLP and Rainham and Beam Park Regeneration LLP. The Council should ensure that the consolidation of its subsidiaries is undertaken in line with the relevant accounting standards and the Code of Practice.

In 20/21, we identified a number of errors on the intercompany elimination adjustments.

Given the nature and extent of the errors found, we have considered this as a significant risk as the balances consolidated into the group accounts may be materially misstated.

Our response to the key areas of challenge and professional judgement

As set out in the Audit Plan, we have performed the below procedures:

- Reviewed the Council's assessment of its group boundary and the significance of the components in the group accounts;
- Prepared and issued group instructions for the component auditors of the Council's subsidiaries;

We have not performed the following procedures due to not receiving relevant responses to our group instructions:

- Reviewing the work undertaken by component auditors and determine whether we can place reliance on their work to obtain assurance over the balances consolidated into the group accounts;
- Ensuring that appropriate consolidation procedures are applied in line with the Code of Practice when consolidating subsidiaries into the Council's group accounts:
    - Understanding the process for consolidation;
    - Understanding the transactions undertaken between the entities and testing that the appropriate accounting entries have been made to eliminate inter-group transactions;
    - Understanding and testing the differences in accounting policies, ensuring that the appropriate adjustments are made on consolidation to align accounting policies set for the group;
    - Reviewing the disclosures in the group accounts to ensure that they are materially accurate and complete.

What is the conclusion of our work?

At the date of issuing our Audit Results Report, we have not received full reporting from the component auditors. Given the remaining time before the backstop date and the scope of procedures that would be required to conclude this risk, we no longer have sufficient time to address this risk.

We are therefore unable to provide any assurances in respect of this risk.

03 Value for Money

APPENDIX A

Value for Money

The Authority's responsibilities for value for money (VFM)

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 its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and status of our work

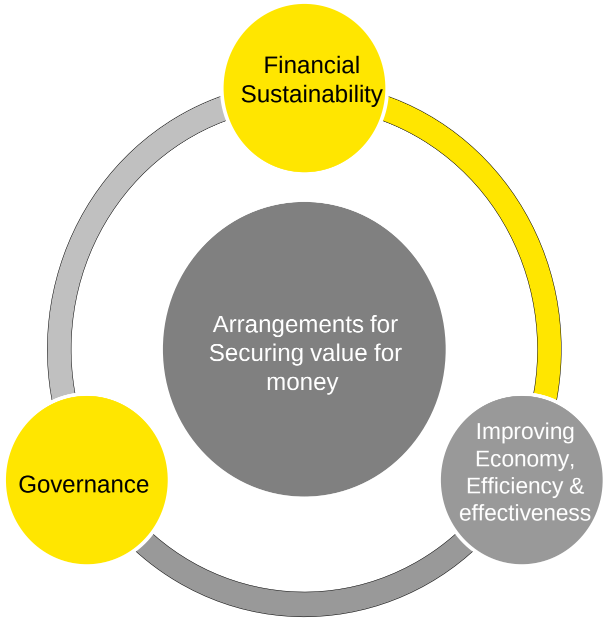
We are required to consider whether the Councill has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council arrangements against three reporting criteria:

- 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; and
- 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.

We have completed our detailed VFM work and identified two risks of significant weakness as set out on the next page.



Value for Money (cont'd)

Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What do we plan to do?
We have identified a risk around the Council's budget setting and budget monitoring processes as a result of identified overspends in the 2023/24 financial year. As in previous years, our focus will be around the budget setting arrangements in the financial year and therefore will require review of the 2024/25 budget setting and how the Council are tracking with respect to this.	**Financial Sustainability:** 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	We will: 1. Review the Council's Medium-Term Financial Strategy and approach to savings plans, linked to Exceptional Financial Support granted in 2023/24 2. Review of the latest budget monitoring reports for 2024/25 3. Review the Council's approach to budget setting, linked to the Medium-Term Financial Strategy 4. Review the Council's approach to in-year budget monitoring.
We have identified a risk around the delivery of key services, as a result of the Ofsted inspection report in respect of an inspection, where the overall effectiveness in respect of the local authority children's services has been rated as inadequate.	**Improving economy, efficiency and effectiveness:** How the body uses information about its costs and performance to improve the way it manages and delivers services:	We will: 1. Review the Ofsted report in full 2. Understand the Council's arrangements in responding to the inspection findings

Findings

We will conclude our work in respect of the significant risks of weakness and issue our VFM narrative commentary within our 2023/24 Auditor's Annual Report which we expect to issue in February 2025. Based on our work to date, we expect to conclude that there is a significant weakness in respect of improving economy, efficiency and effectiveness as a result of the Ofsted findings. With respect to financial sustainability, whilst our work remains in progress, a review of the 1st Quarter Revenue and Capital Monitoring Report 2024/25 highlights overspends on Total Planned Spend of £18.3 million. This is likely to lead to us continuing to conclude that this is an area of significant weakness.

04 Audit Report

APPENDIX A

Audit Report Section of ARR

Expected modification to the audit report

As reported in our 18 November 2024 Audit Completion Report to Those Charged with Governance, we issued a disclaimed audit report on the Council's financial statements for 2021/22 and 2022/23 under the arrangements to reset and recover local government audit.

Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, as set out within this report we have not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over all closing balances.

As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements.

Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

The form and content of the Audit Report will be shared with the Section 151 officer to enable you to formally authorise the 2023/24 financial statements for issue.

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05 Audit Differences

APPENDIX A

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 adjusted differences

We highlight the following misstatements greater than £0.382 million which have been corrected by management that were identified during the course of our audit:

- Management have corrected misstatements amounting to £10.609 million, where HRA interest was grossed up. This meant that both interest income & interest expenses were overstated by £10.609 million, and this has no net impact on the Comprehensive Income & Expenditure Statement.

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Disclosure Differences

- Disclosure misstatements have also been identified and corrected by the Council. This includes a rework of the Cash Flow Statement, an updated Going Concern disclosure and amendments to disclosures around Related Party Transactions.

Summary of unadjusted differences

- The Bad Debt Provision in respect of Council Tax is understated by £0.385 million for the Collection Fund. This would have a net impact of increasing expenditure for the Council by £0.302 million.
- The Bad Debt Provision in respect of Sundry Debtors is overstated by £2.552 million. The level of provision was retained at the 22/23 level, despite a significant fall in the level of aged debtors. Using the same methodology as in 22/23 generated a Bad Debt Provision £2.552 million lower than that included in the Statement of Accounts. This would have an impact of decreasing expenditure for the Council by £2.552 million.
- Whilst the Collection Fund correctly reflects the movement in the closing NDR Appeals Provision, the closing provision on the Council’s Balance Sheet is inconsistent with the figures calculated by the external specialist. As a result, the NDR Appeals Provision is understated by £0.839 million, which would increase expenditure for the Council by the same amount.

We request that these uncorrected misstatements be corrected, or a rationale as to why it is not corrected, be considered and approved by the Audit Committee and provided within the Letter of Representation.

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council 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 Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have reviewed Internal Audit reports issued to Management in respect of the 2023/24 financial year to consider any financial statement risks that could be identified through any limited assurance opinions by the Head of Internal Audit and therefore the impact on the extent of our audit procedures.

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. However, as we have adopted a fully substantive approach, we have not tested the operation of controls.

07 Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the London Borough of Havering Statement of Accounts 2023/24 with the audited financial statements.

Non-financial information in the London Borough of Havering Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements, with minor disclosure adjustments to be made to the final Statement of Accounts.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the instructions are not yet available. We cannot issue our Audit Certificate until these procedures are complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) 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 are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

We have not identified any issues which require us to issue a report in the public interest or require us to issue statutory recommendations under Schedule 7.

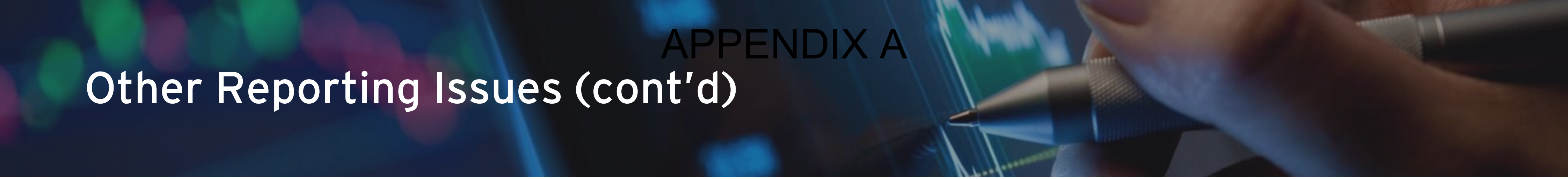
Other Reporting Issues (cont'd)

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 Authority'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; and
- Group audits

We have no other matters to report.



Other Reporting Issues (cont'd)

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)

Given that we have disclaimed the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

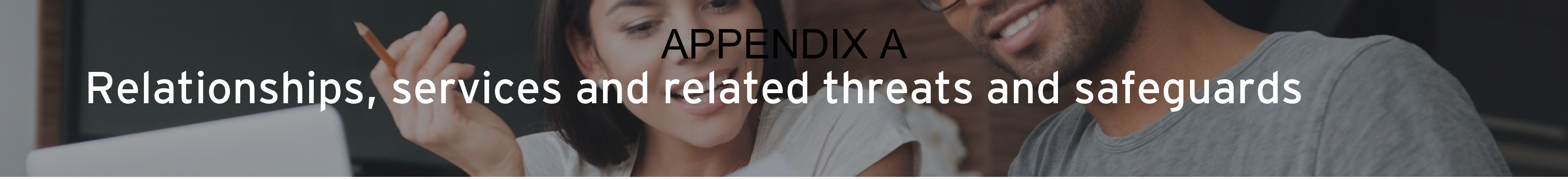
The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is 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 obtained an understanding of the IT processes related to the IT applications of the Council. The Council has 6 relevant IT applications (Academy, CivicaPay, LiquidLogic, Open Housing, Oracle Fusion & Paris) for the purposes of our ISA 315 risk assessment. We performed procedures to determine if there are typical controls missing or control deficiencies identified. After determining which process is applicable to each relevant IT application, we reviewed the applicable processes for each IT application. 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 the relevant IT applications: • Manage vendor supplied changes • Manage entity programmed changes • Manage security settings • Manage user access • Job scheduling and managing IT process	No significant issues were identified in our review of the 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.

08 Independence



APPENDIX A

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors 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 our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

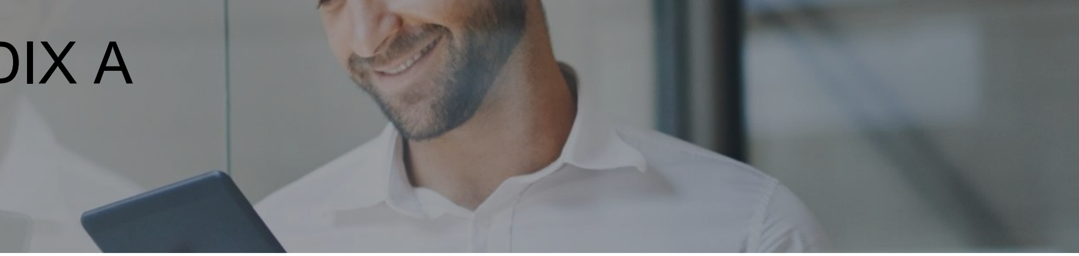
Relationships

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

APPENDIX A



Independence - 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.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statements 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.

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If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Actual Fee	Planned fee	Prior Year
	£'s	£'s	£'s
Total Fee – Scale Fee for Code Work	421,745	421,745	157,827
Scale Fee Variation	Note 2	-	Note 1
Total fees	**TBC**	**421,745**	**0**

All fees exclude VAT

Notes:

(1) PSAA Ltd 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.

(2) Once we conclude the 2023/24 audit, we will review whether a scale fee variations is required. If one is, we will inform Management and make the necessary submission and follow the PSAA Ltd process. Any Scale Fee variation is determined by PSAA Ltd.

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09 Appendices

Appendix A - Summary of assurances

Summary of Assurances

As we have set out in Section 5 and the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the 2023/24 financial statements, the opening balance position on 1 April 2023, the closing Reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the Audit Committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating	Summary of work performed
Short Term Debtors	None	We have not yet concluded our sample testing in respect of short-term debtors, we currently have no assurance over the closing balance at 31 March 2024. We anticipate gaining **substantial** assurance if we are able to complete our planned audit procedures set out in Appendix E in advance of the backstop date. If we are not able to conclude those procedures, we will not have any assurance.
Borrowings (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Cash	None	We have not yet concluded our sample testing in respect of cash, we currently have no assurance over the closing balance at 31 March 2024. We anticipate gaining **substantial** assurance if we are able to complete our planned audit procedures set out in Appendix E in advance of the backstop date. If we are not able to conclude those procedures, we will not have any assurance.
Short Term Creditors	None	As a result of delays in facilitating our work in this area, we have stopped work on this balance as we no longer have sufficient time to conclude our procedures in advance of the backstop date. We will therefore not be providing any assurance in respect of Short-Term Creditors.
Grants Received in Advance	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Investments	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Investments in Subsidiaries & Joint Ventures	None	We have not yet concluded our testing in respect of Investments in Subsidiaries & Joint Ventures, we currently have no assurance over the closing balance at 31 March 2024. We anticipate gaining **substantial** assurance if we are able to complete our planned audit procedures set out in Appendix E in advance of the backstop date. If we are not able to conclude those procedures, we will not have any assurance.
Long Term Debtors	None	As Long-Term Debtors balances directly relate to our work over the Group Accounts, we have stopped work on this balance as we no longer have sufficient time to conclude our procedures in advance of the backstop date. We will therefore not be providing any assurance in respect of Long-Term Debtors.
Pension Scheme Liability	None	We have not yet concluded our sample testing in respect of the pension scheme liability, we currently have no assurance over the closing balance at 31 March 2024. We anticipate gaining **substantial** assurance if we are able to complete our planned audit procedures set out in Appendix E in advance of the backstop date. If we are not able to conclude those procedures, we will not have any assurance.

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment ('PPE') and Investment Property	None	Our testing of 2023/24 additions and disposals to the fixed asset register, auditing the valuation of a sample of assets revalued in 2023/24 and performing procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets remains in progress. We currently have no assurance over the PPE Balances. However, until we are able to rebuild assurance over PPE additions, disposals and revaluations in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2024 and therefore we plan to issue **partial assurance** on this balance.
Provisions	None	We have not yet concluded our sample testing in respect of provisions, we currently have no assurance over the closing balance at 31 March 2024. We anticipate gaining **substantial** assurance if we are able to complete our planned audit procedures set out in Appendix E in advance of the backstop date. If we are not able to conclude those procedures, we will not have any assurance.
Reserves	None	Our work on the Movements in Reserves in 2023/24 remains in progress but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 Audit Plan.
Comprehensive Income and Expenditure Statement (including the Housing Revenue Account)	None	Our work on the Comprehensive Income and Expenditure Statement in 2023/24 remains in progress but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Group Accounts and consolidation	None	We have not yet concluded our sample testing in respect of provisions, we currently have no assurance over the closing balance at 31 March 2024. We do not anticipate being able to obtain these assurances as we have not received assurances from the auditors of the component entities.

Appendix B - Audit approach update

Audit approach update

We summarise below our approach to the audit of the balance sheet 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 balance sheet 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

Balance sheet category	Audit Approach in current year	Audit Approach in 2020/21	Explanation for change
‣ Property, Plant and Equipment ‣ Investment Property ‣ Long Term Investments in Subsidiaries & JVs ‣ Long term Debtors ‣ Short Term Investments ‣ Short Term Debtors ‣ Cash and cash equivalents ‣ Short Term & Long Term Borrowing ‣ Short Term Creditors ‣ Provisions ‣ Other Long-term liabilities ‣ Capital Grants Receipts in Advance	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
‣ Heritage Assets ‣ Intangible Assets ‣ Inventories	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A

Appendix C – Summary of communications

Summary of communications

Date	Nature	Summary
04 March 2024	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to introduce themselves and commence the audit.
14 May 2024	Report	The audit planning report, including confirmation of independence, was issued to the audit committee.
25 July 2024	Meeting	The partner in charge of the engagement met with the audit committee chair to discuss focus areas of the audit committee this year.
25 July 2024	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit committee and senior members of the management team to discuss the audit planning report.
18 November 2024	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management to discuss the matters identified as part of the audit.
20 December 2024	Meeting	The Senior Manager met with management to discuss our findings to date and remaining work to conclude the audit.
20 January 2025	Report	The Audit Results Report, including confirmation of independence, was issued to the audit committee.
30 January 2025	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit committee and senior members of the management team to discuss the Audit Results Report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

APPENDIX A

Appendix D - 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 - 14 May 2024
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.	Audit Plan - 14 May 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 - 20 January 2025

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

		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 - 20 January 2025
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 - 20 January 2025
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 - 20 January 2025
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 - 20 January 2025

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
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 Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Audit Plan – 14 May 2024 Audit Results Report - 20 January 2025
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report - 20 January 2025
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 - 20 January 2025
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit Results Report - 20 January 2025

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit Plan - 14 May 2024 Audit Results Report - 20 January 2025
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 - 20 January 2025
System of quality management	▸ How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report - 20 January 2025
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 - 20 January 2025
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 - 20 January 2025

Appendix E - 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
Cash and Cash Equivalents	Resolution of final queries on unsupported cash balances	EY and Management
Short Term Debtors	Resolution of remaining sample queries	EY and Management
Investments in Subsidiaries and Joint Ventures	Final consideration of impact of 20/21 reporting points on 2023/24	EY and Management
Payroll Testing	Resolution of final comments, including procedures around starters & leavers and our residual sample testing	EY and Management
Pension Scheme Liability	Assurances required from the Pension Fund auditor	EY and Management
Housing Benefits	Initial variance based on our analytical procedures is outside of threshold and requires resolution	EY and Management
Property, Plant and Equipment Valuations	Follow up queries on detailed valuation assumptions	Management
Other Expenditure	Awaiting receipt of requested sample queries	Management
Property, Plant and Equipment Additions	Outstanding queries in respect of our selected sample	Management
REFCUS	To review received responses in respect of follow up queries	EY and Management
Collection Fund	To review final work performed & consideration of differences to the specialist report (in respect of NDR Appeals Provision)	EY and Management
All Other Disclosures	Final comments to support minor disclosure figures	EY and Management
Going Concern	To review going concern disclosures & consult with Professional Practice on our going concern conclusions	EY and Management
Reserves	Resolution of final queries in respect of movements in Reserves	EY and Management
MRP and CFR	Final consideration of impact of 20/21 reporting points on 2023/24	EY
HRA Income & Expenditure	Initial variance based on our analytical procedures is outside of threshold and requires resolution.	EY and Management
Value for Money	Specific procedures required to address our identified risk around budget setting and monitoring	Management
Journal Entry Testing	Testing of final journal entry items based on receipt of final evidence	EY and Management

Appendix E – 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
Review of the final version of the financial statements	Receipt of updated Statement of Accounts and accompanying schedule of all changes	EY and Management
Completion of subsequent events review	Confirmation of any subsequent events impacting the financial statements	EY and Management
Receipt of the signed management representation letter	Receipt of the signed management representation letter at date of signing	EY and Management
Final Manager and Engagement Partner reviews	Internal EY review processes	EY

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 Annual Report. We will issue a disclaimer of opinion once procedures are complete, however the completion of these procedures is key to the rebuilding of assurance planned in subsequent years.

Appendix F - Accounting and regulatory update

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit Committee/Board, a number of new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on London Borough of Havering

IFRS 16 Leases	▸ CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.
	▸ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.
	▸ Lease liabilities and right of use assets will be subject to more frequent remeasurement.
	▸ The standard must be adopted by 1 April 2024 at the latest
		▸ We have assessed the Council's readiness to implement IFRS 16 as part of our 2023/24 programme of work. That assessment considered:
		  ▸ The Council's processes to collect the required data.
		  ▸ Whether reasonable accounting policy choices had been made.
		  ▸ Whether relevant finance staff are familiar with the requirements of the CIPFA Code in this area and training has been provided.
		  ▸ The transitional and ongoing accounting arrangements that have been established.
		  ▸ Systems and processes to establish and distinguish between lease remeasurements and modifications.
		▸ Based on this assessment we have concluded that the Council has reasonable arrangements in place to support the adoption of IFRS 16 in 2024/25.

Appendix G – Management representation letter

Management representation letter

Management Rep Letter

Mark Hodgson
Ernst & Young
One Cambridge Square
Cambridge
CB4 0AE

This letter of representations is provided in connection with your audit of the financial statements of London Borough of Havering ("the Council") for the year ended 31 March 2024. 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 financial position of London Borough of Havering as of 31 March 2024 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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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

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 2023/24 (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 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 2023/24 (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 financial statements are appropriately described in the financial statements.
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 2023/24 (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.
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. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

Appendix G – Management representation letter

Management representation letter

Management Rep Letter

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 financial statements may be materially misstated as a result of fraud.
4. 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 law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, 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.

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 financial statements.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 2023/24 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 year end. These transactions have been appropriately accounted for and disclosed in the 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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
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.

Appendix G – Management representation letter

Management representation letter

Management Rep Letter

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 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, 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.
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 50 to the financial statements all guarantees that we have given to third parties.
4. No claims in connection with litigation have been or are expected to be received.

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, 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 51 to the financial statements. All assets to which the Council has satisfactory title appear in the balance sheet.
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 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 IAS 19 Pension disclosures, Property, Plant and Equipment and Investment Property valuations and Long-Term Debtor and Inventory valuations 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

1. We confirm that the significant judgments made in making the Property, Plant and Equipment and Investment Property valuations, Long Term Debtor valuations, Inventory valuations, Expected Credit Loss assessments, IAS 19 pension valuations and Minimum Revenue Provision valuations have taken into account all relevant information 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 Property, Plant and Equipment and Investment Property valuations, Long Term Debtor valuations, Inventory valuations, Expected Credit Loss assessments, IAS 19 pension valuations and Minimum Revenue Provision valuations.

Appendix G – Management representation letter

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Management Rep Letter

3. We confirm that the significant assumptions used in making the Property, Plant and Equipment and Investment Property valuations, Long Term Debtor valuations, Inventory valuations, Expected Credit Loss assessments, IAS 19 Pension Valuations and Minimum Revenue Provision valuations appropriately reflect our intent and ability to carry out the assessments and valuations, and any 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, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the Property, Plant and Equipment and Investment Property valuations, Long Term Debtor valuations, Inventory valuations, Expected Credit Loss assessments, IAS 19 pension valuations and Minimum Revenue Provision valuations.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

H. Retirement benefits

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

1. 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).
2. 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:
   - Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) 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.

K. Going Concern

1. Note 1.01 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 the events described in Note 53 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.

Appendix G – Management representation letter

Management representation letter

Management Rep Letter

M. Other information

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

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 including the impact resulting from the commitments made by the Council and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

____

(Chief Financial Officer))

____

(Chairman of the Audit Committee)

APPENDIX A

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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APPENDIX B

Havering Pension Fund
Audit Results Report

Year ended 31 March 2024

17 January 2025

APPENDIX B

17January 2025

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

Dear Audit Committee / Pension Fund Committee Members

2023/24 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. This report summarises our preliminary audit conclusion in relation to the audit of Havering Pension Fund for 2023/24.

The audit is designed to express an opinion on the 2023/24 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 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 Pension Fund Committee, other members of the Pension Fund, and senior 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 the 30 January 2025.

Yours faithfully

MARK HODGSON

Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

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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, Pension Fund 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, Pension Fund 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, Pension Fund Committee, and management of 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.

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01 Executive Summary

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Executive Summary

Scope update

In our Audit Plan presented to the 25 July 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. We have set planning materiality at the level of £9.7 million based on the 2023/24 draft accounts.

We have not made any revisions to the audit risks and planned audit procedures set out within the Audit Plan.

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:

- Membership Data testing; and
- Going Concern Disclosures.

Closing Procedures

- Subsequent events review;
- Agreement of the final set of accounts;
- Receipt of signed management representation letter; and
- Final Manager and Engagement Partner reviews.

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Details of each outstanding item, actions required to resolve, and responsibility is included in Appendix D. Subject to satisfactory completion of the outstanding items above, we expect to issue an unqualified opinion upon the Pension Funds Financial Statements. We are currently unable to provide a timeline for the final sign off of the audit, due to the need to agree a timescale for procedures on the Council 2023/24 Statement of Accounts. We will need to ensure our procedures are fully up to date until the point of signing, including reviewing minutes, assessing Post Balance Sheet Events and updating the going concern assessment. We will, if possible, provide an update on this matter to the Audit Committee on 30 January 2025.

Audit differences

Uncorrected audit differences

We have identified one misstatement, where, due to timing differences, the valuation of investments in the draft Statement of Accounts was understated by £1.414 million. Given this difference is immaterial, Management have elected not to adjust for this timing difference. We request that this uncorrected misstatement be corrected, or a rationale as to why it is not corrected, be considered and approved by the Audit and Accounts Committee and provided within the Letter of Representation.

Corrected audit differences

We identified a limited number of audit disclosure differences in the financial statements, which management has amended for.

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 summarised within the "Areas of Audit Focus" section of this report.

Misstatements due to fraud or error – Fraud risk

We have completed our testing and found no indications of management override of controls and have no matters to report.

Management override and incorrect posting of investment income journals

We have completed our testing and found no issues and have no matters to report.

Valuation of Level 3 complex investments (unquoted investments) - Significant risk

We have completed our work in this area and have one corrected misstatement to report. We have identified one misstatement, where, due to timing differences, the valuation of investments in the draft Statement of Accounts was understated by £1.414 million. Given this difference is immaterial, management have elected not to adjust for this timing difference.

IAS 26 Disclosure – Actuarial Present Value of promised retirement benefits – Inherent risk

We have completed our work in this area. We have not identified any matters to report.

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

- There are no residual 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 the Audit Committee, the Pension Fund Committee, or Management.

APPENDIX B

Executive Summary (cont'd)

Control observations

During the audit, we did not identify any significant deficiencies in internal controls. We have taken a wholly substantive approach to the audit.

Independence

Please refer to Section 07 for our update on Independence.

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02 Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error

What is the risk, and the key judgements and estimates?

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.

Our response to the key areas of challenge and professional judgement

We undertook the following standard procedures to address the fraud risk, which included:

- Identifying fraud risks during the planning stages
- Inquiring of management about risks of fraud and the controls put in place to address those risks
- Understanding the oversight given by those charged with governance of management's processes over fraud
- Considering the effectiveness of management's controls designed to address the risk of fraud
- Determining an appropriate strategy to address those identified risks of fraud
- Performing mandatory procedures regardless of specifically identified fraud risks, including:
    - Testing of journal entries and other adjustments in the preparation of the financial statements;
    - Reviewing accounting estimates for evidence of management bias; and
    - Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We also assessed journal entries for evidence of management bias and evaluated the business rationale.

What are our conclusions?

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 other transactions during our audit which appeared unusual or outside the Fund's normal course of business.

Our additional procedures in relation to the review of the reconciliations to source reports, including the fund managers' and the custodian's reports, and the re-performance of the investment note have not identified any instances of inappropriate posting of investment journals.

Areas of Audit Focus

Management override and incorrect posting of investment income journals

What is the risk, and the key judgements and estimates?

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 the specific areas where this risk may be manifested. Fund income is a key metrics for measuring the performance of the Pension Fund. We consider that management has an incentive to increase in year income reported in the financial statements and is in a unique position to influence the posting of year end investment journals. There is therefore a risk this may result in misstatements either due to fraud or error. We believe that the risk of management override of controls is most likely to affect in year investment income, specifically through incorrect journal postings.

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Our response to the key areas of challenge and professional judgement

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 evaluate for business rationale.

To respond to the specific fraud risk we have identified relating to the incorrect posting of investment income journals we performed the following additional audit procedures:

- Undertook a review of the reconciliation to the fund manager and custodian reports for investment income and investigated any significant reconciling differences;
- Re-performed the detailed investment income note using the reports we have acquired directly from the custodian or fund managers; and
- Reconciled holdings included in the Net Assets Statement back to the source reports.

What are our conclusions?

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 other transactions during our audit which appeared unusual or outside the Fund's normal course of business.

Our additional procedures in relation to the review of the reconciliations to source reports, including Fund Managers and Custodian's reports, and the re-performance of the investment note have not identified any instances of inappropriate posting of investment journals.

Areas of Audit Focus (cont'd)

Valuation of complex investments (unquoted investments)

What is the risk, and the key judgements and estimates?

The Fund's investments include unquoted pooled investment vehicles such as private equity, infrastructure and property investments.

Judgements are made by the investment managers to value these investments whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.

Our response to the key areas of challenge and professional judgement

Our approach focused on:

- Analysing a schedule of investments to ensure correct classification, presentation and disclosure of items in the financial statements and corresponding notes;
- Understanding and evaluating the work of management's expert;
- Evaluating the ISAE 3402 report for Custodian and/or Fund Manager where applicable;
- Reviewing the latest audited accounts for the relevant fund managers to ensure there are no matters arising that highlight weaknesses in the funds valuation;
- Where the latest audited accounts were not as at 31 March 2024, making enquiry of what procedures management have performed to take account of this risk, performing analytical procedures and checking the valuation output for reasonableness against our own expectations;
- Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used.
- Reviewing investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 Investments have been appropriately made in the financial statements.
- Perform triangulation work to agree amounts per the financial statements to Fund Manager and to Custodian; and
- Testing accounting entries have been correctly processed in the financial statements.
- Assessing topside adjustments and/or journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

We identified a difference of £1.414 million in the value of Level 3 Investments, which would increase total net assets from £969.498 million to £970.912 million. This difference has occurred as a result of timing differences, where the Draft Statement of Accounts are based on December 2023 figures and final year-end figures for the 31 March 2024 became available during the audit process. Management have elected not to adjust for this difference on the basis of materiality.

Our testing has not identified any other material misstatements within year end investment asset valuations.

In addition, we also challenged the material accuracy of the valuation as at 31 March 2024 through substantive analytical review using relevant indices. We have also not identified any assets that would require EY specialist involvement. We have not identified any material differences following the completion of our work.

Areas of Audit Focus (cont'd)

Other Areas of Audit Focus

What is the risk/area of focus?	What did we do and what is our conclusion?
IAS 26 Disclosure - Actuarial Present Value of Promised Retirement Benefits (Inherent Risk) IAS26 requires post-employment benefits plans to disclose annually the basis used to determine the actuarial present value of promised retirement benefits, including demographic and financial key assumptions. The estimate is based on a roll-forward of data from the previous triennial valuation in 2022, updated where necessary, and takes into account various factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the fund. We consider there is a risk around the estimation process, data used and assumptions used by the actuary when valuing the fund which is reflected in the IAS26 disclosures.	In order to address this risk, we carried out a range of procedures including: ▸ Assessed the competence of managements expert, Hymans Robertson; ▸ Engaged with the NAO's consulting actuary and our EY Pensions Advisory Team to review the IAS 26 approach applied by the actuary are reasonable and compliant with IAS 26; ▸ Ensured that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary; ▸ Engaged EY Pensions Specialists to perform a roll-forward calculation for the IAS19 calculation at the largest admitted body; and We have not identified any matters to report to those charged with governance.

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03 Audit Report

DRAFT

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Draft Audit Report

DRAFT

Draft audit report

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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 2024 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 25.

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 2023/24.

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 2024 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2024; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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 2023/24', 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 2023/24'.

Audit Report (cont'd)

DRAFT

Draft audit report

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.

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 Responsibilities for the Statement of Accounts' set out on page 11, 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 2023/24, 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.

Audit Report (cont'd)

DRAFT

Draft audit report

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 the Chief Finance (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 enquries of the management. We corroborated this through our reading of the Pension Board minutes and through the inspection 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 to 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.

Audit Report (cont'd)

DRAFT

Draft audit 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 85 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.

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. Until our audit is fully complete it is possible that further differences may be identified.

Summary of adjusted differences

There are no adjusted differences impacting any of the primary statements.

We identified a limited number of audit disclosure differences in the financial statements, which Management has amended for. We do not deem any to be so significant as to merit reporting to you.

Summary of unadjusted differences

1. **Net Asset Statement - Valuation of Level 3 Assets**

We have identified one misstatement, where, due to timing differences, the valuation of Level 3 Investments in the draft Statement of Accounts was understated by £1.414 million. More up to date information was received during our audit which highlighted the difference from the estimate used in preparing the draft statements. Given this difference is immaterial, management have elected not to adjust for this timing difference.

There is a consequential impact on the 'Change in Fair Value of Investments' line within the Fund Account to the same amount of £1.414 million.

We request that this uncorrected misstatement be corrected, or a rationale as to why it is not corrected, be considered and approved by the Audit and Accounts Committee and provided within the Letter of Representation

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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 financial and non-financial information in the Havering Pension Fund Annual Report with the audited financial statements. We have reviewed the Pension Fund Annual Report and are satisfied that it is consistent with the financial statements. We will conclude our procedures alongside our Audit Opinion upon the main Council financial statements.

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 have no reason to exercise these duties.

Other reporting issues

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 have no matters to report.

Other Reporting Issues (cont'd)

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

ISA 315 is effective from FY 2023/24 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 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 our ISA 315 risk assessment. We performed procedures to determine if there are typical controls missing or control deficiencies identified. After determining which process is applicable to each relevant IT application, we reviewed the applicable processes for each IT application. 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 the relevant IT applications: • Manage vendor supplied changes • Manage security settings • Manage user access • Manage entity-programmed changes • Job scheduling and managing IT process	No significant issues were identified in our review of the 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.

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06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

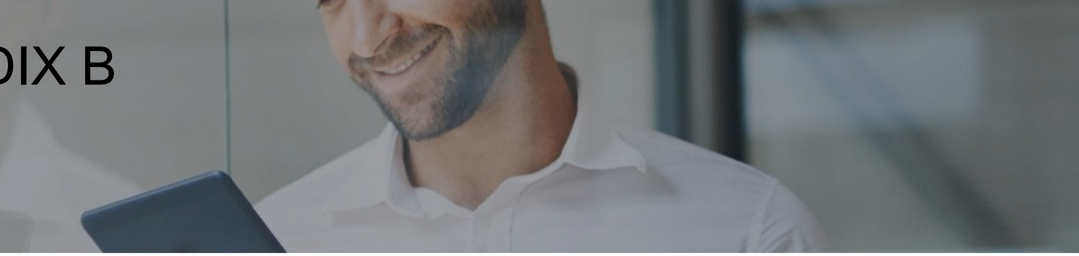
As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are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

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 we have adopted a fully substantive approach, we have therefore not tested the operation of controls. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

07 Independence

APPENDIX B



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 2023 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 table below sets out a summary of the fees that are due to us in relation to the year ended 31 March 2024 in line with the disclosures set out in FRC Ethical Standard and in statute. 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.

	Current Year 2023/24	Prior Year 2022/23
	£'s	£'s
Scale Fee – Code work	85,945	24,795
Changes in work required to address professional and regulatory requirements and scope associated with risk **Note 1**	TBC	38,842
Additional work required for specific additional procedures including revised estimates standard – see (Note 2)	TBC	TBC
Additional fee for IAS 19 assurance work on behalf of admitted body auditors – see **Note 3**	-	TBC
Total fees	**TBC**	**TBC**

Note 1: We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. For 2022/23 the scale fee has been re-assessed by the PSAA to take into account some of the recurring risk factors. This does not fully reflect the true cost of the audit which we will continue to submit through the PSAA, including work in respect of ISA 315.

Note 2: For both 2022/23 and 2023/24 there are a number of risk factors to the audit as outlined within our Audit Plan and this Audit Results Report. The final fee will be subject to determination by PSAA. This also applies to 2022/23 audit, where we provided indicative ranges in our Audit Results Report but require finalisation of this fee to submit to the PSAA.

Note 3: For 2022/23, we did not complete IAS 19 assurance work as the audit of the relevant admitted body was disclaimed. From the 2023/24 financial year this has been built into the Scale Fee set by the PSAA ltd.

Independence (cont'd)

EY Transparency Report 2024

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 2024:

EY UK 2024 Transparency Report | EY - UK

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08 Appendices

APPENDIX B

Appendix A – Audit approach update

Audit approach update

We summarise below our approach to the audit of the balance sheet 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 balance sheet 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.

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Net Asset Statement category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Investment Assets and Liabilities	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Debtors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A
Cash in hand	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
Creditors	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A

Appendix B – Summary of communications

Summary of communications

Date	Nature	Summary
Various	Meetings	Regular calls held with the Audit Manager and members of the management team to discuss matters relevant to the planning of our audit work.
11 June 2024	Report	The Audit Partner issued the Provisional Audit Plan. Our report included confirmation of independence.
Various	Meetings	Regular calls held with management and the audit team to discuss any emerging issues throughout the audit process, and specifically during the Execution phase throughout May and June.
25 July 2024	Meeting	Senior members of the audit team met with the audit committee and senior members of the management team to discuss the Provisional Audit Plan & provide an update on findings to date.
17 January 2025	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit Committee. This also provides provided details of internal control observations made in respect of the current year.
30 January 2025	Meeting	Senior members of the audit team met with the audit committee and senior members of the management team to discuss the Audit Results Report.

In addition to the above specific meetings and letters the audit team met with Management multiple times throughout the audit to discuss audit findings.

APPENDIX B

Appendix B — 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	Audit Plan - 11 June 2024 - Audit Committee
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 ▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)	Audit Results Report - 17 January 2025

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

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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	Audit Results Report - 17 January 2025
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 - 17 January 2025
Subsequent events	▶ Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report - 17 January 2025
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 - 17 January 2025

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

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		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 - 17 January 2025
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. ▶ Communication of relevant information to those charged with governance, to enable them to provide concurrence on the non-audit services being provided.] 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' integrity, 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	Audit Plan - 11 June 2024- Audit Committee Audit Results Report - 17 January 2025

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

APPENDIX B

Our Reporting to you

Required communications	What is reported?	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 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	
External confirmations	► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report - 17 January 2025
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 - 17 January 2025
Internal controls	► Significant deficiencies in internal controls identified during the audit	Audit Results Report - 17 January 2025
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - 17 January 2025
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report - 17 January 2025
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - 17 January 2025
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 - 17 January 2025

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APPENDIX B

Appendix C — Additional audit information

Regulatory update

Our objective is to form an opinion on the Fund's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

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Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- Maintaining auditor independence.

Appendix D – 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
Membership Data testing	Procedures to ensure the integrity of data submitted to support the total membership numbers	EY and Management
Going Concern Disclosures	Receipt of a going concern disclosure that covers 12 months post the balance sheet date, and audit procedures to assess this.	EY and Management
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report.	EY and Management
Management Representation Letter	Receipt of signed management representation letter.	Management
Agreement of Final set of Accounts	Agree all changes made to draft accounts are updated in the final set of accounts.	EY and Management
Final Review Procedures	Final review of our audit documentation including the areas above	EY

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 Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures remain to be finalised and audited. A draft of the current opinion (with outstanding areas highlighted) is included in Section 03.

Appendix E – Management representation letter

Management representation letter

[Date]

Ernst & Young

[Address]

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 2024. 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 year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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 applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and for keeping records in respect of contributions received in respect of active members of the Fund.

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

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements and the Summary of Contributions. We believe the financial statements referred to above give a true and fair view of the financial transactions and the financial position of the Fund in accordance with applicable law the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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 applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that are free from material misstatement, whether due to fraud or error.

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 by and brought to our attention from the auditor because [specify reasons for not correcting misstatement].

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address 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.

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.

Appendix E – Management representation letter

Management representation letter

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 confirm that we are not aware of any breaches of the Payment Schedule/Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.

7. 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's business, its ability to continue in business, 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 are reflected in the financial statements.

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: [list 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 management of the Fund..

7. 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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

8. 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.

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

10.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 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.

Appendix E – Management representation letter

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 litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than the events 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.

F. Other information

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

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

G. Advisory Reports

We have not commissioned any advisory reports which may affect the conduct of your work in relation to the Fund's financial statements and schedule of contributions/payment schedule.

H. Independence

As members of management of the Fund, we are not aware of any matters which would render Ernst & Young LLP ineligible to act as auditor to the Fund.

I. Derivative Financial Instruments and Pooling investments, including the use of collective investment vehicles and shared services

We confirm that all investments in derivative financial instruments have been made after due consideration by the members of management of the Fund of the limitations in their use imposed by The Occupational Pension Schemes (Investment) Regulations 2005; namely that they contribute to a reduction in Scheme risk, facilitate efficient portfolio management, and that any such investment has been made to avoid excessive risk exposure to a single counterparty and to other derivative operations; and the Local Government Pension Scheme (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 their 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 management of the Fund at the Fund year end and the terms and conditions relating thereto.

The members of management of the Fund have 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.

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.

J. Actuarial valuation

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 E – Management representation letter

Management representation letter

K. 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 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 estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24

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 estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

L. Use of the Work of a Specialist

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. Going Concern

Based on our assessment of going concern, the details of which have been shared with you, we confirm that we are not aware of any material uncertainties related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. We do not intend to wind up the Fund. We are satisfied that the use of the going concern basis of accounting is appropriate in the preparation and presentation of the financial statements.

Note 2 to the financial statements discloses all of 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.

N. Climate-Related Matters

1. Whilst recognising that the Climate Change Governance and Reporting Regulations do not cover the Local Government Pension Scheme, 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.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of United Kingdom Generally Accepted Accounting Practice aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

____

(Chief Financial Officer)

____

(Chair)

APPENDIX B

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APPENDIX C

Statement of Accounts 2023/24

APPENDIX C

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APPENDIX C

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, rate of inflation and the ongoing demands of a rising population including a large 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 due to high inflation and increasing needs of our residents, 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. Unfortunately, these sharp increases in cost through increased demand and complexity have not been matched by Government grant which has fallen far short of the levels we actually need to pay the bills. This is a national problem which will need to be resolved in the next Parliament.

The pressures the Council is facing for 2024/25 has meant that, despite over £15m of savings proposals and additional government grant, we have had to ask central Government for exceptional financial support to balance our budget. Havering is an efficient well-run borough and this position has only come about through years of underfunding on our central grants. We have also had 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. The Government assumes we will apply this increase as part of our funding settlement.

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.

- £5.5million on maintaining and improving roads and pavements and street lighting
- continuing to fund the S92 police officers to help keep the borough safe
- regular rubbish and recycling collections, and street cleaning as part of our new contract with Urbaser
- improving customer services and digital platforms for residents to access council services
- investing in new affordable homes for residents through our regeneration programme
- investing more in delivering vital social care services to adults and children
- maintaining 16 green flag parks
- ensuring suppliers and other service providers continue to be paid and funded.

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

2023/24: An Overview

Introduction

Kathy Freeman
Strategic Director of Resources

The Council's Statement of Accounts represent the financial performance of the past year and the overall financial position of the authority. It is important to understand how service performance has driven income and expenditure, leading to the year-end financial position. This narrative report explains the wider context – external, internal, strategic, performance and the vision set by our councillors.

The Corporate Plan was refreshed in April 2024 and sets out how the Council's vision, "The Havering you want to be a part of", will be accomplished through delivery of the three priorities:

1. 'Supporting our residents to stay safe and well'
2. 'A great place to live, work and enjoy'
3. 'Enabling a resident-focused and resilient council'

During 2023/24, the Chief Executive introduced a new organisational structure to create three directorates leading on People, Place and Resources aligning resources to the Members' key priorities. The organisational re-design is intended to go well beyond changing structures and reporting lines but sought to instil a culture of collaborative working within the Council, extending to how we work with our residents, partners and communities. The culture we're working hard to instil is about bringing everything together in a way that our teams can understand how they contribute to the delivery of the Vision. Central to this is a commitment to creating an organisation that is the best it can be by asking our teams to pledge to make positive choices every day, to help the council achieve its ambitions and help deliver the best possible service to residents every day.

The changes have been implemented and are working well but the Council will continually review the resources available to ensure we are agile and can effectively respond to the changing needs of the Borough. In the last year, there has been an increased focus on our use of data, monitoring performance to shine a light on areas/services requiring improvement. It is a work in progress but something we must continue with at pace.

Delivery of the Corporate Plan against the financial backdrop Havering faces will be particularly challenging. We have ambitions to deliver excellent customer services, to re-design and modernise our services, to invest in early prevention to support our residents to remain independent and to use the latest technology and digital solutions to generate efficiencies. There are so many competing demands on our finite resources, with proportionately more of our expenditure going towards funding statutory social care services. However, the Council has a hardworking and dedicated workforce, committed to delivering improved outcomes for our residents.

The 2023/24 budget was set with over £18m of service growth which, at the time was expected to cover future anticipated pressures. It became apparent at an early stage of the financial year that the rising demographic demands of social care and particularly sharply increasing unit costs were going to result in pressures which would significantly exceed the growth added to the budget.

The Council has reported on these increasing pressures on the 2023/24 budget throughout the financial year. A report to July 2023 cabinet set out the 2022/23 outturn position but also highlighted the significant risks and emerging pressures on the 2023/24 budget.

Whilst this position is unwelcome, the thorough monitoring process and identification of the pressure at an early stage has enabled robust assumptions to be incorporated into the 2024/25 budget but also allowed management to have sufficient time to take action to help mitigate the overspend. A report to November cabinet set out the mitigating actions and in year savings proposals which were put in place during the year. The Period 4 monitoring position showed a £23.2m overspend which had reduced to £18.1m by year end, primarily as a result of these actions.

Havering's financial position has culminated through years of persistent underfunding by central government. The Borough has seen a dramatic increase in growth in children since the 2011 census; the census central government uses to allocate the national funding formula which is now a decade out of date. The Borough has always had a large proportion of elderly people and the growth in the children's population has required significant investment in social care expenditure. The growth needed in social care and now temporary accommodation has meant a re-direction of funding from a number of universal services to ensure support is provided to our residents who are most in need.

Unfortunately, due to the inadequate funding and the ever increasing demand for our services, the Council was unable to set a balanced budget for 2024/25 without resorting to applying for the exceptional financial support scheme, which effectively allows the Council to borrow to fund its ongoing day-to-day expenditure. Unless the funding imbalance is addressed, Havering will need to apply for exceptional financial support in future years. That being said, everyone in the organisation will continue to make efficiencies and reduce expenditure wherever possible.

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 it will remain a challenge to balance the Council's budget.

Specifically, for Havering, we would look to move towards a grant distribution formulae moving forward that reflects the 2021 census and an updated needs analysis for the distribution of Adult Social Care (ASC) funds. Taken together, this would potentially yield around £10m additional resources per year for residents of Havering. It is hoped that the new Parliament will bring a review of the overall funding levels for local government and much needed further support for social care. This review should also update the distribution formulae to reflect the latest demographic data to ensure a fair distribution across authorities nationally.

Audit Position on the Statement of Accounts

Since 2018/19, the number of authorities that have been able to publish their audited accounts by the required deadline has declined. This deadline has been adjusted on several occasions, initially due to the effects of the Covid-19 pandemic and latterly due to the developing local audit backlog. At 30 September 2023, a total backlog of 918 delayed audit opinions existed.

To address this backlog, the Government consulted on a number of proposals, including a 'backstop' date for all outstanding accounts prior to 2023/24, plus a series of 'backstop' dates for accounts up to and including 2027/28.

The first backstop date, for all outstanding audits up to and including 2022/23, was 13 December 2024. Havering's accounts for years 2020/21, 2021/22 and 2022/23 received the external auditor's opinions and audit certificates on 10 December 2024. Due to the complex set of factors contributing to audit delays across the sector, the auditor was unable to audit the 2021/22 and 2022/23 accounts before the backstop date and therefore, these two years' accounts received a disclaimed opinion. It is important to note that this does not indicate errors in the council's accounts, simply there is insufficient time for the audit to be concluded before the statutory backstop date.

Reserves position

As stated, the Council had identified at an early stage a significant pressure on its revenue budget for 2023/24. The pressures causing the overspend were largely ongoing and therefore, were built into the Medium Term Financial Strategy (MTFS) process to establish a balanced budget for 2024/25. As part of that process the Council undertook a comprehensive efficiency process which resulted in over £15m of savings being included in the 2024/25 budget. It was apparent however, that even with this level of savings, further Government Grant and a Council Tax increase that the Council would not be able to balance the budget alone.

As part of this process the Council needed to consider its reserves position. At the beginning of 2023/24 the General Fund balance was £8.2m with earmarked general fund reserves of £39.7m. These were amongst the lowest levels in London and the Council considered it essential that these levels were preserved and not allowed to materially diminish any further.

The Council therefore made representations to central government to request exceptional financial support to cover both the projected overspend for 2023/24 and the forecast gap on the 2024/25 budget. The Government recognised the Council's position and provisionally approved a capitalisation directive of up to £21.2m for 2023/24 and a further £32.5m for 2024/25.

The spending controls, put in place through the second part of 2023/24, resulted in a final revenue outturn position of £18.1m overspent and the Council took the decision to utilise the capitalisation directive for this amount to finance the overspend. This has enabled general fund earmarked reserves to close at £35.1m and general fund balances to increase to £10.2m through a planned contribution which was actioned.

Medium Term Financial Strategy 2024-2028

The Council prides itself on its record of creating balanced budgets, delivering challenging savings programmes and carefully managing its finances within each financial year. In February 2024 Full Council agreed a balanced budget for 2024/25. In setting the 2024/25 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 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 2024 budget report to Council

Medium Term Financial Strategy (MTFS)	24/25 £m	25/26 £m	26/27 £m	27/28 £m	TOTAL £m
Corporate Pressures	21.0	18.0	12.7	7.2	**58.9**
Adult Social Care Pressures	17.8	3.5	4.4	3.5	**29.2**
Children's Social Care Pressures	15.6	2.0	2.0	2.0	**21.6**
Homelessness	6.5	0.5	0.0	0.0	**7.0**
Other Service Pressures (Public Realm IT, Property)	5.6	3.3	2.0	0.0	**10.9**
TOTAL PRESSURES	**66.5**	**27.3**	**21.1**	**12.7**	**127.6**
Savings Proposals	-15.3	-5.4	-7.4	-1.1	**-29.2**
External Grant support	-11.4	-0.4	5.1	-2.2	**-8.9**
Council Tax Increase	-7.3	0.0	0.0	0.0	**-7.3**
REMAINING BUDGET GAP	**32.5**	**21.5**	**18.8**	**9.4**	**82.2**

The 2024/25 budget position was underpinned by exceptional financial support agreed with the Government of £32.5m. The Council is aiming to mitigate and control as many of the pressures as possible in order to reduce the level of financial support needed but the budget is a realistic and robust assessment of the pressures the Council is facing.

The 2024/25 budget included a package of £15.3m of savings which had been developed and reviewed throughout the budget process. The Council will closely monitor the progress on these savings and indeed the level of service pressures as the year goes on. The Council has baselined all its major budgets to use metrics, user numbers and unit costs to measure variances from the original budget.

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.

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 Adult Social Care precept to raise further income in recent years.

- 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. Growth has been built into the 2024/25 budget to help combat these increases. Each year the Council reviews the fees and charges it sets in order to ensure that the rising costs of the services are recovered where possible.

- Government funding

A new Government will be formed in July 2024. It is likely that there will be a further one-year settlement in December 2024 whilst the new Government evaluates the financial situation. It is hoped that the new Government is able, at an early stage, to recognise in some way the national pressure on social care in particular but this will only become clearer later in the year. The MTFS assumption for 2025/26 is only a minimal inflationary increase to general grant.

The MTFS also plans for the impact of the fair funding review which is now not expected until the 2026/27 settlement at the earliest. There is also potential re-distribution of funds if the data is updated to reflect the 2021 Census but again, this is unlikely before the new Government has had the opportunity to undertake a full review. Havering has a disproportionately large population increase particularly in under 15s 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 2024/25 budget and medium-term financial strategy, the Council has included planned contributions 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 due to current demographic demand and inflation levels.

Update on the Medium Term Financial Strategy

During the course of 2024/25 the medium-term financial strategy has been updated to take account of the latest forecast pressures for 2025/26 and the three years to 2028/29. It became apparent at an early stage of the year that continued rising social care demand, unit costs and rising numbers of people presenting as homeless meant that the pressures originally forecast for 2025/26 had increased significantly. The Council has prudently updated the medium-term financial strategy to reflect that these demand pressures driven by rising demand, inflation and potential national wage increases will continue to rise in 2025/26 and future years.

Spend for 2024/25 is currently forecast to require the full £32.5m capitalisation directive and as all of this spend is ongoing this has been added to the forecast gap for 2025/26. The forecasts have also been updated to reflect the increases in National Insurance and the National Living Wage announced in the autumn statement together with the outcome of the provisional local government finance settlement.

The Council is now projecting a £71.2m financial gap for 2025/26 which also assumes a 4.99%

Council Tax increase. The Council has also produced a worst-case scenario which projects a potential £89m gap for 2025/26. The Council has applied for exceptional financial support from the Government in order bridge this gap and balance the budget.

The Government have announced major reforms to Local Government financing which will start in 2025 but unless these reforms provide significant additional funding Havering will continue to rely on exceptional financial support to balance its budget in future years.

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 consider the cost of that borrowing and the payback period.

	31/03/2022	31/03/2023	31/03/2024
	£'000s	£'000s	£'000s
Long-term assets	1,660,155	1,690,801	1,677,506
Current assets	224,764	106,259	145,643
Current liabilities	(154,959)	(128,136)	(143,779)
Long-term liabilities	(812,562)	(473,719)	(547,767)
Net Assets	**917,398**	**1,195,205**	**1,131,604**
funded by:			
Usable reserves	216,671	209,329	181,163
Unusable reserves	700,727	985,876	950,441
Total Reserves	**917,398**	**1,195,205**	**1,131,604**
Borrowing	315,883	328,716	454,100
Debt to Equity Ratio	34.4%	27.5%	40.2%

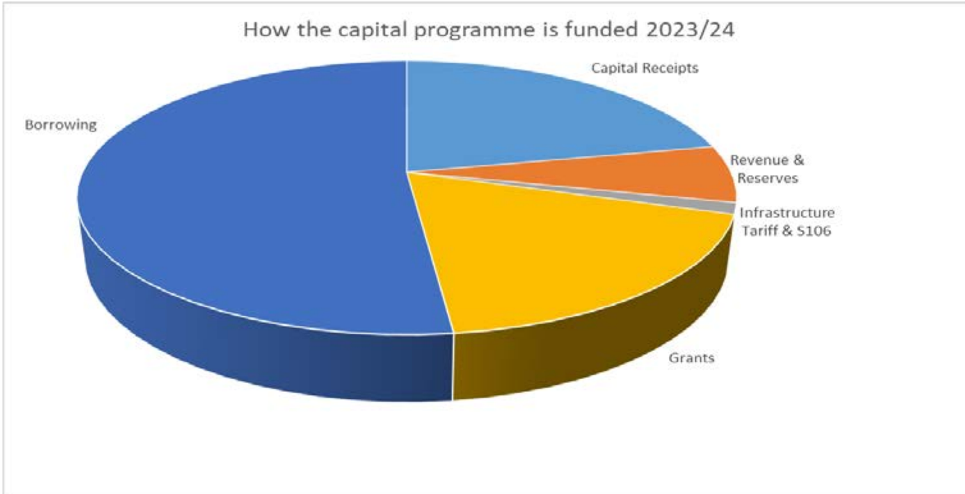
Council's Year-end Spend Position

The Outturn position for the Council in 2023/24 was significantly affected by the increase in the cost of living together with the sharply rising costs of both Social Care and Homelessness. The final outturn was c.£18m overspend against a final net budget of £182.0m. Further information on the Council's year-end for capital, revenue, Housing Revenue Account and the Dedication Schools Grant can be found in the June 2024 Cabinet papers.

Council's Capital Programme and 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 2023/24 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 for the next 5 years amounts to £1.4bn and is set out in the table below:

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
People						
Ageing Well	5.9	0.0	0.0	0.0	0.0	**5.9**
Living Well	1.6	0.4	3.1	0.0	0.0	**5.1**
Starting Well	26.5	17.0	19.0	0.0	0.0	**62.5**
	34.0	**17.4**	**22.1**	**0.0**	**0.0**	**73.5**
Place						
Environment	14.9	7.8	7.0	7.0	0.0	**36.6**
Housing & Property (GF)	15.0	4.0	0.7	0.7	0.5	**21.0**
Planning & Public Protection	0.1	0.0	0.0	0.0	0.0	**0.1**
Regeneration & Place Shaping	98.3	143.2	82.5	45.4	0.0	**369.4**
	128.3	**155.0**	**90.3**	**53.1**	**0.5**	**427.2**
Resources						
Customer Services	0.0	0.0	0.0	0.0	0.0	**0.0**
Finance	1.8	0.3	0.1	0.0	0.0	**2.1**
Partnership Impact and Delivery	14.3	4.3	1.0	0.0	0.0	**19.6**
Public Health	0.1	0.0	0.0	0.0	0.0	**0.1**
	16.2	**4.6**	**1.1**	**0.0**	**0.0**	**21.9**
Total GF Capital Expenditure	**178.5**	**176.9**	**113.5**	**53.1**	**0.5**	**522.6**
Housing & Property (HRA)	**161.1**	**161.1**	**224.4**	**225.3**	**105.2**	**877.1**
Total Capital Expenditure	**339.6**	**338.0**	**337.9**	**278.5**	**105.7**	**1,399.7**

Treasury Management

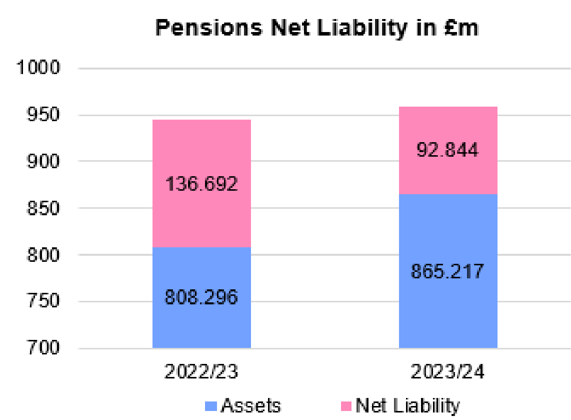
The Council held approximately £69 million in cash and investments, on average, during the financial year. This represents the value of the Council's revenue reserves, net current assets, unapplied grants and unapplied capital reserves. Other than reserves, this is money that is committed and is being held pending such expenditure.

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 2024 amounted to £71m (£30.2m at 31 March 2023). The average yield from the Authority's cash investments for 2023/24 was 5.04% (1.73% for 2022/23). This reflects the conservative nature of the Authority's investment strategy and historically low interest rates.

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 £1.4 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 applying "IAS19" is £92.8m as at 31st March 2024 compared with £136.7m as at 31st March 2023.



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 2023/24, from £808.3m to £865m due to investment market increases in 2023/24 and the liability increased slightly from £945m to £958m partly due to higher interest costs. 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

Strategic Director of Resources
London Borough of Havering
Date: xx February 2025

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 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 transactions over the financial year; split between flows that have occurred as a result of operating activities, those arising from investing activities and those attributable to financing decisions.

- **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 note shows how the funding available to the authority has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with 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's housing.

- **Collection Fund –** The authority is responsible for collecting council tax and non-domestic rates, and for keeping a separate account that details the amounts owing to and from the Council, the Greater London Authority and the Government.

- **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 financial officer
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- approve the statement of accounts.

The chief financial (section 151) officer's responsibilities

The chief financial (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 financial (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 financial (section 151) officer has also:

- kept proper accounting records that 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 2024 and its income and expenditure for the year ended 31 March 2024.

Cllr Julie Wilkes
Chair, Audit Committee
XX February 2025

Strategic Director of Resources,
Chief Financial (Section 151) Officer
XX February 2025

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Independent Auditor's Report To The Members Of London Borough Of Havering

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Havering LONDON BOROUGH

Group Movement in Reserves Statement 2023/24

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 2022	**10,942**	**68,996**	**19,573**	**55,995**	**8,657**	**52,504**	**216,667**	**700,727**	**5,796**	**923,190**
Movement in reserves during 2022/23										
(Deficit)/surplus on provision of services	(45,923)		(9,854)				(55,777)		(1,314)	(57,091)
Other comprehensive expenditure and income							0	333,590	294	333,882
Total comprehensive expenditure and income	**(45,923)**	**0**	**(9,854)**	**0**	**0**	**0**	**(55,777)**	**333,590**	**(1,020)**	**276,791**
Adjustments between accounting basis and funding basis under regulations	23,979	0	15,101	436	(4,797)	13,721	48,440	(48,440)		0
Net (decrease)/increase before transfers to earmarked reserves	**(21,944)**	**0**	**5,247**	**436**	**(4,797)**	**13,721**	**(7,337)**	**285,150**	**(1,020)**	**276,791**
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)**	**285,150**	**(1,020)**	**276,791**
Balance at 31 March 2023	**8,161**	**49,833**	**24,820**	**56,431**	**3,860**	**66,225**	**209,330**	**985,877**	**4,774**	**1,199,981**
Movement in reserves during 2023/24										
(Deficit)/surplus on provision of services	(25,393)		(26,851)				(52,244)		(2,515)	(54,759)
Other comprehensive expenditure and income							0	(11,363)	173	(11,190)
Total comprehensive expenditure and income	**(25,393)**	**0**	**(26,851)**	**0**	**0**	**0**	**(52,244)**	**(11,363)**	**(2,342)**	**(65,949)**
Transfer of capital funding to finance capitalisation direction (note 9)	(18,100)						(18,100)	18,100		0
Other adjustments between accounting basis and funding basis under regulations	37,527	0	32,724	(31,823)	4,331	(587)	42,172	(42,172)		0
Net (decrease)/increase before transfers to earmarked reserves	**(5,966)**	**0**	**5,873**	**(31,823)**	**4,331**	**(587)**	**(28,172)**	**(35,435)**	**(2,342)**	**(65,949)**
Transfers to/(from) Earmarked Reserves	7,919	(5,741)	(2,178)				0			0
(Decrease)/Increase in Year	**1,953**	**(5,741)**	**3,695**	**(31,823)**	**4,331**	**(587)**	**(28,172)**	**(35,435)**	**(2,342)**	**(65,949)**
Balance at 31 March 2024	**10,114**	**44,093**	**28,515**	**24,608**	**8,191**	**65,637**	**181,163**	**950,442**	**2,432**	**1,134,032**

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Authority Movement in Reserves Statement 2023/24

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 2022	**10,942**	**68,996**	**19,573**	**55,995**	**8,657**	**52,504**	**216,671**	**700,727**	**917,398**
<u>Movement in reserves during 2022/23</u>									
Deficit/surplus on provision of services	(45,923)		(9,854)				(55,777)		(56,275)
Other comprehensive expenditure and income							0	333,590	333,590
Total comprehensive expenditure and income	**(45,923)**	**0**	**(9,854)**	**0**	**0**	**0**	**(55,777)**	**333,590**	**277,315**
Adjustments between accounting basis and funding basis under regulations (Note 9)	23,979	0	15,101	436	(4,797)	13,721	48,440	(48,440)	0
Net decrease/increase before transfers to earmarked reserves	**(21,944)**	**0**	**5,247**	**436**	**(4,797)**	**13,721**	**(7,337)**	**285,150**	**277,315**
Transfers to/from Earmarked Reserves (Note 10)	19,163	(19,163)	0				0		0
Decrease/increase in Year	**(2,781)**	**(19,163)**	**5,247**	**436**	**(4,797)**	**13,721**	**(7,337)**	**285,150**	**277,315**
Balance at 31 March 2023	**8,161**	**49,833**	**24,820**	**56,431**	**3,860**	**66,225**	**209,330**	**985,877**	**1,195,207**
<u>Movement in reserves during 2023/24</u>									
(Deficit)/surplus on provision of services	(25,393)		(26,851)				(52,244)		(52,244)
Other comprehensive expenditure and income							0	(11,363)	(11,363)
Total comprehensive expenditure and income	**(25,393)**	**0**	**(26,851)**	**0**	**0**	**0**	**(52,244)**	**(11,363)**	**(63,607)**
Transfer of capital funding to finance capitalisation (note 9)	(18,100)						(18,100)	18,100	0
Other adjustments between accounting basis and funding basis under regulations (Note 9)	37,527	0	32,724	(31,823)	4,331	(587)	42,172	(42,172)	0
Net (decrease)/increase before transfers to earmarked reserves	**(5,966)**	**0**	**5,873**	**(31,823)**	**4,331**	**(587)**	**(28,172)**	**(35,435)**	**(63,607)**
Transfers to/from Earmarked Reserves (Note 10)	7,919	(5,741)	(2,178)				0		0
(Decrease)/Increase in Year	**1,953**	**(5,741)**	**3,695**	**(31,823)**	**4,331**	**(587)**	**(28,172)**	**(35,435)**	**(63,607)**
Balance at 31 March 2024	**10,114**	**44,093**	**28,515**	**24,608**	**8,191**	**65,637**	**181,163**	**950,442**	**1,131,605**

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Group Comprehensive Income and Expenditure Statement 2023/24

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 2022 – 31 March 2023				1 April 2023 – 31 March 2024		
£000	£000	£000		£000	£000	£000
Gross Expenditure	Gross Income	Net		Gross Expenditure	Gross Income	Net
			Gross expenditure, gross income and net expenditure of continuing operations			
154,825	(103,382)	51,443	Place	163,186	(104,944)	58,242
378,436	(223,979)	154,457	People	429,926	(242,193)	187,734
40,540	(23,073)	17,468	Resources	43,948	(22,436)	21,512
9,448	(708)	8,739	Corporate Budgets	8,487	(1,873)	6,614
7,097	(2,387)	4,710	oneSource Shared	9,454	(2,748)	6,706
67,103	(56,041)	11,062	Non-Shared LBH	61,253	(59,519)	1,734
657,450	**(409,569)**	**247,881**	**Cost of services**	**716,255**	**(433,713)**	**282,541**
		31,137	Other operating expenditure			12,117
		17,025	Financing and investment income and expenditure			11,112
		(238,952)	Taxation and non-specific grant income			(251,185)
		57,090	**(Surplus)/Deficit on provision of services**			**54,586**
		23,364	(Surplus)/Deficit on revaluation of property, plant and equipment assets			50,446
		(357,248)	Actuarial losses/(gains) on pension assets / liabilities			(39,083)
		(333,884)	**Other comprehensive income and expenditure**			**11,363**
		(276,794)	**Total comprehensive income and expenditure**			**65,949**

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Authority Comprehensive Income and Expenditure Statement 2023/24

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 2022 – 31 March 2023					1 April 2023 – 31 March 2024		
£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				
154,495	(101,115)	53,380	Place		160,990	(101,615)	59,375
378,436	(223,979)	154,457	People		429,926	(242,193)	187,734
40,540	(23,073)	17,468	Resources		43,948	(22,436)	21,512
9,448	(708)	8,739	Corporate Budgets		8,487	(1,873)	6,614
7,097	(2,387)	4,710	oneSource Shared		9,454	(2,748)	6,706
67,103	(56,041)	11,062	Non-Shared LBH		61,253	(59,519)	1,734
657,120	**(407,302)**	**249,818**	**Cost of services**		**714,059**	**(430,384)**	**283,674**
		31,116	Other operating expenditure	11			12,169
		14,441	Financing and investment income and expenditure	12			7,585
		(239,092)	Taxation and non-specific grant income	13			(251,185)
		56,282	**(Surplus)/Deficit on provision of services**				**52,244**
		23,506	(Surplus)/Deficit on revaluation of property, plant and equipment assets	25a			50,273
		(357,096)	Actuarial losses/(gains) on pension assets / liabilities (restated)	25e			(38,910)
		(333,590)	**Other comprehensive income and expenditure**				**11,363**
		(277,308)	**Total comprehensive income and expenditure**				**63,607**

Note departmental expenditure includes support service recharges and depreciation - details in note 8

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Balance Sheet as at 31 March 2024

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 2023 Authority Restated £000	31 March 2023 Group Restated £000		Notes	31 March 2024 Authority £000	31 March 2024 Group £000
1,548,358	1,577,699	**Property, plant and equipment**	14a	1,525,131	1,557,773
2,362	2,362	**Heritage assets**	15	2,350	2,350
48,124	102,656	**Investment property**	16b	47,921	102,693
212	212	**Intangible assets**	17	156	156
31,353	0	**Long term investments in subsidiaries**	16d	33,106	0
2,395	2,376	**Long term investments in joint ventures**	16d	2,456	2,456
57,997	15,021	**Long term debtors**	19	66,386	19,110
1,690,801	**1,700,326**	**Long-term assets**		**1,677,506**	**1,684,538**
0	0	**Short-term investments**	18	50,394	50,394
473	473	**Inventories**		517	517
70,678	66,531	**Short-term debtors**	19	66,965	63,473
35,108	35,812	**Cash and cash equivalents**	20	27,768	28,343
106,259	**102,816**	**Current assets**		**145,643**	**142,726**
(13,940)	(13,940)	**Short-term borrowing**	18	(21,710)	(21,710)
(114,196)	(114,609)	**Short-term creditors**	22	(122,068)	(125,668)
(128,136)	**(128,549)**	**Current liabilities**		**(143,779)**	**(147,379)**
(7,293)	(8,186)	**Provisions**	23	(7,818)	(7,818)
(314,776)	(314,776)	**Long-term borrowing**	18	(432,389)	(430,477)
(136,692)	(136,692)	**Other long-term liabilities**	42	(92,844)	(92,844)
(14,958)	(14,958)	**Capital grants receipts in advance**	35b	(14,715)	(14,715)
(473,719)	**(474,612)**	**Long-term liabilities**		**(547,767)**	**(545,855)**
1,195,205	**1,199,981**	**Net assets**		**1,131,604**	**1,134,031**
209,329	205,649	**Usable reserves**	24	181,163	175,636
985,876	994,332	**Unusable reserves**	25	950,441	958,395
1,195,205	**1,199,981**	**Total Reserves**		**1,131,604**	**1,134,031**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2024 and its income and expenditure for the year ended 31 March 2024.

Authorised for Issue
Kathy Freeman

Kathy Freeman

Section 151 Officer
London Borough of Havering

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Cash Flow Statement as at 31 March 2024

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.

2022/23 Authority £000	2022/23 Group £000		Note	2023/24 Authority £000	2023/24 Group £000
(56,282)	(57,154)	Net surplus on the provision of services		(52,244)	(54,586)
64,568	64,178	Adjust net surplus or deficit on the provision of services for non-cash movements	26	65,047	67,516
(51,328)	(51,328)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(39,124)	(39,124)
(43,042)	**(44,304)**	**Net cash flows from Operating Activities**		**(26,321)**	**(26,194)**
5,034	4,403	Investing activities	27	(105,808)	(109,109)
12,833	14,653	Financing activities	28	124,789	127,834
(25,175)	**(25,248)**	**Net increase /(decrease) in cash and cash equivalents**		**(7,340)**	**(7,469)**
60,283	61,060	Cash and cash equivalents at the beginning of the reporting period	20	35,108	35,812
35,108	**35,812**	**Cash and cash equivalents at the end of the reporting period**	**20**	**27,768**	**28,343**

Notes to the Core Financial Statements

1. Accounting Policies

Going Concern

The accounts are prepared on a going concern basis, on the assumption that the functions of the Council will continue in their current or similar form for the foreseeable future. The Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription, and there is no notice from Government to that effect.

The Council regularly reviews its cashflow forecasting and the Medium term financial strategy fully reflects the potential borrowing costs required. The Council ensures it has sufficient liquidity to pay all its liabilities and keeps a schedule of forthcoming major payments to help its short term borrowing strategy. The Council does have a significant capital programme over the next five years and there will be planned borrowing, either from the Public Works Loans Board (PWLB) or other sources, to fund this programme. The timing and extent of the capital programme is under regular review. The Council is of the view that appropriate loan arrangements will be available if required. The Council is forecast to be within its authorised limit and operational boundary for external debt and has significant headroom between its forecast gross debt and its capital financing requirement.

In making its going concern assessment, the Council must also consider its budgets and the level of reserves. The Council assesses its financial position for future years through the medium-term financial planning process. At the Full Council meeting in February 2024, the budget for 2024/25 was agreed relying on £15.4M of new planned savings and £32.5M of assumed Exceptional Financial Support from Government (in the form of a capitalisation direction) to achieve a balanced position.

The Government has required the Council to prepare a Transformation and Improvement Plan and undergo an independent financial management assessment as a condition to receive Exceptional Financial Support. The CIPFA Review assessed the Council on the following areas:

Financial management and sustainability

Capital programme, debt, investments and assets

Governance, management processes, culture and leadership

Service delivery

Improvement plan and roadmap

The Financial Management review was concluded by CIPFA in Summer 2024 and at the time of writing this statement, the report remains subject to formal sign off by the Ministry of Housing, Communities and Local Government (MHCLG).

Members approved the Council's Improvement and Transformation Plan on 24th July 2024.

Alongside this, work has continued during 2024/25 on bringing forward further proposals to reduce in-year spending and to help close the forecast budget shortfall in 2025/26 and future years.

The Exceptional Financial Support the Council requested in January 2024 was for one year only.

The Council however, continues to face rising demand due to Social Care demographics and unit costs and also the rising cost of meeting our statutory Housing duties. In developing the 2025/26 budget the Council has identified new pressures totalling over £60m in addition to the underlying budget gap of £32.5m brought forward from 2024/25. These pressures have been partially mitigated by over £10m of savings proposals, a 4.99% Council Tax increase and additional funding from central Government but there remains a £71.2m gap for 2025/26. The Council has presented this position to MHCLG and has put in a further application for exceptional financial support in order to balance the budget.

The Government has announced wide ranging reforms commencing with a review of the funding formula in 2025. Havering will proactively set out their case to help inform these discussions. There is however, a significant shortfall in social care funding nationally and until this is recognised many authorities, including Havering, will need further support from the Government in future years to balance their budgets.

Due to the short term nature of Exceptional Financial Support, which is yet to be agreed by the Government, there is uncertainty on the Council's funding position for 2025/26 and beyond. However, the Council has and will continue to have sufficient liquidity over the MTFS period to make payments to the workforce, contractors, suppliers and honour all of its financial commitments. The Council will be reliant on either further Exceptional Financial Support or a significant improvement in the level of grant from central government in order to balance future budgets moving forward.

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year ending 31 March 2024. The Accounts and Audit (England) Regulations 2015 require the Authority to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* 2023/24 (the Code), 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 based on 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 however, 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 2023/24 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 because 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.

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 amortisation. 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. Costs are charged on an accruals basis to the relevant service 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 People's and Resources Service 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 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.

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 between the Authority and the London Borough of Newham to share back-office operations. 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 two authorities based on 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.

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 (DRC) 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 current 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 current 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 treated as revenue unless, in very rare circumstances, 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 does not go ahead or is stopped at an early stage without producing any assets, the expenditure is treated 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 subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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 25 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.

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 non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line 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 more than £10,000 are categorised as capital receipts. 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 is 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 amount 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 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). The Local Government Act 2003 requires the Authority to have regard to the Department for

Housing, Communities and Local Government (MHCLG) Guidance on Minimum Revenue Provision issued in 2018.

The broad aim of the MHCLG 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 Capital Financing Requirement. 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, considering 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 are 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 are 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 are 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, 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 new accounting standards that have been issued but not yet adopted.

The standards introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

IFRS 16 Leases, issued in January 2016

For the 2024/25 financial year, the Authority will apply IFRS 16 Leases, as adopted by the Code. This will result in the majority of leases, where the Council acts as lessee, coming onto the balance sheet whilst lessor accounting is largely unchanged. IFRS 16: Leases replaces IAS 17: Leases and IFRIC 4: Determining whether an arrangement contains a lease.

The anticipated impact of initial application, described below, may vary due to:

a) the value and nature of the leases held at the time of implementation changing,

b) the processes and controls to identify and account for right-of-use assets under IFRS 16 continuing to be developed.

The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising leased vehicles, plant, property and land as an asset and future rents as a liability), a right-of-use asset and a lease liability will be brought into the balance sheet at 1 April 2024 (for 2024/25 accounts). Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

An assessment of the lease arrangements within the organisation found that in Council and schools' buildings there were mostly low value office items, the majority of which will fall under the low value lease exemption in IFRS 16, with only a relatively small number of multi-functional devices (within schools) meeting the recognition criteria and, therefore to be added to the balance sheet. Within the vehicle fleet, five leased vehicles with lease terms from 1-5 years were identified as being right-of-use assets to be recognised on the balance sheet.

The most significant impact will be the need to recognise right-of-use assets and lease liabilities for short-term residential properties from the private sector. Due the value of these payments in aggregate and the length of these contract terms (ranging from 3 to 5 years), it is anticipated that this will result in additions in the region of £11.5m to Property, Plant and Equipment – land and buildings (right-of-use assets).

There are no other new accounting requirements introduced in the 2024/25 Code that are anticipated to have a material impact on the Council's financial performance or financial position.

3. Critical Judgements in Applying Accounting Policies,

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, non-current assets, leases and accruals.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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 2024 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. 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 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 £4.5m for every year that useful lives had to be reduced. If the asset valuation of all property plant and equipment were to fall by 1% a reduction in value of £19.92m 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	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

	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 16 and 18 below.	(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 £3.6m 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 £0.36m 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 £15.9m. However, the assumptions interact in complex ways. During 2023/24, the Authority's actuary advised that changes in actuarial assumptions gave rise to a gain of £38.9m (compared to a gain of £357.1m in 2022/23) to the Consolidated Income and Expenditure Statement.
Arrears	At 31 March 2024, the Authority had a gross debtor's balance of £122.7m (£118.6m at 31 March 2023). A review of significant balances suggested that an impairment of doubtful debts of 45.4% (£55.7m) was appropriate.	If collection rates were to deteriorate, a 25% increase in the amount of the impairment of doubtful debts would require an additional £13.9m to be set aside as an allowance.
NNDR Appeals	At 31 March 2024, the Authority reduced its provision by £1.4m to £2.2m in respect of appeals which are still outstanding, based the settlement of appeals.	In the event that the outcome of appeals increases by 25% than the anticipated percentages this would result in additional cost of £0.55m.

5. Material Items of Income and Expense

On 29 February 2024 the Department for Levelling Up, Housing and Communities agreed in principle to provide the council with £21.2m of support for 2023/24, in the form of a capitalisation direction, to manage financial pressures via the Exceptional Financial Support framework (EFS).

The Capitalisation Direction permits the Council to charge to capital, expenditure which would otherwise be revenue expenditure and then to finance the capitalised revenue expenditure from capital resources, namely by applying usable capital receipts and in the short-term setting aside minimum revenue provision. The Council has utilised £18.1m of the capitalisation direction for 2023/24 to fund revenue expenditure from capital resources.

6. Events after the Balance Sheet Date

The Strategic Director of Resources (Section 151 Officer) authorised the Statement of Accounts on 31 May 2024. 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 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

No material post balance sheet events requiring adjustment to the 31st March 2024 balance sheet have been identified.

Since the 2023/24 accounts were published the Council has continued to face rising demand due to Social Care demographics and unit costs and also the rising cost of meeting our statutory Housing duties. In developing the 2025/26 budget the Council has identified new pressures totalling over £60m in addition to the underlying budget gap of £32.5m brought forward from 2024/25. These pressures have been partially mitigated by over £10m of savings proposals, a 4.99% Council Tax increase and additional funding from central Government but there remains a £71.2m gap for 2025/26. The Council has presented this position to MHCLG and has put in a further application for exceptional financial support in order to balance the budget.

7. Expenditure and Funding Analysis 2023/24

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 2022 – 31 March 2023					1 April 2023 – 31 March 2024			
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
17,411	26,724	9,246	**53,380**	Place	22,079	42,424	(5,128)	**59,375**
134,905	11,066	8,487	**154,457**	People	168,084	6,360	13,290	**187,734**
9,128	5,292	3,047	**17,468**	Resources	9,944	9,377	2,190	**21,512**
16,418	542	(8,222)	**8,739**	Corporate Budgets	22,737	(35,466)	19,342	**6,614**
4,140	-	570	**4,710**	oneSource Shared	5,521	-	1,185	**6,706**
3,318	8,140	(395)	**11,062**	Non-Shared LBH	(18,112)	22,416	(2,570)	**1,734**
185,321	**51,764**	**12,733**	**249,818**	**Net Cost of Services**	**210,253**	**45,111**	**28,310**	**283,674**
(187,784)	(12,186)	6,433	(193,536)	Other Income and Expenditure	(215,901)	7,040	(22,568)	(231,429)
(2,463)	**39,578**	**19,166**	**56,281**	**(Surplus) or Deficit**	**(5,648)**	**52,151**	**5,741**	**52,244**
30,518				Opening General Fund and HRA Balance	**32,981**			
2,463				Less/Plus Surplus or Deficit on General Fund and HRA Balance in Year**	5,648			
32,981				**Closing General Fund and HRA Balance at 31 March 2023**	**38,629**			

*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 2023/24

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capitalisation Directive £000	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Place		43,277	(51)	(802)	42,424
People		7,720	(900)	(461)	6,360
Resources		8,631	726	21	9,378
Corporate Budgets	(18,100)	(2,649)	(4,873)	(9,844)	(35,466)
oneSource Shared		0	0	0	0
Non-Shared LBH		22,249	159	9	22,416
Net Cost of Services	**(18,100)**	**79,228**	**(4,938)**	**(11,078)**	**45,112**
Other income and expenditure from the Expenditure and Funding Analysis				7,040	7,040
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(18,100)**	**79,228**	**(4,938)**	**(4,038)**	**52,152**

Adjustments between Funding and Accounting Basis 2022/23

(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	7,100	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**

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:

2022/23 £000	Income from Services	2023/24 £000
101,115	Place	101,615
223,979	People	242,193
23,073	Resources	22,436
708	Corporate Budgets	1,873
4,263	oneSource Shared	2,748
56,041	Non-Shared LBH	59,519
409,178	**Total income analysed on a segmental basis Net Cost of**	**430,384**

8. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

2022/23 £000	Expenditure/Income	2023/24 £000
	Expenditure	
238,710	Employee benefits expenses	234,346
338,715	Other services expenses	366,923
65,258	Depreciation, amortisation, impairment	78,806
22,323	Interest payments	28,890
18,745	Precepts and levies	18,535
(1,152)	Payments to Housing Capital Receipts Pool	(27)
13,523	(Gain)/Loss on the disposal of assets	(6,339)
696,121	**Total expenditure**	**721,134**
	Income	
(131,240)	Fees, charges and other service income	(125,411)
(5,148)	Interest and investment income	(17,436)
(173,835)	Income from council tax and non-domestic rates	(186,891)
(329,616)	Government grants and contributions	(339,151)
(639,839)	**Total income**	**(668,889)**
56,282	**Surplus or Deficit on the Provision of Services**	**52,244**

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.

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2023/24	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)	4,153	785				(4,938)
Financial instruments (transferred to the Financial Instruments Adjustments Account)		329				(329)
Transfer to negative DSG reserve	(7,038)					7,038
Council tax and NNDR (transfers to or from Collection Fund)	2,481					(2,481)
Holiday pay (transferred to the Accumulated Absences Reserve)	(330)	(14)				344
Transfer of capital funding to finance capitalisation directive	(18,100)					18,100
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	(7,102)	(63,529)			(23,143)	93,774
Total Adjustments to Revenue Resources	**(25,936)**	**(62,429)**	**0**	**0**	**(23,143)**	**111,508**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,458	11,604	(14,063)			1
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(86)	86			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)						0
Posting of HRA resources from revenue to the Major Repairs Reserve		10,426		(10,426)		0
Use of Capital Receipts To Repay Debt			154			-154
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	6,177					(6,177)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,934	500				(2,434)
Total Adjustments between Revenue and Capital Resources	**10,569**	**22,444**	**(13,823)**	**(10,426)**	**0**	**(8,764)**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			45,646			(45,646)
Use of the Major Repairs Reserve to finance capital expenditure				6,095		(6,095)
Application of capital grants to finance capital expenditure	(4,060)	5,061			23,730	(24,731)
Cash payments in relation to deferred capital receipts						0
Total Adjustments to Capital Resources	**(4,060)**	**5,061**	**45,646**	**6,095**	**23,730**	**(76,472)**
Total Adjustments	**(19,427)**	**(34,924)**	**31,823**	**(4,331)**	**587**	**26,272**

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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	**(6,209)**	**52,814**	**(18,531)**	**4,719**	**(914)**	**(31,879)**

APPENDIX C

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 2022	Transfers (from)/to Revenue	Transfers between reserves	Balance as at 31 3 2023	Transfers (from)/to Revenue	Transfers between reserves	Balance as at 31 3 2024
	£000	£000	£000	£000	£000	£000	£000
General Fund / Housing Revenue Account Earmarked Reserves							
Corporate Transformation reserve	**355**	(237)	0	**118**	(42)		**76**
Business Risk reserve	**11,410**	(3,405)	0	**8,005**	(2,713)		**5,292**
Business Rates reserve	**10358**	(7,110)	0	**3,248**	(362)		**2,886**
Regeneration	**2508**	(1,183)	0	**1,325**	(347)		**978**
ICT Refresh	**1000**	(400)	0	**600**	1,043		**1,643**
oneSource reserve	**1,032**	457	0	**1,489**	(612)		**877**
Insurance reserve	**7,086**	(2,134)	0	**4,952**	0		**4,952**
Reserves for future capital schemes	**4,907**	1,114	0	**6,021**	1,074		**7,095**
Legal reserve	**178**	1	0	**179**	0		**179**
Crematorium and Cemetery reserves	**658**	1	0	**659**	(66)		**593**
Social Care reserve	**51**	32	0	**83**	(45)		**38**
Troubled Families reserve	**474**	222	0	**696**	262		**958**
Public Health reserve	**2,643**	196	0	**2,839**	(533)		**2,306**
Adults Social Care Reserve	**4,878**	(2,768)	0	**2,110**	(324)		**1,786**
Whole life costing Transport Fleet reserve	**407**	(107)	0	**300**	(86)		**214**
Emergency assistance scheme	**919**	668	0	**1,587**	538		**2,125**
SLM Funding 2017/18 - 2022/23	**618**	(618)	0	**0**	0		**0**
Other reserves	**10,151**	(3,073)	0	**7,078**	(3,688)		**3,390**
HRA Major works	**3,021**	0	0	**3,021**	2,178		**5,199**
Total General Fund / Housing Revenue Account Earmarked Reserves	**62,654**	**(18,344)**	**0**	**44,310**	**(3,723)**	**0**	**40,587**
Schools Balances							
General Balances	**862**	94	0	**956**	1		**957**
Schools Balances	**5,481**	(913)	0	**4,568**	(2,019)		**2,549**
Centrally held schools balances (Note 34)	**0**	0	0	**0**	0		**0**
Total Schools Balances	**6,343**	**(819)**	**0**	**5,524**	**(2,018)**	**0**	**3,506**
Total Earmarked Reserves	**68,997**	**(19,163)**	**0**	**49,834**	**(5,741)**	**0**	**44,093**

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.

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.

Adults 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 Health and Safety reserve, Local Plan and liberty protection safeguards.

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 2023/24 are shown at Note 34. An overdrawn balance on the DSG account of £7.038m has been transferred to a unusable negative reserve in accordance with guidance to separate the balance from the Council General Fund.

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11. Other Operating Expenditure

2022/23 £000		2023/24 £000
18,745	Levies	18,535
73	Payments to the Government Housing Capital Receipts Pool	(27)
12,297	(Gain) / Loss on the disposal of non-current assets	(6,339)
31,115	**Total**	**12,169**

12. Financing And Investment Income And Expenditure

2022/23 £000		2023/24 £000
9,423	Interest payable and similar charges	12,051
12,900	Pensions net interest on the net defined benefit liability	6,230
(5,148)	Interest receivable and similar income	(6,827)
(3,659)	Income and expenditure in relation to investment properties (note 16a)	(4,072)
925	Changes in the fair value of investment properties	203
14,441	**Total**	**7,585**

13.Taxation And Non-Specific Grant Income

2022/23 £000		2023/24 £000
(140,548)	Council tax income	(149,959)
(43,231)	National non-domestic rates income [1]	(45,146)
(23,785)	Non ring-fenced government grants	(31,933)
(31,528)	Capital grants and contributions	(24,146)
(239,092)	**Total**	**(251,185)**

[1] includes s31 Government grant included within NNDR income to fund NNDR reliefs

14. Property, Plant and Equipment

Movements in Balances 2023/24

	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 2023	**681,311**	**633,965**	**26,930**	**4,039**	**2,144**	**85,016**	**1,433,405**
Additions	60,519	6,914	13,722	0	0	22,263	**103,418**
Revaluation increases/(decreases) to :							
Revaluation Reserve	(34,445)	(28,187)	0	939	(201)	0	**(61,894)**
Revaluation gains to the CI&ES	(50,278)	(3,942)	0	0	0	0	**(54,220)**
Derecognition - Disposals	(6,816)	(454)	0	0	(205)	0	**(7,475)**
Derecognition - other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	38,970	8,043	0	0	0	(47,012)	**1**
At 31 March 2024	**689,261**	**616,339**	**40,652**	**4,978**	**1,738**	**60,267**	**1,413,235**
Accumulated Depreciation and Impairment							
At 31 March 2023	**0**	**1,190**	**10,796**	**491**	**0**	**0**	**12,477**
Depreciation Charge	10,231	7,043	5,436	88	3	0	**22,801**
Depreciation written out upon Revaluation:							
Revaluation Reserve	(5,299)	(6,321)	0	0	0	**0**	**(11,620)**
CI &ES	(4,932)	(572)	0	0	0	**0**	**(5,504)**
Derecognition - Disposals	0	(18)	0	0	(3)	**0**	**(21)**
Reclassifications	0	0	0	0	0	**0**	**0**
At 31 March 2024	**0**	**1,322**	**16,232**	**579**	**0**	**0**	**18,133**
Net book value at 31 March 2024	**689,261**	**615,017**	**24,420**	**4,399**	**1,738**	**60,267**	**1,395,102**
Net book value at 31 March 2023	**681,311**	**632,775**	**16,134**	**3,548**	**2,144**	**85,016**	**1,420,928**

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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	**£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.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

	2022/23	2023/24
	£000	**£000**
Net Book Value (modified historical cost)		
at 1 April	**124,794**	**127,430**
Additions	10,451	9,599
Derecognition	0	0
Depreciation	(7,815)	(7,000)
Impairment	0	0
Oher Movement in Costs	0	0
at 31 March	**127,430**	**130,029**

Reconciliation of Highways and Other PPE assets to Balance Sheet figure

	31 March 2023	31 March 2024
	£000	**£000**
Net Book Value (modified historical cost)		
Infrastructure Asset	127,430	130,029
Other PPE Assets	1,420,928	1,395,102
Total PPE Assets	**1,548,358**	**1,525,131**

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 2023 £000		31 March 2024 £000
	General Fund	
2,015	Arts, culture, sport and leisure	955
1,553	Roads, footways and bridges	9,701
11,160	Education capital schemes	23,323
272,632	Town centre and environmental Improvements	128,335
21,411	Office accommodation, equipment, ICT and vehicles	33,143
6,890	Other smaller General Fund schemes	5,704
315,661	**Total General Fund commitments**	**201,161**
216,355	Housing Revenue Account	147,509
532,016	**Total commitments**	**348,670**

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 2024.

	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	-		24,420	130,029	4,399		60,267	**219,115**
Valued at fair value as at:								
31 March 2024	689,261	569,851				1,738		**1,260,850**
31 March 2023		11,371						**11,371**
31 March 2022		9,988						**9,988**
31 March 2021		12,988						**12,988**
31 March 2020		10,819						**10,819**
Total cost or valuation	**689,261**	**615,017**	**24,420**	**130,029**	**4,399**	**1,738**	**60,267**	**1,525,131**

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 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)
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**
Additions	0	17	17
Depreciation	0	(29)	(29)
31 March 2024	**110**	**2,240**	**2,350**

16. Investment Properties and Joint Ventures Investment

a) The following items of income and expense have been accounted for in the Financing and Investment

2022/23 £000		2023/24 £000
4,333	Rental income from investment property	4,627
(674)	Direct operating expenses arising from investment property	(555)
3,659	**Net gain**	**4,072**

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.

2022/23 £000		2023/24 £000
61,313	**Opening Balance**	**48,124**
(925)	Revaluation gains/(loss) from fair value adjustment	(203)
(12,264)	Disposal of investment properties	0
48,124	**Balance at the end of the year**	**47,921**

The valuation of the Authority's investment property portfolio in 2023/24 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 £54.772m 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 2024, the Council share of the developments under construction were 50% of Rainham & Beam Park (£2.5m) and 50% of Havering & Wates (12 Estates) (£20.65m). The Bridge Close wholly controlled subsidiary has £32.6m of property work in progress 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 2024 and 2023 are as follows:

31st March 2024

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 2024 £000
Office units	0	2,796	0	2,796
Commercial units	0	45,125	0	45,125
Total	**0**	**47,921**	**0**	**47,921**

31st March 2023 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 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**

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

2022/23 £000	Investments in subsidiary companies and Joint Ventures:	2023/24 £000
13,410	Opening Balance	33,748
13,837	Bridge Close loan reclassification *	0
6,501	Additions	1,814
0	Repayment	0
33,748	Closing Balance	35,562

Investments in Havering and Wates joint venture are classified as long-term debtors to acknowledge repayment at end of joint venture. Bridge Close investments are split between investments and long term debtors.

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:

2022/23 £000	Intangible fixed assets software and system development	2023/24 £000
1,848	Gross carrying amounts	1,848
(1,579)	Less accumulated amortisation	(1,636)
269	**Net carrying amount at start of year**	**212**
(57)	Less amortisation for the period	(56)
212	**Net carrying amount at end of year**	**156**
	Comprising:	
1,848	Gross carrying amounts	1,848
(1,636)	Less accumulated amortisation	(1,692)

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 2023		Financial Liabilities	31 March 2024	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
		Loans at amortised cost:		
		PWLB		
307,124		- Principal borrowed	425,124	
	764	- Accrued interest		1,199
		Market Loan		
7,000		- Principal borrowed	7,000	
	91	- Accrued interest		106
		Other Loans		
652	13,018	- Principal borrowed	265	20,000
	67	- Accrued interest		405
314,776	**13,940**	**Total borrowing ***	**432,389**	**21,710**
		Liabilities at amortised cost:		
		Trade payables		
	56,463	- Trade Creditors		58,697
0	**56,463**	**Included in creditors**	0	**58,697**
314,776	**70,403**	**Total financial liabilities**	**432,389**	**80,407**

* The total short-term borrowing includes £1.305m (2022/23: £0.855m) representing accrued interest on long-term borrowing (PWLB £1.2m & LOBO Market Loan £106k)

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

31 March 2023		Financial Assets	31 March 2024	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
		Loans and receivables:		
	0	- Principal at amortised cost		50,000
	0	- Accrued interest		394
		- Other Principal at amortised cost		
0	**0**	**Total Investments ***	**0**	**50,394**
		Loans and receivables:		
	4,908	- Cash (including bank accounts)		6,768
	30,200	- Cash equivalents at amortised cost		21,000
0	**35,108**	**Total cash and cash equivalents**	**0**	**27,768**
		Loans and receivables		
73,712	56,580	- Trade receivables	66,386	46,366
73,712	**56,580**	**Included in debtors**	**66,386**	**46,366**
73,712	**91,688**	**Total financial assets**	**66,386**	**124,528**

APPENDIX C

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

31 March 2023		Financial Assets	31 March 2024	
Long-Term £000	**Short-Term £000**		**Long-Term £000**	**Short-Term £000**
		Loans and receivables:		
	0	- Principal at amortised cost		50,000
	0	- Accrued interest		0
0	**0**	**Total investments**	**0**	**50,000**
		Loans and receivables:		
	4,908	- Cash (including bank accounts)		7,343
	30,200	- Cash equivalents at amortised cost		21,000
0	**35,108**	**Total cash and cash equivalents**	**0**	**28,343**
		Loans and receivables		
47	56,580	- Trade receivables	47	46,366
47	**56,580**	**Included in debtors**	**47**	**46,366**
47	**91,688**	**Total financial assets**	**47**	**124,709**

APPENDIX C

(c) Financial Instruments - Gains and Losses
Gains and losses in 2023/24 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		2023/24
	Amortised Cost	Fair Value though CI&ES	Amortised Cost	Fair Value though CI&ES	Total
	£000	£000	£000	£000	£000
Interest expense	12,051				12,051
Interest payable and similar charges	**12,051**	**0**	**0**	**0**	**12,051**
Interest income			(6,827)		(6,827)
Increases in fair value					0
Interest and investment income	**0**	**0**	**(6,827)**	**0**	**(6,827)**
Changes in value of investment properties				203	203
Income and expenditure relating to investment properties				(4,072)	(4,072)
Pensions Net Interest		6,230			6,230
Impact in Other Comprehensive Income *	**0**	**6,230**	**0**	**(3,869)**	**2,361**
Net gain (loss) for the year	**12,051**	**6,230**	**(6,827)**	**(3,869)**	**7,585**

* Not financial instruments but included to reconcile to note 12

Gains and losses in 2022/23 were as follows:

	Financial Liabilities		Financial Assets		2022/23
	Amortised Cost	Fair Value though CI&ES	Amortised Cost	Fair Value though CI&ES	Total
	£000	£000	£000	£000	£000
Interest expense	9,423				0
Interest payable and similar charges	**9,423**	**0**	**0**	**0**	**0**
Interest income			(5,148)		0
Increases in fair value	**0**				0
Interest and investment income		**0**	**(5,148)**	**0**	**0**
Changes in value of investment properties				925	0
Income and expenditure relating to investment properties				(3,659)	0
Pensions Net Interest		0			0
Impact in Other Comprehensive Income *	**0**	**0**	**0**	**(2,734)**	**0**
Net gain (loss) for the year	**9,423**	**0**	**(5,148)**	**(2,734)**	**0**

(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 2024. 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 2024, 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 2024.
- 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 2023			Fair Value Level	31 March 2024	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
		Financial liabilities held at amortised cost:			
307,124	266,905	- Long-term loans from PWLB		425,124	337,847
7,000	7,278	- Long-term LOBO loans		7,000	5,146
652	652	- Other long-term loans		265	265
13,018	13,667	- Other Short-term loans		20,000	20,000
922	922	- Accrued interest		1,710	1,710
328,716	**289,424**	**Total**		**454,099**	**364,968**
56,463	56,463	Liabilities for which fair value is not disclosed		58,697	58,697
385,179	**345,887**	**Total Financial Liabilities**		**512,796**	**423,665**

31 March 2023			Fair Value Level	31 March 2024	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
		Recorded on balance sheet as:			
78,443	78,443	- Short-term creditors		92,857	92,857
867	616	- Short-term borrowing		21,710	21,710
314,124	380,805	- Long-term borrowing		432,389	343,258
393,434	**459,864**	**Total Financial Liabilities**		**546,957**	**457,825**

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 2023			Fair Value Level	31 March 2024	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
		Financial assets held at amortised cost:			
		Loans & Receivables			
57,997	57,997	- Long-term other loans		66,386	66,386
		Cash and Cash equivalents			
4,908	4,908	- Cash amortised cost		6,768	6,768
30,200	30,200	- Cash equivalents at amortised cost		21,000	21,000
93,105	**93,105**	**Total**		**94,154**	**94,154**
56,580	56,580	Assets for which fair value is not disclosed *		46,366	46,366
149,685	**149,685**	**Total Financial Assets**		**140,520**	**140,520**
		Recorded on balance sheet as:			
57,997	57,997	- Long-term debtors		66,386	66,386
0	0	- Long-term investments		0	0
56,580	56,580	- Short-term debtors		46,366	46,366
0	0	- Short-term investments		0	0
35,108	35,108	- Cash and cash equivalents		27,768	27,768
149,685	**149,685**	**Total Financial Assets**		**140,520**	**140,520**

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 2024 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 2023		Credit Rating	31 March 2024	
Long-term	Short-term		Long-term	Short-term
£000	£000		£000	£000
0	0	AAA	0	0
0	0	AA+	0	21,000
0	0	AA	0	0
0	0	AA-	0	0
0	0	A+	0	0
0	0	A	0	0
0	0	A-	0	0
0	0	Unrated local authorities	0	50,000
0	0	Unrated Corporate Bonds	0	0
0	**0**	**Total Investments**	**0**	**71,000**

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 2023/24 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 2023 £000		Gross balance of debtors £000	Average % default based on past experience %	Average % default based on current experience %	Credit risk exposure 31 March 2024 £000
0	Capital	2,543	0	0	0
7,966	Housing	14,309	69	62	8,808
824	Social Services	16,029	5	8	1,322
13,435	Parking	20,102	92	92	18,575
0	Other local authorities	968	0	0	0
0	Health authorities	531	0	0	0
4,821	Other sundry debtors	22,252	18	24	5,321
27,046	**Total**	**76,734**	**35**	**44**	**34,026**

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 2023 £000	Time to maturity (years)	31 March 2024 £000
13,670	Not over 1	138,100
0	Over 1 but not over 2	4,029
38,057	Over 2 but not over 5	52,512
84,582	Over 5 but not over 10	82,624
46,525	Over 10 but not over 20	30,000
0	Over 20 but not over 30	165
32,960	Over 30 but not over 40	32,959
105,000	Over 40	105,000
7,000	Uncertain date	7,000
327,794	**Total**	**452,389**

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:

	2023/24 £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 *	(18,327)

* 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 2023 £000					31 March 2024 £000			
Gross	Impairment Allowance		Net		Gross	Impairment Allowance		Net
				Collection Fund Debtors				
18,849	(12,589)	*	6,260	Council Tax payers	20,899	(13,703)	*	7,196
1,127	(750)	*	376	Business Rate payers	853	(569)	*	284
				Other Debtors				
7,828	0	*	7,828	Government departments	10,914	0	*	10,914
683	0		683	Capital	2,543	0		2,543
13,157	(7,966)		5,191	Housing	14,309	(8,808)		5,501
9,147	(7,493)	*	1,654	Housing Benefit	8,695	(7,439)	*	1,256
13,148	(824)		12,323	Social Services	16,029	(1,322)		14,707
14,866	(13,435)		1,431	Parking Enforcement	20,102	(18,575)		1,527
750	0		750	Other local authorities	968	0		968
7,147	0		7,147	Health authorities	531	0		531
5,033	0		5,033	Mercury Land Holdings	4,607	0		4,607
26,822	(4,821)		22,001	Other sundry debtors	22,252	(6,270)		15,982
118,556	**(47,877)**		**70,678**	**Total Short-Term debtors**	**122,702**	**(56,686)**		**66,016**

* 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 2023 £000	Age of Debtors	31 March 2024 £000
5,437	Less than 1 year	5,788
3,337	Between 1 and 2 years	3,575
2,502	Between 2 and 3 years	2,740
8,700	More than 3 years	9,649
19,976	**Balance at end of the year**	**21,752**

Long-Term Debtors

31 March 2023 £000		31 March 2024 £000
30,075	Mercury Land Holdings	31,920
15,662	Wates JV	20,655
12,213	Bridge Close LLP	13,768
47	Other	43
57,997	**Total Long-Term Debtors**	**66,386**

20. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2023 £000		31 March 2024 £000
(2,080)	Bank current accounts	(410)
30,200	Short-term deposit with DMA	21,000
6,988	Schools – under the LMS cheque book scheme	7,178
35,108	**Total cash and cash equivalents**	**27,768**

21. 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.

22. Short-Term Creditors

31 March 2023 £000		31 March 2024 £000
	Collection Fund creditors	
8,674	Council Tax payers *	7,370
1,949	Business Rates payers *	2,057
11,337	Greater London Authority *	10,467
13,794	Central Government (NNDR)*	9,317
	Other Creditors	
6,293	Central Government *	3,994
2,368	HMRC *	5,054
15,338	Pension Fund *	24,163
2,845	Capital creditors	1,463
44,694	Other sundry creditors	47,304
6,905	Income in advance	9,930
114,197	**Total**	**121,119**

* These creditors are not included in Note 18(b), Financial Instruments, as they do not meet the definition of a financial liability.

23. Provisions

2023/24	Self Insurance £000	Collection Fund £000	Water Rates Provision £000	Total £000
Balance at 31 March 2023	**3,712**	**3,581**	**0**	**7,293**
Additional provisions made in year			2,036	**2,036**
Amounts used in year	(120)	(1,391)		**(1,511)**
Transfer to revenue				**0**
Balance at 31 March 2024	**3,592**	**2,190**	**2,036**	**7,818**

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 or have been identified as very likely to have a proposal raised by an interested party 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% (£0.4 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.

Water Rates Provision
The water rates provision related to a risk the council may be required to make refunds to tenants for historical overcharged water costs based on a precedent from a previous High Court case against Southwark Council.

24. Usable Reserves

31 March 2023 £000		31 March 2024 £000
8,155	General Fund balance	10,113
49,834	Earmarked Reserves	44,093
24,820	Housing Revenue Account balance	28,517
66,224	Capital Grants Unapplied	65,637
56,433	Capital Receipts Reserve	24,609
3,863	Major Repairs Reserve	8,194
209,329	**Total usable reserves**	**181,163**

25. Unusable Reserves

31 March 2023 £000		31 March 2024 £000
439,969	Revaluation Reserve	386,041
694,264	Capital Adjustment Account	673,482
(2,256)	Financial Instruments Adjustment Account	(1,928)
(136,692)	Pension Reserve	(92,844)
69	Deferred Capital Receipts Reserve	69
2,419	Collection Fund Adjustment Account	4,900
(8,258)	Dedicated School Grant Reserve (see note 34)	(15,296)
(3,639)	Accumulated Absences Account	(3,983)
985,876	**Total unusable reserves**	**950,441**

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
476,149	**Balance at 1 April**	**439,969**
(23,506)	Net gain/(deficit) on revaluation of fixed assets	(50,273)
(3,983)	Excess of Fair Value Depreciation over Historical costs depreciation	(3,278)
(8,691)	Removal of Revaluation balance upon sale	(377)
0	Other Adjustments	0
439,969	**Balance at 31 March**	**386,041**

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 2023/24 or 2022/23. 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.

2022/23 £000		2023/24 £000
719,227	**Balance at 1 April**	**694,264**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(28,516)	Net charges for depreciation of non-current assets	(29,831)
(35,761)	Net charges for impairment of non-current assets	(48,715)
0	Net charges for de-recognition of non-current assets	0
(56)	Amortisation of intangible assets	(56)
(31,463)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,609)
	Adjusting amounts written out of the Revaluation Reserve	
3,983	Excess of Fair Value Depreciation over Historical costs depreciation	3,278
8,691	Removal of Revaluation balance upon sale	377
(83,122)	**Net written out amount of the cost of non-current assets consumed in the year**	**(82,556)**
	Capital financing applied in the year:	
18,657	Use of the Capital Receipts Reserve to finance new capital expenditure	45,646
15,259	Use of the Major Repairs Reserve to finance new capital expenditure	6,095
17,807	use of Capital Grants and Contributions to fiannce new capital expenditure	24,731
5,439	Statutory provision for the repayment of debt	6,177
179	Use of receipts to repay debt	154
4,487	Capital expenditure charged against the General Fund and HRA balances	2,434
61,828	**Capital financing applied in year**	**85,237**
(2,744)	**Revenue expenditure funded from capital under statute**	**(5,160)**
(925)	**Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement**	**(203)**
0	**Capitalisation Direction**	**(18,100)**
694,264	**Balance at 31 March**	**673,482**

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.

2022/23 £000		2023/24 £000
(2,754)	**Balance at 1 April**	(2,256)
498	Gain from revaluation of Bridge Close loans	330
(2,256)	**Balance at 31 March**	**(1,926)**

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.

2022/23 £000		2023/24 £000
(475,094)	**Balance at 1 April**	**(136,692)**
357,096	Actuarial gains or (losses) on pensions assets and liabilities	38,910
(57,169)	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	(29,548)
38,475	Employer's pensions contributions and direct payments to pensioners payable in the year	34,486
(136,692)	**Balance at 31 March**	**(92,844)**

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.

2022/23 £000		2023/24 £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.

2022/23 £000		2023/24 £000
(7,918)	**Balance at 1 April**	**2,419**
10,337	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	2,481
2,419	**Balance at 31 March**	**4,900**

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.

2022/23 £000		2023/24 £000
(4,633)	**Balance at 1 April**	**(3,639)**
4,633	Settlement or cancellation of accrual made at the end of the preceding year	3,639
(3,639)	Amounts accrued at the end of the current year	(3,983)
994	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	(344)
(3,639)	**Balance at 31 March**	**(3,983)**

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2022/23 Authority £000	2022/23 Group £000		2023/24 Authority £000	2023/24 Group £000
64,277	64,277	Depreciation, impairment and downward revaluation	78,546	78,546
56	56	Amortisation	56	56
(36,983)	(37,425)	Movement in creditors	6,821	9,251
0	0	Movement in long-term creditors	(43,848)	(43,848)
6,220	6,094	Movement in debtors	4,764	4,827
(19,329)	(19,329)	Movement in long-term debtors	(8,389)	(8,389)
(19)	(19)	Movement in inventories	(44)	(44)
18,694	18,877	Movement in pension liability	(4,938)	(4,938)
(3,471)	(3,471)	Increase / (decrease) in provisions	525	(368)
31,463	31,463	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	7,609	7,408
3,660	3,655	Other non-cash items charged to the net surplus or deficit on the provision of services	23,945	25,015
64,568	**64,178**	**Net cash flows from operating activities**	**65,047**	**67,516**

Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities:

2022/23 Authority £000	2022/23 Group £000		2023/24 Authority £000	2023/24 Group £000
(31,528)	(31,528)	Capital grants credited to the Consolidated Income and Expenditure Statement	(24,146)	(24,146)
(19,800)	(19,800)	Proceeds from sale of fixed assets	(14,978)	(14,978)
(51,328)	**(51,328)**	**Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities**	**(39,124)**	**(39,124)**

27. Cash Flow Statement – Investing Activities

2022/23 Authority £000	2022/23 Group £000		2023/24 Authority £000	2023/24 Group £000
(116,522)	(133,376)	Purchase of property, plant and equipment, investment property and intangible assets	(126,678)	(129,979)
(8,321,824)	(8,311,811)	Purchase of short-term and long-term investments	(5,188,596)	(5,188,596)
19,800	26,010	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14,978	14,978
33,270	33,270	Capital grants received	22,903	22,903
8,390,310	8,390,310	Proceeds from short-term and long-term investments	5,171,585	5,171,585
5,034	**4,403**	**Net cash flows from investing activities**	**(105,808)**	**(109,109)**

28. Cash Flow Statement – Financing Activities

2021/22 Authority £000	2021/22 Group £000		2023/24 Authority £000	2023/24 Group £000
37,198	39,018	Cash receipts of short-term and long-term borrowing	254,041	257,086
(24,365)	(24,365)	Repayments of short-term and long-term borrowing	(129,252)	(129,252)
12,833	**14,653**	**Net cash flows from financing activities**	**124,789**	**127,834**

29. Trading Operations

2022/23 (Surplus)/ Deficit £000		2023/24 Income £000	2023/24 Expenditure £000	2023/24 (Surplus)/ Deficit £000
	a) Open Air Market			
247	The Authority operates an open air market four days a week	(353)	451	98
	b) Other Trading Accounts			
33	Highways	0	0	0
348	Schools/Welfare Catering	(9,082)	9,016	(66)

Open Air Market – The Market trading results have improved for 23/24 when comparing with 22/23 due to the reduction in expenditure. However there is still a decline in Market trading.

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.

In 2023/24, the Borough Catering Service has a surplus of £-212k before overheads. Once overheads are applied the surplus reduces to £-66k.
The trading position improved significantly in 23/24 due to the implementation of Universal Free School Meals for Primary children in the 23/24 academic year.

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

2022/23 £000		2023/24 £000
	Funding	
1,476	Section 75 Joint Pooled Budget between London Borough of Havering and North East London Foundation Trust	1,371
531	Recharges (excluded from the Pooled Budget)	607
2,208	Non Pooled Budget codes	2,981
4,011	**Total funding**	**4,681**
4,215	**Final outturn**	**4,959**

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), now known as Integrated Care Boards (ICB).

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/ICB 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.

APPENDIX C

Expenditure in 2023/24 was as follows:

Section 75 Joint Pooled Budget between LBH and CCG/ICB	2022-23			2023-24		
	£000 CCG	£000 LBH	£000 Total	£000 ICB	£000 LBH	£000 Total
Funding						
Capital						
Disability Facility Grant Allocation		2,057	2,057		2,236	2,236
Revenue						
Social Care/ iBCF		6,825	6,825		6,825	6,825
Minimum CCG/ICB Contribution	21,552		21,552	22,771		22,771
Additional Contribution	574	874	1,448	527	874	1,401
ASC Discharge Fund	1,535	838	2,373	1,731	957	2,688
Demand and Capacity	1,159		1,159	1,159		1,159
Total	**24,820**	**10,594**	**35,414**	**26,188**	**10,892**	**37,080**
Expenditure						
Capital						
Disability Facility Grant Allocation		2,014	2,014		2,129	2,129
Revenue						
Social Care/ iBCF		6,825	6,825		6,825	6,825
Minimum CCG/ICB Contribution	12,973	8,578	21,552	13,633	9,139	22,771
Additional Contribution	574	873	1,447	527	874	1,401
Hospital Discharge	1,535	838	2,373	1,731	957	2,688
Demand and Capcity		1,159	0		1,159	1,159
Total	**15,083**	**20,287**	**34,211**	**15,891**	**21,082**	**36,973**

Comparative figures for 2022/23 are 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**	**0**	**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)	**4,878**	**0**	**0**
Discharge Support	3,300		
Ageing Well	1,578		
Improved Better Care Fund	**6,624**	**6,624**	**0**
Net Pooled Revenue	**32,772**	**27,894**	
Total Pooled	**34,829**	**29,908**	**(701)**

31. Members' Allowances

Payments in year were £898,187 including expenses (£889,520 in 2022/23). Additionally, payments to co-opted members totalled £1,117 (£1,117 in 2022/23).

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:

			2022/23			2023/24	
Lower Band		Upper Band	Schools	Other	**Total**	Schools	Other	**Total**
£50,000	-	£55,000	59	109	**168**	96	125	**221**
£55,000	-	£60,000	25	81	**106**	38	105	**143**
£60,000	-	£65,000	18	41	**59**	17	67	**84**
£65,000	-	£70,000	11	26	**37**	15	29	**44**
£70,000	-	£75,000	12	15	**27**	11	15	**26**
£75,000	-	£80,000	9	3	**12**	10	11	**21**
£80,000	-	£85,000	7	20	**27**	10	15	**25**
£85,000	-	£90,000	6	6	**12**	6	4	**10**
£90,000	-	£95,000	1	9	**10**	6	4	**10**
£95,000	-	£100,000	2	5	**7**	2	9	**11**
£100,000	-	£105,000	0	1	**1**	3	2	**5**
£105,000	-	£110,000	2	5	**7**	0	3	**3**
£110,000	-	£115,000	1	1	**2**	2	2	**4**
£115,000	-	£120,000	0	4	**4**	0	2	**2**
£120,000	-	£125,000	0	4	**4**	1	0	**1**
£125,000	-	£130,000	0	0	**0**	0	1	**1**
£130,000	-	£135,000	0	1	**1**	0	1	**1**
£135,000	-	£140,000	0	0	**0**	0	1	**1**
£140,000	-	£145,000	0	0	**0**	0	1	**1**
£145,000	-	£150,000	0	0	**0**	0	0	**0**
£150,000+			0	4	**4**	0	3	**3**
			153	**335**	**488**	**217**	**400**	**617**

The table includes staff for whom additional disclosures are required, as set out below (Senior Officers Remuneration).

APPENDIX C

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 2023/24	Employer's pension contribution	Total Remuneration including pension contributions 2023/24
		£	£	£	£	£
Chief Executive - Andrew Blake-Herbert		196,755		**196,755**	32,465	**229,220**
Section 151 Officer and Chief Financial Officer	1	44,192		**44,192**	1,594	**45,787**
Director of Children's	2	7,522		**7,522**	1,241	**8,764**
Strategic Director of People - Barbara Nicholls	3	169,254		**169,254**	27,927	**197,181**
Strategic Director of Place	4	143,866		**143,866**	0	**143,866**
Strategic Director of Resources	5	109,784		**109,784**	18,114	**127,898**
Director of Ageing Well (Adults)	6	96,014		**96,014**	15,842	**111,857**
Director of Living Well - Patrick Odling-Smee	7	152,073		**152,073**	27,454	**179,527**
Director of Starting Well (Children's)	8	109,760		**109,760**	18,906	**128,665**
Director of Environment	9	83,929		**83,929**	13,848	**97,777**
Director of Planning and Public Protection	10	96,014		**96,014**	15,842	**111,857**
Director of Customer Services	11	74,678		**74,678**	12,322	**87,000**
Director of Public Health		126,013		**126,013**	21,271	**147,285**
Total		**1,409,855**	**0**	**1,409,855**	**206,827**	**1,616,682**

Note 1 The Section 151 Officer and Chief Financial Officer left on 31/07/2023

Note 2 The Director of Children's left on 16/04/2023

Note 3 Up until June 2023, the Strategic Director of People postholder was the Director of Adult Services. The remuneration covers both roles.

Note 4 Up until June 2023, the Strategic Director of Place postholder was the Director of Regeneration. The remuneration covers both roles.

Note 5 The Strategic Director of Resources joined on 01/08/2023

Note 6 The Director of Ageing Well (Adults) is a new post from 01/07/2023

Note 7 Up until June 2023, the Director of Living Well postholder was the Director of Housing. The remuneration covers both roles.

Note 8 The Director of Starting Well (Children's) is a new post from 01/07/2023

Note 9 The Director of Environment is a new post from 01/07/2023

Note 10 The Director of Planning and Public Protection is a new post from 01/07/2023

Note 11 The Director of Customer Services is a new post from 01/07/2023

The comparative figures for 2022/23 are as follows:

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.

33. External Audit Costs

Fees payable in relation to external audit and inspection for 2023/24:

2022/23 £000		2023/24 £000
175	Scale fees payable with regard to external audit services carried out by appointed auditor	439
TBC	Fees payable for the certification of grant claims and returns for the year	TBC
0	Fees payable in respect of other services provided during the year	0
175	**Total for year**	**439**

APPENDIX C

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 £7.038million 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 £15.296 million.

Details of the deployment of DSG receivable for 2023/24 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure £000	Individual Schools Budget £000	Totals £000
Final DSG for 2023/24 before academy and high needs recoupment			285,562
Less academy and high needs figure recouped for 2023/24			(135,689)
Total DSG after academy and high needs recoupment for 2023/24			**149,873**
Plus: brought forward from 2022/23			0
Less: Carry-forward to 2024/25 agreed in advance			0
Agreed initial budgeted distribution for 2023/24	**44,890**	**104,983**	**149,873**
In year adjustments		(195)	(195)
Final budgeted distribution for 2023/24	**44,890**	**106,308**	**151,198**
Less: Actual central expenditure	(51,928)		(51,928)
Less: Actual ISB deployed to schools		(104,788)	(104,788)
Plus: Local authority contribution for 2023/24			0
In year carry forward to 2024/25 (negative DSG Reserve)	**(7,038)**	**0**	**(7,038)**
Plus: Carry forward to 2024/25 agreed in advance			0
Carry forward to 2024/25			**(7,038)**
DSG unusable reserve at the end of 2022/23			(8,258)
Addition to DSG unusable reserve at the end of 2023/24			(7,038)
Total of DSG unusable reserve at the end of 2023/24			(15,296)
Net position at the end of 2023/24			**(15,296)**

Comparative figures 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 2023/24 (negative DSG Reserve)	**(3,938)**	**0**	**(3,938)**
Plus: Carry forward to 2022/23 agreed in advance			0
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 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)**

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:

2022/23 £000		2023/24 £000
Credited to Taxation and Non Specific Grant Income		
1,454	Revenue Support Grant	1,899
22,331	Non ring-fenced Grants	30,033
31,528	Capital Grants	24,146
55,313	**Total**	**56,078**
Credited to Services		
31,548	Rent Allowances	30,659
23,005	Rent Rebates	22,630
11,925	Public Health Grant	12,303
143,194	Dedicated Schools Grant	149,236
9,153	Better Care Fund	9,666
3,826	Hospital Discharge Fees	1,613
2,386	Other Contributions from ICB	3,525
6,982	Contributions from Other Local Authorities	6,271
5,363	Pupil Premium Grant	5,499
2,635	Universal Free School Meals	6,485
2,774	Other Childrens and Education Funding	2,561
1,969	Unaccompanied Asylum Seeking Children Funding	1,674
2,897	Flexible Homelessness Grant (no actual designated flexible homelessness	3,286
189	Teachers Pension and Pay Grants	1,012
3,490	Homes for Ukraine	1,102
1,384	HCAE	1,366
412	Energy Rebate Scheme	30
3,524	Emergency Assistance Scheme	4,003
8,737	Other	3,899
265,392	**Total**	**266,818**

Current Liabilities

b) Capital Grants – receipts in advance:

2022/23		2023/24
£000		£000
12,581	Brought forward	14,958
3,010	Amounts received in year	758
(633)	Amounts applied to meet new capital investment	(1,001)
14,958	**Carried forward**	**14,715**

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 2023/24 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.

A small number of council members declared a position of interest in schools, voluntary, charitable or public bodies with which the council interacts with. It should be noted that these individual members were not in a position to direct or control any financial interaction with these organisations. These relationships are illustrated below.

Organisations	Council Member	Payments to Organisations by the Authority £000	Balance Outstanding £000	Income £000	Income Outstanding £000
Adecco UK Ltd	Viddy Persaud	0	0	40	0
Broadford Primary School	Paul McGeary	0	0	8,460	0
BETRA	Paul McGeary	206	0	5	0
East London Waste Authority	Barry Mugglestone	18,059	0	876	0
Havering Citizen's Advice Bureau	Jane Keane Mandy Anderson	80	0	10	0
Havering Association for People with Disabilities	Christine Smith	89	0	3	0
Havering Theatre Trust	Paul Middleton Paul McGeary	110	0	31	0
Hornchurch & District Allotment Society	Jacqueline McArdle	0	0	9	0
Langton's Junior School	Paul Middleton	141	0	100	0
The Learning Federation - Mead and Broadford Schools	Mandy Anderson Paul McGeary	10,208	0	26	0
Lightnin' Drama Group	Sue Ospreay	7	0	0	0
London Borough of Barking and Dagenham	Patricia Brown Robby Misir	378	0	1,000	0
London Councils	Gillian Ford Graham Williamson Barry Mugglestone Paul McGeary	403	0	354	0
London Riverside (BID) Ltd	Graham Williamson	499	0	26	0
Mardyke Community Centre	Trevor McKeever	9	0	1	0
Mead Primary School	Paul McGeary	0	0	331	0
Peabody Trust	James Glass	828	0	0	0
Romford Town Management Partnership	Graham Williamson	616	0	28	0
Tapestry Care	Christine Smith	582	0	3	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.

During 2022/23, each borough's Cabinets agreed that HR, Pensions & Treasury, Procurement and Asset Management were to return to their sovereign boroughs over the course of 2023/24 with ICT due to return by the end of 2025.

The oneSource net controllable expenditure for 2022/23 and 2023/24 is disclosed below indicating the share falling to each of the authorities. The LBN share is charged against the Consolidated Income and Expenditure Statement.

2022/23 £000	oneSource	2023/24 £000
	Net Expenditure	
5,664	Exchequer and Transactional Services	5,065
2,188	Finance	393
1,728	Procurement	0
661	Business Services	0
3,352	Legal and Governance	3,717
10,532	ICT	13,631
1,842	Asset Management	0
3,643	Strategic and Operational HR	0
29,610	**Total Net Expenditure**	**22,806**
	Cost Sharing:	
15,683	London Borough of Newham	11,581
13,927	London Borough of Havering	11,225

As at 31st March 2024, the Authority owed £1.765m to the London Borough of Newham for 2023/24.

The Newham Joint Committee Council Members are Mayor Rokhsana Fiaz, Councillor Charlene McLean, and Councillor Zulfiqar Ali and the Havering Joint Committee Council Members are Councillor Ray Morgon, Councillor Paul Middleton and Councillor Christopher Wilkins.

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 2024, 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 £0.9m loss. A 50% of the assets and liabilities of the joint venture is shown within the group accounts, this is predominantly a £38.3m property development in progress. The Council's balance sheet includes the Council's loan to the LLP, £20.65m as at 31st March 2024.

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 2024, Bridge Close had a small profit of £29k. The balance sheet includes the Council's and nominee company's funding in the LLP, £30.9m as at 31st March 2024 split between investments and long-term debtors.

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 £2.456m 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:

2022/23 £000	Capital Expenditure	2023/24 £000
124,230	Property, Plant and Equipment	113,017
4	Heritage	17
2,744	Revenue expenditure funded from capital under statute	5,160
0	Capitalisation Direction	18,100
16,514	Long Term Investments	3,039
8,827	Long Term Loans	5,150
152,319	**Total capital expenditure**	**144,483**
	Less financed from	
(18,478)	Capital receipts	(45,646)
(15,259)	Major repairs	(6,095)
(4,487)	Revenue funds	(2,434)
(17,807)	Grants and contributions	(24,731)
96,288	**Increase in need to borrow**	**65,577**
(5,618)	Minimum Revenue Provision	(6,177)
(179)	Use of Receipts to repay Debt	(154)
90,491	**Change in Capital Financing Requirement**	**59,246**

APPENDIX C

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:

2022/23 £000		2023/24 £000
327	Children's and Education Services	150
0	Highways, Roads and Transport Services	0
327	**Minimum Lease Payments**	**150**

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

31 March 2023 £000		31 March 2024 £000
296	Not later than one year	145
449	Later than one year and not later than five years	134
0	Later than five years	2
745	**Minimum Lease Payments**	**281**

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 2023 £000		31 March 2024 £000
61	Not later than one year	0
0	Later than one year and not later than five years	0
61	**Minimum Lease Payments**	**0**

Changes to accounting standards: IFRS16 Leases

The implementation of IFRS 16 Leases in the Code has been deferred until 2024/25 financial year. This aligns with the decision at the Government's Financial Reporting Advisory Board to establish a new effective date of 1 April 2024 for the implementation of IFRS 16. However, both the 2022/23 and the 2023/24 Codes allowed for adoption as of 1 April 2022 or 2023.

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 for 2024/25 to reflect the changes, including a threshold for exempt low-value leases.

39. 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 2023	6,500	149,915
Receipts	324	7,291
Payments	(324)	0
Balance at 31 March 2024	**6,500**	**157,206**

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.

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	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
£0 - £20,000	5	14	39	4	44	18	470,202	139,554
£20,001 - £40,000	4	3	19	4	23	7	581,302	215,628
£40,001 - £60,000	0		0		0	0	0	0
£60,001 - £80,000	0		0		0	0	0	0
£80,001 - £100,000	0		0		0	0	0	0
£100,001 - £150,000	0		0		0	0	0	0
>£150,000	0		0		0	0	0	0
Total	**9**	**17**	**58**	**8**	**67**	**25**	**1,051,504**	**355,182**

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 2023/24 the Authority paid £9.2m (£8.9m 2022/23) to Teachers Pensions in respect of teachers' pension contributions. This represented a contribution rate of 23.68% (23.68% in 2022/23).

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 2023/24 the Authority paid £43,060 (£43,754 in 2022/23) to NHS Pensions in respect of public health pension contributions. This represented 16.88% of pensionable pay (16.88% in 2022/23).

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:
   - Absolute Return Fund
   - Global Alpha Paris Aligned Fund
   - Global Bond Fund
   - Infrastructure Renewables Fund
   - Passive Equity Progressive Paris Aligned (PEPPA) Fund
3. Royal London Asset Management
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:

2022/23 £000		2023/24 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
	Service Cost Comprising:	
43,576	Current service cost	23,185
1,525	Past service costs	133
(832)	Gain from settlements	0
	Financing and Investment Income and Expenditure	
12,900	Net interest expense	6,230
57,169	**Total post-employment benefits charged to the surplus or deficit on the provision of services**	**29,548**
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
21,371	Return on plan assets (excluding the amount included in the net interest expense)	(21,207)
(443,577)	Actuarial gains and losses arising on changes in financial assumptions	(42,156)
65,110	Other	24,453
(357,096)	**Total post-employment Benefits charges to the Comprehensive Income and Expenditure Statement**	**(38,910)**
	Movements in Reserves Statement	
(57,169)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(29,548)
	Actual amount charged against the General Fund Balance for pensions in the year:	
38,475	Employers' contributions payable to scheme	34,486
(18,694)	**Net movement in Pensions Reserve**	**4,938**

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:

2022/23 £000		2023/24 £000
	Local Government Pension Scheme	
(944,988)	Present value of the defined benefit obligation	(958,061)
851,038	Fair value of plan assets	865,545
(93,950)	**Net liability arising from defined benefit obligation**	**(92,516)**

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

2022/23 £000		2023/24 £000
	Local Government Pension Scheme	
801,340	Opening fair value of scheme assets	851,038
21,714	Interest income	38,333
	Re-measurement gain (loss):	
21,371	The return on plan assets, excluding the amount included in the net interest expense	(21,207)
38,475	Contributions from employer	34,486
7,018	Contributions from employees into the scheme	7,459
(38,064)	Benefits paid	(44,564)
(816)	Other – effect of settlements	0
851,038	**Closing fair values of scheme assets**	**865,545**

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

2022/23 £000		2023/24 £000
	Funded liabilities: Local Government Pension Scheme	
1,276,434	Opening balance at 1 April	944,988
43,576	Current service cost	23,185
34,614	Interest cost	44,563
7,018	Contributions from scheme participants	7,459
	Re-measurement (gains) and losses:	
(443,577)	Actuarial (gains)/ losses arising from changes in financial assumptions	(42,156)
65,110	Other	24,453
1,525	Past service cost (Including curtailments)	133
(38,064)	Benefits paid	(44,564)
(1,648)	Liabilities extinguished on settlements	0
944,988	**Closing balance at 31 March**	**958,061**

APPENDIX C

Local Government Pension Scheme assets comprised:

2022/23					2023/24			
Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %	Asset Category	Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %
				Debt Securities				
0		**0**	0.00	Corporate bonds (investment grade)			**0**	
22,736		**22,736**	3.00	UK Government	21,259		**21,259**	2.00
		0	0.00	Other			**0**	
				Real Estate				
46,309		**46,309**	6.00	UK Property	44,008		**44,008**	5.00
32,168		**0**	4.00	Overseas Property	28,927		**28,927**	3.00
				Investment Funds and Unit Trusts				
474,798		**474,798**	59.00	Equities	454,696		**454,696**	53.00
54,699		**54,699**	7.00	Bonds	100,820		**100,820**	12.00
75,906		**75,906**	9.00	Infrastructure	98,279		**98,279**	11.00
72,063		**72,063**	9.00	Other	75,369		**75,369**	9.00
				Derivatives				
(260)		**(260)**	0.00		(103)		**(103)**	0.00
0		**0**	0.00	Foreign Exchange	79		**79**	0.00
				Cash and Cash Equivalents				
29,877		**29,877**	3.00	All	41,883		**41,883**	5.00
808,296		**776,128**	**100.00**	**Totals**	**865,217**		**865,217**	**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 2024

2022/23 £000		2023/24 £000
	Local Government Pension Scheme	
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.4 years	Men	21.2 years
24.0 years	Women	23.8 years
	Longevity at 65 for future pensioners:	
22.3 years	Men	22.1 years
25.5 years	Women	25.3 years
3.00%	Rate of inflation (CPI)	2.80%
3.70%	Rate of increase in salaries	3.50%
3.00%	Rate of increase in pensions	2.80%
4.75%	Rate for discounting scheme liabilities	4.80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. 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 2024	Approximate % increase to Employer Liability	Approximate Monetary amount £000
0.1% increase in Real Discount Rate	2%	15,925
1 Year increase in life expectancy	4%	38,322
0.1% increase in the Salary Increase Rate	0%	1,262
0.1% increase in the Pension Increase Rate (CPI)	2%	14,938

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 £28.279m contributions to the scheme in 2024/25.

The weighted average duration of the defined benefit obligation for scheme members is 17 years as 31st March 2024 (17 years 31 March 2023).

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 2024 is £754,244 with estimated scheme liabilities at the same date of £283,030. 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.

Housing Revenue Account

APPENDIX C

Housing Revenue Account
Income and Expenditure Statement 2023/24

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.

2022/23 £000		Notes	2023/24 £000
	Income		
(49,371)	Dwelling rents		(54,303)
(476)	Non-dwelling rents		(463)
(10,557)	Charges for services and facilities		(13,830)
(14,693)	Contributions towards expenditure		(5,740)
(75,097)	**Total Income**		**(74,336)**
	Expenditure		
11,080	Repairs and maintenance		13,856
23,051	Supervision and management		26,928
827	Rents, rates, taxes and other charges		490
538	Increased provision for bad/doubtful debts		604
49,055	Depreciation and Impairment of tangible fixed assets		54,514
-	Debt management		88
84,551	**Total Expenditure**		**96,480**
9,454	**Net expenditure or income of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement**		**22,144**
250	HRA Services' share of Corporate and Democratic Core		212
9,704	**Net Expenditure of HRA Services**		**22,356**
	HRA Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
(5,841)	Net gain on disposal of HRA assets		(4,702)
7,396	Interest payable and similar charges		10,609
(905)	Interest and investment income		(1,083)
(498)	Fair value gain on acquired Bridge Close loans		(329)
9,856	**Deficit/(Surplus) for the year on HRA Services**		**26,851**

Movement on the Housing Revenue Account Balance during 2023/24

2022/23 £000		2023/24 £000
(19,573)	**Housing Revenue Account balance brought forward**	**(24,819)**
10,354	(Surplus)/deficit for the year on the HRA Income and Expenditure Account	26,851
(15,600)	Adjustments between accounting basis and funding basis under regulations	(32,725)
(24,819)	**HRA balance before transfer to earmarked reserves**	**(30,693)**
-	Transfers to earmarked reserves	2,178
(24,819)	**Housing Revenue Account balance carried forward**	**(28,515)**

Note to the Statement of Movement on the Housing Revenue Account Balance 2022/23

2022/23 £000		2023/24 £000
Items included in the HRA Income and Expenditure but excluded from the movement in the HRA balance		
Adjustments to the Revenue Resources		
(318)	Pensions costs (transferred from the Pensions Reserve)	785
96	Holiday pay (transferred to the Accumulated Absences Reserve)	(14)
(55,282)	Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account	(61,330)
498	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to fair value changes in Bridge Close loan notes (these items are charged to the Capital Adjustment Account	329
(55,006)	**Total Adjustments to Revenue Resources**	**(60,230)**
Adjustments between Revenue and Capital Resources		
11,834	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	11,433
234	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	86
10,462	Posting of HRA resources from revenue to the Major Repairs Reserve	10,426
3,518	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	500
	Deferred Capital Receipt	
26,048	Total Adjustments between Revenue and Capital Resources	**22,445**
13,856	Total Adjustments to Capital Resources:	5,061
(15,102)	**Adjustments between accounting basis and funding basis under regulations**	**(32,724)**

APPENDIX C

Notes to the Housing Revenue Account

1. Information on Housing Fixed Assets

a) Number of Dwellings

2022/23 Number		2023/24 Number
	Flats	
2,673	1 bedroom	2,747
2,199	2 bedrooms	2,239
352	3 bedrooms	361
20	4 & 5 bedrooms	21
	Houses	
323	1 bedroom	321
1,081	2 bedrooms	1,076
2,301	3 bedrooms	2,308
186	4 & 5 bedrooms	186
9,135	**Total Number of Dwellings**	**9,259**

b) Balance Sheet Value of HRA Tangible Fixed Assets

2022/23 £000		2023/24 £000
	Operational	
681,311	Council Dwellings	689,261
10,628	Other Land & Buildings	13,762
0	Community Assets	0
616	Infrastructure	560
71,341	Assets Under Construction	45,475
763,896	**Total Tangible Fixed Assets**	**749,058**

c) Valuation of Council Dwellings at Year End

2022/23 £m		2023/24 £m
2,725	Vacant Posession Value	2,757
2,044	Excess of Vacant Posession over Balance Sheet Value	2,068
681	**Balance Sheet value**	**689**

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

2022/23 £'000		2023/24 £'000
8,660	**Balance brought forward at start of year**	**3,863**
10,462	Total depreciation from Capital Adjustment Account	10,426
(15,259)	less MRR used to fund Capital Expenditure on HRA Dwellings	(6,095)
3,863	**Balance carried forward at end of year**	**8,194**

3. a) Total Capital Expenditure and Funding

2022/23 £'000		2023/24 £'000
	Capital expenditure on HRA property and other assets:	
50,033	Dwellings	60,519
459	Other land buildings	684
38,911	Assets Under Construction	13,795
17,375	Investments	7,971
106,778	**Total expenditure**	**82,969**
	Financed from:	
15,259	Major Repairs Reserve	6,095
8,690	Grants and contributions	11,207
3,518	Revenue contributions	500
11,690	Capital receipts	15,304
67,621	Borrowing	49,863
106,778	**Total funding**	**82,969**

b) HRA Capital Receipts

2022/23 £'000		2023/24 £'000
11,748	Right to Buy sales	4,586
320	Other property sales	6,933
12,068	**Total cash receipts**	**11,519**
(73)	Transferred for Pooling	-
11,995	**Total income**	**11,519**

4. Depreciation and Impairment Charge

The depreciation charged to the HRA breaks down as follows:

2022/23 £'000		2023/24 £'000
10,081	Dwellings	10,231
202	Other buildings	139
0	Equipment	0
179	Infrastructure	56
10,462	**Total HRA depreciation**	**10,426**
38,593	Revaluation credit/debit	44,088
49,055	**Total HRA depreciation and Revaluation charge**	**54,514**

5. Rent Income, Arrears and Bad Debts

2022/23 £'000	Rent	2023/24 £'000
111.05	Average weekly rent (including service charges unpooled)	117.30

31 March 2023 £000	Arears and Bad Debts	31 March 2024 £000
4,903	Rent arrears at 31 March	5,335
(4,363)	Bad debts provision at 31 March	(4,966)
540	**Total**	**368**

Collection Fund Account

Collection Fund 2023/24

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 2023/24

2022/23 Business Rates £000	2022/23 Council Tax £000		2023/24 Business Rates £000	2023/24 Council Tax £000
		Income		
	(178,337)	Income from Council Tax		(190,828)
(70,701)		Income from Business Rates	(71,314)	
101		Transitional relief	(6,301)	
(2,077)		Income collectable from Business Rate Supplement	(2,117)	
		Previous Year Deficit recognised in the CI&ES		
(7,717)	738	London Borough of Havering	(176)	
(8,489)		Central Government	(193)	
(9,518)	184	Greater London Authority	(217)	
(98,401)	**(177,415)**	**Total Income**	**(80,318)**	**(190,828)**
		Expenditure		
		Previous Year Surplus recognised in the CI&ES		
		London Borough of Havering		(989)
		Central Government		
		Greater London Authority		(228)
		Precepts		
20,862	140,823	London Borough of Havering	23,988	149,071
22,949		Central Government	26,386	
25,730	35,362	Greater London Authority	29,585	39,128
		Charges to Collection Fund		
697	889	Write-offs	1,315	0
88	1,560	Increase/(decrease) in bad debt provision	(710)	1,530
(12,094)		Increase/(decrease) in provision for appeals	(4,638)	
262		Cost of collection	265	
		Business Rate supplement		
2,071		Payment to Greater London Authority	2,111	
6		Cost of Collection	6	
60,571	**178,634**	**Total Expenditure**	**78,308**	**188,512**
(37,830)	1,219	Movement in fund balance	(2,011)	(2,316)
25,779	231	Net deficit/(surplus) at start of year	(12,051)	1,450
(12,051)	**1,450**	**Net deficit/(surplus) carried forward notes 3a & 3b)**	**(14,062)**	**(866)**

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 2023/24 at £2,088.13 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	4
A	2,178
B	5,579
C	20,749
D	31,465
E	17,177
F	8,714
G	4,798
H	652
Allowance for losses in collection 1.30%	(1,188)
Tax Base	**90,128**

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 £223.1m at 31 March 2024 (£201.0m at 31 March 2023) multiplied by uniform rates for large and small businesses. In 2023/24 the rate was 51.2p for large businesses (51.2p in 2022/23) and 49.9p for small businesses (49.9p in 2022/23). 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 £75,000 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

2022/23 £000		2023/24 £000
97,196	Gross NNDR due in year	105,835
(26,495)	Less: allowances and other adjustments	(34,521)
70,701	**Net NNDR Yield**	**71,314**

2b) Income collectable from Business Rate Supplement

2022/23 £000		2023/24 £000
2,282	Gross Supplement due in year	2,419
(205)	Less: allowances and other adjustments	(302)
2,077	**Net Business Rate Surplus Yield**	**2,117**

From 2024/25, Havering will be a member of a Business Rates Pool overseen by Thurrock Council.

3. Collection Fund Surplus/Deficit

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 allowed the deficit charge estimated at January 2021 to be spread over three years.

3a) Council Tax

2022/23 £000		2023/24 £000
1,197	London Borough of Havering	(681)
254	Greater London Authority	(185)
1,451	**(Surplus) / Deficit**	**(866)**

3b) Business Rates

2022/23 £000		2023/24 £000
(3,616)	London Borough of Havering	(4,219)
(3,948)	Central Government	(4,611)
(4,488)	Greater London Authority	(5,232)
(12,052)	**Deficit**	**(14,062)**

Pension Fund Account

Fund Account, Net Asset Statement and Notes

2022/23 £000	FUND ACCOUNT	notes	2023/24 £000
	Dealings with members, employers and others directly involved in the fund		
53,111	Contributions receivable	7	50,860
3,029	Transfers in from other pension funds	8	6,321
56,140			**57,181**
(42,530)	Benefits	9	(44,696)
(3,908)	Payments to and on account of leavers	10	(4,461)
(46,438)			**(49,157)**
9,702	**Net additions from dealings with members**		**8,024**
(5,940)	Management expenses	11	(6,130)
3,762	**Net additions including fund management expenses**		**1,894**
	Return on investments		
16,484	Investment income	12	18,327
(44,577)	Profit and losses on disposal of investments and changes in the market value of investments	13a	53,525
(28,093)	**Net returns on investments**		**71,852**
(24,331)	**Net increase/(decrease) in the net assets available for benefits during the year**		**73,746**
920,083	Opening net assets of the Fund at start of year		895,752
895,752	**Closing net assets of the Fund at end of year**		**969,498**

22/23 £000	NET ASSET STATEMENT	notes	2023/24 £000
150	Long Term Investments	13	150
879,324	Investment Assets	13	946,100
(272)	Investment Liabilities	13	(449)
879,202	**Total net investments**		**945,801**
16,962	Current Assets	20	24,707
(412)	Current Liabilities	21	(1,010)
895,752	**Net assets of the Fund available to fund benefits at end of the reporting period**		**969,498**

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.

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 London Borough of Havering Pensions Committee and the Local Pension Board.

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 59 employer organisations with active members within the Havering Pension Fund including the Authority.

The membership profile is detailed below:

31 Mar 2023		31 Mar 2024
56	Number of employers with active members	59
	Number of employees in scheme	
4,801	London Borough of Havering	5,205
1,818	Scheduled bodies	2,523
73	Admitted bodies	112
6,692	**Total active members**	**7,840**
	Number of pensioners and dependants	
6,285	London Borough of Havering	6,437
454	Scheduled bodies	534
36	Admitted bodies	38
6,775	**Total pensioners and dependant members**	**7,009**
	Deferred pensioners	
5,621	London Borough of Havering	5,564
1,093	Scheduled bodies	1,197
36	Admitted bodies	39
6,750	**Total deferred members**	**6,800**
20,217	**Total number of members in pension scheme**	**21,649**

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 2024. Employer contributions are set based on triennial actuarial funding valuations. Current employer contribution rates range from 0% to 41.0% of pensionable pay.

d. Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website
https://www.lgpsmember.org/.

2. Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2023/24 financial year and its position at year end as at 31 March 2024. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 "(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).

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 19.

The Administering Authority is satisfied that Havering Pension Fund is a going concern and the financial statements for 2023/24 have been prepared on a going concern basis as follows:

The investment returns for 2023/24 was +7.38% and +2.69% over the three year to 31 March 2024. Invested asset values have increased by £66.6m over the year.

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 £47.1m at the Balance Sheet date, equivalent to 5% of the fund assets. In addition, the Fund held £670m 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 investments.

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 22)

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 19)	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 +/- £1m +/- £43m
Level 3 Investments (Note 15a)	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 £276m, which represents 28% of the total Fund value of £969m.	Sensitivity Analysis shows that the £276m valuation could decrease or increase within the range of £256m and £296m

6. Events after the Reporting Date

The Present Value of Promised Retirement Benefits (note 19) 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 2024 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 2024 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 and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position as at 31 March 2024 is stronger than at the previous formal valuation at 31 March 2022.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment is subject to appeal, and the Court of Appeal heard the arguments on 26 and 27 June 2024.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 26, or if it can be reliably estimated. As a result the Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media casein the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

7. Contributions Receivable

By category

2022/23 £000		2023/24 £000
	Employees' contributions	
	Normal:	
7,012	London Borough of Havering	7,454
1,714	Scheduled Bodies	2,003
99	Admitted Bodies	146
	Additional contributions:	
6	London Borough of Havering	7
8,831	**Total Employees' Contribution**	**9,610**
	Employers' contributions	
	Primary contributions:	
17,590	London Borough of Havering	20,088
5,625	Scheduled bodies	7,034
468	Admitted bodies	616
	Secondary contributions:	
	Employer contribution to deficit	
18,569	London Borough of Havering	12,821
750	Scheduled bodies	269
3	Admitted bodies	4
	Employer reduction to surplus	
-	Scheduled bodies	(39)
-	Admitted bodies	(31)
	Augmentation	
1,275	London Borough of Havering	488
44,280	**Total Employers' Contributions**	**41,250**
53,111	**Total Contributions Receivable**	**50,860**

The London Borough of Havering figure reflects additional contributions made by the Authority to the Pension Fund. These consist of £10.916m (22/23 £12.650m) secondary contributions and £0.065m (22/23 £5.920m) voluntary planned contributions.

Since the 2022 valuation performed by the actuary there are a number of employers with an accounting surplus. These employers have a negative contribution rate.

By authority

2022/23 £000		2023/24 £000
44,452	London Borough of Havering	40,858
8,089	Scheduled bodies	9,267
570	Admitted Bodies	735
53,111	**Total Contributions Receivable**	**50,860**

8. Transfers in from other Pension Funds

2022/23 £000		2023/24 £000
3,029	Individual transfers	6,321
3,029	**Transfers in**	**6,321**

9. Benefits Payable

By category

2022/23 £000		2023/24 £000
	Pensions	
32,674	London Borough of Havering	36,105
1,547	Scheduled Bodies	1,787
202	Admitted Bodies	229
34,423	**Pension Total**	**38,121**
	Commutation and Lump Sum Retirements	
6,205	London Borough of Havering	4,656
560	Scheduled Bodies	895
181	Admitted Bodies	10
6,946	**Commutation and Lump Sum Retirements Total**	**5,561**
	Lump Sum Death Benefits	
985	London Borough of Havering	787
176	Scheduled Bodies	227
1,161	**Lump Sum Death Benefits Total**	**1,014**
42,530	**Total Benefits Payable**	**44,696**

By authority

2022/23 £000		2023/24 £000
39,864	Havering	41,548
2,283	Scheduled bodies	2,909
383	Admitted Bodies	239
42,530	**Total Benefits Payable**	**44,696**

10. Payments To and On Account of Leavers

2022/23 £000		2023/24 £000
79	Refunds to members leaving service	42
3,829	Individual transfers	4,294
-	Other	125
3,908	**Payments to and on Account of Leavers**	**4,461**

11. Management Expenses

2022/23 £000		2023/24 £000
727	Administrative Costs	821
4,628	Investment Management Expenses	4,584
581	Oversight and Governance Costs	718
4	Local Pension Board	7
5,940	**Management Expenses**	**6,130**

a. External Audit Fees

2022/23 £000		2023/24 £000
(14)	Oversight and Governance - External Audit costs	90
(14)	**External Audit Fees**	**90**

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 13a).
The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

b. Investment Management Expenses

2023/24	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2023/24 Total £000
Bonds	191	-	1	192
Diversified Growth Funds	145	-	112	257
Infrastructure	873	72	-	945
Global Equity	1,556	-	122	1,678
Other Investments				
Pooled Property	525	128	126	779
Private Debt	670	-	-	670
Derivatives – Forward Currency Contracts	35	-	-	35
	3,995	**200**	**361**	***4,556**
Custody Fees				28
Performance Measurement Fees				38
Total Investment Management Expenses				**4,622**

* Includes £1.578m charged by the London CIV asset pool (£1.954m in 2022/23)

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
Total Investment Management Expenses				**4,628**

* Includes £1.954m charged by the London CIV asset pool (£2.086m 2020/21)

12. Investment Income

2022/23 £000		2023/24 £000
13,682	Pooled Investments – unit trusts and other managed funds	14,660
600	Income from Bonds*	507
-	Fixed income	173
1,928	Pooled Property Investments	1,453
12	Income from derivatives (Foreign Exchange Gains/(losses))	-
262	Interest on Cash Deposits	1,427
-	Other Income**	107
16,484	**Investment Income**	**18,327**

***** Income includes index linked interest of £0 (2022/23 £0.210m), fund is now fully divested
** Fees and charges income

13. Analysis of Investments

2022/23 £000		2023/24 £000
	Investment Assets	
150	LCIV Shareholding	150
150		150
	Bonds	
351	Fixed Interest Securities*	-
26,737	Index-Linked Securities	23,819
27,088		23,819
	Pooled Investment	
60,434	Fixed Interest Unit Trust	113,102
66,469	Diversified Growth Fund**	-
84,509	Infrastructure	110,253
459,768	Global Equity	509,812
671,180		733,167
	Other Investments	
85,821	Pooled Property	81,318
81,161	Private Debt	84,551
166,982		165,869
1,575	Derivatives – Forward Currency Contracts	334
12,066	Cash deposits Managers	22,822
362	Amounts receivable for sales	-
71	Investment income due	89
14,074		23,245
879,474	**Total Investment Assets**	**946,249**
	Investment Liabilities	
(24)	Forward Currency Contracts	(449)
(248)	Amounts payable for purchases	-
(272)	**Total Investment Liabilities**	**(449)**
879,202	**Total Net Investments**	**945,801**

* Divested during 2022/23
** Divested during 2023/24

a. Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2023	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 2024
	£000	**£000**	**£000**	**£000**	**£000**
Fixed Interest Securities	351	736	(1,097)	10	0
Index-linked Securities	26,737	8,352	(7,786)	(3,484)	23,819
Pooled Investment Vehicles	671,330	29,052	(22,998)	55,933	733,317
Other Investments	166,982	11,350	(8,509)	(3,954)	165,869
	865,400	**49,490**	**(40,390)**	**48,505**	**923,005**
Derivatives – forward currency contracts	1,551	6,042	(12,873)	5,165	(115)
	866,951	**55,532**	**(53,263)**	**53,670**	**922,890**
Other Investment Balances:					
Cash Deposits (fund managers)	12,066			(148)	22,822
Investment income due	185			-	89
Spot FX	-			3	-
	879,202			**53,525**	**945,801**

	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**

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 13a 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 £0.361m (2022/23 £0.310m). 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 2024 were as follows:

b. Investments analysed by Fund Manager

Value 31 March 2023		Manager	Mandate	Value 31 March 2024	
£000	%			£000	%
Investments managed by London CIV asset Pool:					
150	0.02	London CIV	Equities Unquoted	150	0.02
66,469	7.56	Baillie Gifford	Pooled Diversified Growth Fund	-	-
115,888	13.18	Ruffer	Pooled Absolute Return Fund	108,928	11.52
11,185	1.27	Foresight, Blackrock, Quinbrook & Stonepeak	Pooled Infrastructure Renewables	14,161	1.50
135,620	15.43	Baillie Gifford	Pooled Global Alpha Growth Paris Aligned Fund	157,289	16.63
43,994	5.00	State Street Global Advisors	Pooled Passive Equity Progressive Paris Aligned (PEPPA)	55,522	5.87
-	-	PIMCO	Global Bonds	47,433	5.02
373,306	**42.46**			**383,482**	**40.54**
PLUS Investments aligned with London CIV asset pool:					
164,266	18.68	Legal & General Investment Management (LGIM)	Passive Global Equities/ Emerging Markets/Future World	188,073	19.89
537,572	**61.14**	**London CIV Total**		**571,556**	**60.43**
Investments managed outside of the London CIV asset Pool:					
60,434	6.87	Royal London Multi Asset Credit Pooled Fund	Fixed Interest Unit Trust	65,787	6.96
27,257	3.10	Royal London Index Linked Bonds Fund	Investment Grade Bonds	23,819	2.52
51,148	5.82	UBS Property	Pooled Property	48,866	5.17
34,673	3.94	CBRE	Global Pooled Property	32,451	3.43
19,937	2.27	Stafford Capital SISF II	Overseas Pooled Infrastructure	19,852	2.10
16,387	1.86	Stafford Capital SISF IV	Overseas Pooled Infrastructure	25,435	2.69
37,000	4.21	JP Morgan	Overseas Pooled Infrastructure	50,808	5.37
21,761	2.48	Churchill II	Overseas Pooled Private Debt	17,449	1.84

Value 31 March 2023		Manager	Mandate	Value 31 March 2024	
£000	**%**			**£000**	**%**
15,288	1.74	Churchill IV	Overseas Pooled Private Debt	17,123	1.81
30,961	3.52	Permira PCS4	Overseas Pooled Private Debt	30,098	3.18
13,151	1.50	Permira PCS5	Overseas Pooled Private Debt	20,434	2.16
5,905	0.67	Russell Investments	Currency Management	3,699	0.39
7,728	0.88	Other	Other	18,424	1.95
341,630	**38.86**			**374,245**	**39.57**
879,202	**100.00**	**Total Fund**		**945,801**	**100.00**

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

Market Value 31 March 2023 £000	% of Total Fund	Security	Market Value 31 March 2024 £000	% of Total Fund
135,620	15.43	London CIV Baillie Gifford Global Alpha Paris Aligned Fund	157,289	16.63
115,888	13.18	London CIV Ruffer Absolute Return Fund	108,928	11.52
93,404	10.62	LGIM Future World Fund	107,757	11.39
66,469	7.56	London CIV Diversified Growth Fund	-	-
60,434	6.87	Royal London Multi Asset Credit Pooled Fund	65,670	6.94
43,994	5.00	London CIV Pooled Passive Equity Progressive Paris Aligned (PEPPA)	55,522	5.87
51,148	5.82	UBS Property	48,866	5.17
36,999	4.21	JP Morgan infrastructure	50,808	5.37
603,956	**68.69**	**Total Fund**	**594,840**	**62.89**

c. Stock Lending

We do not carry out stock lending directly. We are investors of a pooled fund with the passive equity manager, 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 2024, the value of quoted equities on loan was £163.4m (31 March 2023 £37.9m) 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 2024 and prior year is shown 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	26,986	EUR	(31,367)	143	-
Up to one month	GBP	1,959	AUD	(3,772)	9	-
Up to one month	GBP	36,930	USD	(46,795)	-	(107)
One to six months	GBP	56,348	EUR	(65,669)	74	(9)
One to six months	GBP	5,742	AUD	(11,098)	10	(9)
One to six months	GBP	67,533	USD	(85,637)	91	(322)
One to six months	USD	7,144	GBP	(5,649)	5	-
One to six months	EUR	1,775	GBP	(1,521)	-	(1)
One to six months	AUD	384	GBP	(198)	-	-
Up to one month	USD	233	GBP	(183)	2	-
Up to one month	EUR	417	GBP	(357)	-	-
Open forward currency contracts at 31 March 2024					334	(449)
Net forward currency contracts at 31 March 2024						(115)
Open forward currency contracts at 31 March 2023					1,575	(24)
Net forward currency contracts at 31 March 2023						1,551

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 market price ruling on the final day of the accounting period	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

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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
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.

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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 2024.

	Assessed valuation range (+/-) %	Value at 31 March 2024 £000	Value on increase £000	Value on decrease £000
Private Debt	6.99	84,551	90,461	78,641
Pooled Property	7.19	81,318	87,164	75,471
Infrastructure	5.71	110,252	116,548	103,957

	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

a. 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 2024	Quoted Market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	259,541	410,254	276,121	945,916
Financial liabilities at amortised cost	-	(115)	-	(115)
Net Financial Assets	**259,541**	**410,139**	**276,121**	**945,801**

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 at fair value through profit and loss	192,162	435,821	251,491	879,474
Financial liabilities at amortised cost	-	(272)	-	(272)
Net Financial Assets	**192,162**	**435,549**	**251,491**	**879,202**

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

b. Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2023	Purchases	Sales	Unrealised gains / losses	Realised gains / losses	Market Value 31 March 2024
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Infrastructure	84,509	25,922	(2,581)	554	1,849	110,253
Pooled Property	85,821	-	(437)	-	(4,066)	81,318
Private Debt	81,161	11,350	(8,072)	93	19	84,551
Total	**251,491**	**37,272**	**(11,090)**	**647**	**(2,198)**	**276,122**

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.

There were no transfers between levels.

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16. 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 2023				31 Mar 2024		
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	-	-
351	-	-	Bonds -Fixed Interest Securities	-	-	-
26,737	-	-	Bonds - Index linked securities	23,819	-	-
1,575	-	-	Derivative contracts	334	-	-
671,180	-	-	Pooled investment Vehicles	733,167	-	-
81,161	-	-	Private Debt	84,551	-	-
85,821	-	-	Property	81,318	-	-
-	12,211	-	Cash	-	47,099	-
-	433	-	Other Investment Balances	-	89	-
-	16,156	-	Debtors	-	99	-
866,975	**28,800**	**-**	**Financial Assets Total**	**923,339**	**47,287**	**0**
			Financial Liabilities			
-	-	(248)	Other Investment Balances	-	-	-
(24)	-	-	Derivative contracts	(449)	-	-
-	-	(410)	Creditors	-	-	(1,008)
(24)	**-**	**(658)**	**Financial Liabilities Total**	**(449)**	**0**	**(1,008)**
866,951	**28,800**	**(658)**	**Grand total**	**922,890**	**47,287**	**(1,008)**
895,093				**969,169**		

b. Net Gains and Losses on Financial Instruments

2022/23 £000		2023/24 £000
(44,577)	Financial assets Fair value through profit and loss	53,525
(44,577)	**Total**	**53,525**

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

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 2023/24, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2024 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	623,064	12.49	700,885	545,244
Total Bonds	23,819	5.65	25,164	22,473
Pooled Overseas Unit Trusts	194,804	6.99	208,421	181,187
Pooled Property	81,318	7.19	87,164	75,471
Cash	22,796	0.85	22,990	22,602
Total	**945,801**		**1,044,624**	**846,977**

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 inc.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

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.
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.

Interest Rate Risk Sensitivity Analysis

Assets exposed to interest rate risk	Asset Values as at 31 March 2024 £000	Potential movement on 1% change in interest rates £000	Value on increase £000	Value on Decrease £000
Bond Securities	23,819	238	24,057	23,581
Cash and Cash Equivalents	22,822	228	23,050	22,594
Cash Balances	24,276	243	24,519	24,034
Total Change in Asset Value	**70,917**	**709**	**71,626**	**70,208**

Assets exposed to interest rate risk	Asset Values as at 31 March 2023 £000	Potential movement on 1% change in interest rates £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**

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.

Following analysis of historical data in consultation with PIRC, it has been determined that a likely volatility associated with foreign exchange rate movements is 6.90% over a rolling 36-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 5.55% 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:

Currency Risk – Sensitivity Analysis

Assets exposed to currency risk	Asset Values as at 31 March 2024 £000	Potential Market movement 5.55%	Value on increase £000	Value on Decrease £000
Overseas Pooled	162,561	9,022	171,583	153,539
Overseas Cash	13,333	740	14,073	12,593
Total change in assets available to pay benefits	**175,894**	**9,762**	**185,656**	**166,132**

Assets exposed to currency risk	Asset Values as at 31 March 2023 £000	Potential Market movement 6.30%	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**

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 2024 was £24.163m (31 March 2023 £16.056m). 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 2024 the value of liquid assets was £670m, which represented 69% of the total Fund (31 March 2023 £644m, which represented 72% 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 2023/24

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

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 Continuous Mortality Investigation (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 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	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 and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position as at 31 March 2024 is stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025.

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 2023 £m	Year Ended	31 March 2024 £m
1,053	Present Value of Promised Retirement Benefits	1,074
896	Fair Value of Scheme assets (bid value)	969
157	**Net Liability**	**105**

The promised retirement's benefits at 31 March 2024 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 classes of members 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.

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 2024 and 31 March 2023. It is estimated that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £46m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £7m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2023 % p.a.	Year Ended	31 March 2024 % p.a.
3.00	Pension Increase Rate	2.80
3.70	Salary Increase Rate	3.50
4.75	Discount Rate	4.80

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 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	21.2 years	23.9 years
Future Pensioners	22.1 years	25.3 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 2024	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	43
0.1% p.a. increase in the Salary Increase Rate	0	1
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 2024, 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

2022/23 £000		2023/24 £000
57	Contributions due from employers	70
218	Contributions due from employees	261
145	Pension Fund Bank Account Balances	113
386	Sundry Debtors	0
16,056	Cash deposit with LB Havering	24,163
100	Holding Accounts	99
16,962	**Current Assets**	**24,707**

21. Current Liabilities

2022/23 £000		2023/24 £000
(33)	Benefits Payable	(447)
(224)	Sundry Creditors	(270)
(155)	Holding Accounts	(293)
(412)	**Current Liabilities**	**(1,010)**

22. Additional Voluntary Contributions

Contributions Paid 2022/23 £000	Market Value 2022/23 £000	AVC Provider	Market Value 2023/24 £000	Contributions Paid 2023/24 £000
30	749	Prudential	807	47
0	88	Standard Life	97	0

23. Agency Services

The Fund pays discretionary awards to the former employees of Havering. The amounts paid are fully reclaimed from the employer bodies.

2022/23 £000		2023/24 £000
1,260	Payments on behalf of Havering Council	1,330

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 £1.077m (2022/23 £0.946m) in relation to the administration and management of the fund and was reimbursed by the Fund for these expenses.
As the largest employer in the Fund, the Authority contributed in 2023/24 £33.396m (2022/23 £37.434m) to the Pension Fund in respect of employer's contributions. All monies owing to 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 2024 cash holdings totalled £24.163m (2022/23 £16,056m), earning interest over the year of £0.989m (2022/23 £0.226m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.150m at 31 March 2024 (2022/23 £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 13b. During 2023/24 a total of £1.578m was charged to the Fund by the London CIV in respect of investment management services (2022/23 £1.954m).

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.

a. 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 2024 were £50.24m. (31 March 2023 £75.50m). These commitments relate to outstanding capital call payments due on unquoted limited partnership funds held in Private Debt and Infrastructure parts of the portfolio. The amounts ‘called’ by these funds are irregular in both size and timing.

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 (2022/23 £0.003m) 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.

Three 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 £2.757m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Three admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £1.066m.

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 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 Section 151 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.

Appendix D

Havering
LONDON BOROUGH

Kathy Freeman
Strategic Director of Resources

Resources
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Romford, RM1 3BD
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Date XX February 2025

www.havering.gov.uk

Mark Hodgson
Ernst & Young
One Cambridge Square,
Cowley Road
Cambridge
CB4 0AE

Dear Mark,

This letter of representations is provided in connection with your audit of the financial statements of London Borough of Havering ("the Council") for the year ended 31 March 2024. 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 financial position of London Borough of Havering as of 31 March 2024 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (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 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 2023/24 (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 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 2023/24 (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 financial statements are appropriately described in the financial statements.

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 2023/24 (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.

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. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

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

We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

1. 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.

2. 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.

3. 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 law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, 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.

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 financial statements.

3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 2023/24 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 year end. These transactions have been appropriately accounted for and disclosed in the 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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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 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 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, 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.

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 50 to the financial statements all guarantees that we have given to third parties.

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

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, 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 51 to the financial statements. All assets to which the Council has satisfactory title appear in the balance sheet.

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 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 IAS 19 Pension disclosures, Property, Plant and Equipment and Investment Property valuations and Long-Term Debtor and Inventory valuations 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

1. We confirm that the significant judgments made in making the Property, Plant and Equipment and Investment Property valuations, Long Term Debtor valuations, Inventory valuations, Expected Credit Loss assessments, IAS 19 pension valuations and Minimum Revenue Provision valuations have taken into account all relevant information 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 Property, Plant and Equipment and Investment Property valuations, Long Term Debtor valuations, Inventory valuations, Expected Credit Loss assessments, IAS 19 pension valuations and Minimum Revenue Provision valuations.

3. We confirm that the significant assumptions used in making the Property, Plant and Equipment and Investment Property valuations, Long Term Debtor valuations, Inventory valuations, Expected Credit Loss assessments, IAS 19 pension valuations and Minimum Revenue Provision valuations appropriately reflect our intent and ability to carry out the assessments and valuations, and any 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, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

5. We confirm that appropriate specialized skills or expertise has been applied in making the Property, Plant and Equipment and Investment Property valuations, Long Term Debtor

valuations, Inventory valuations, Expected Credit Loss assessments, IAS 19 pension valuations and Minimum Revenue Provision valuations.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

H. Retirement benefits

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

1. 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).

2. 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) 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.

K. Going Concern

1. Note 1.01 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 the events described in Note 53 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.

M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and Narrative Statement.

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

Appendix D

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 including the impact resulting from the commitments made by the Council and reflected in the financial statements.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

Kathy Freeman

Chief Finance (Section 151) Officer

Councillor Julie Wilkes

Chair of Audit Committee

<u>Accompanying Schedule</u>

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)							
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
		INTEREST RECEIVED 701240							(10,608,750)	
	24 LBH	Agency invoice incorrectly coded to council tax debtors in 2020.								
		OTHER EXPENDITURE							430,726	
		COUNCIL TAX DEBTORS	(430,726)							
	24 LBH	Council Tax Bad Debt Provision - Incorrect calculation. Impact on the collection fund as a whole (not corrrected)								
		BDP							385,382	
		Council Tax BDP	(385,382)							
Total of uncorrected misstatements before income tax			(816,108)	0	0	0	0	0	816,108	
Total of uncorrected misstatements			(816,108)	0	0	0	0	0	816,108	

Appendix E

Kathy Freeman
Strategic Director of Resources

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Mark Hodgson
Ernst & Young
One Cambridge Square,
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Cambridge
CB4 0AE

Date XX February 2025

www.havering.gov.uk

DRAFT

Dear Mark,

2023/24 Havering Pension Fund

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 2024. 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 year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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 applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and for keeping records in respect of contributions received in respect of active members of the Fund.

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

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements and the Summary of Contributions. We believe the

financial statements referred to above give a true and fair view of the financial transactions and the financial position of the Fund in accordance with applicable law the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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 applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that are free from material misstatement, whether due to fraud or error.

6. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule below, 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 by and brought to our attention from 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 timing differences will continue to occur annually whilst the Fund holds these assets.

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)							
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
Add new misstatement										
actual misstatements:										
1		Misstatement identified due to variances between fund manager confirmations and accounts: 24 HPF Agree Investments to Fund Managers.								
		Investment Assets		1,413,785						
		Change in Fair Value of Investment Assets							(1,413,785)	
Total of uncorrected misstatements before income tax			0	1,413,785	0	0	0	0	(1,413,785)	

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

1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address 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.

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 confirm that we are not aware of any breaches of the Payment Schedule/Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.

7. 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’s business, its ability to continue in business, 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; and

   - 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 are reflected in the financial statements.

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: *10 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 management of the Fund.

7. 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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

8. 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.

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

10. 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 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.

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

E. Subsequent Events

1. Other than the events 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.

F. Other information

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

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

G. Advisory Reports

1. We have not commissioned any advisory reports which may affect the conduct of your work in relation to the Fund's financial statements and schedule of contributions/payment schedule.

H. Independence

1. As members of management of the Fund, we are not aware of any matters which would render Ernst & Young LLP ineligible to act as auditor to the Fund.

I. Derivative Financial Instruments and Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of management of the Fund of the limitations in their use imposed by The Occupational Pension Schemes (Investment) Regulations 2005; namely that they contribute to a reduction in Scheme risk, facilitate efficient portfolio management, and that any

such investment has been made to avoid excessive risk exposure to a single counterparty and to other derivative operations; and the Local Government Pension Scheme (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 their 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 management of the Fund at the Fund year end and the terms and conditions relating thereto.

2. The members of management of the Fund have 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.

3. 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.

J. 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.

K. 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 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 estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24

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

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.

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. Going Concern

1. Based on our assessment of going concern, the details of which have been shared with you, we confirm that we are not aware of any material uncertainties related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. We do not intend to wind up the Fund. We are satisfied that the use of the going concern basis of accounting is appropriate in the preparation and presentation of the financial statements.

   Note 2 to the financial statements discloses all of 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.

N. Climate-Related Matters

1. Whilst recognising that the Climate Change Governance and Reporting Regulations do not cover the Local Government Pension Scheme, 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.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of United Kingdom Generally Accepted Accounting Practice aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

Kathy Freeman	**Councillor Julie Wilkes**
Chief Finance (Section 151) Officer	Chair of Audit Committee

Havering Annual Governance Statement 2023/24

ANNUAL GOVERNANCE STATEMENT 2023/24

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 meets the requirements of regulations 6(1) (a) and (b) of the Accounts and Audit Regulations 2015, requiring 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 2024 and up to the date of approval of the statement of accounts. This framework is under review during March 2024.

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 2024/25.

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, which is scheduled to meet monthly, with standing membership, included in the Terms of Reference including:

- Strategic Director Resources / S151 / SIRO (Chair)
- Head of Assurance
- Monitoring Officer (Deputy Director of Legal & Governance)
- Director of Finance (Deputy S151)
- Head of Procurement & Contract Management
- Head of the Programme Office
- Assistant Director of Human Resources & Organisational Development

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 Strategic 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. The role and membership of this board is under review during quarter four of 2023/24.

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.

On 14th March 2023, the Chief Executive launched a senior restructure linked to the launch of a new Target Operating Model (TOM) for the Council. The consultation concluded on 31st March 2023 and the restructure resulted in three Strategic Directors; Director of Place, Director of Resources and S151 Officer and Director of People. All Strategic Directors report directly to the Chief Executive, alongside the Director of Starting Well (Statutory Director of Children's Services). The remaining Directors and Assistant Directors have reporting lines to the Strategic Directors.

As a result of the restructure, titles of the senior team changed as follows:

Senior Leadership Team (SLT) (Directors) became the Executive Leadership Team (ELT) and Corporate Leadership Team (CLT) (Assistant Directors and above) became Executive Leadership Group (ELG).

Governance Committee

The Council's Governance Committee, attended by the Leader of the Council and most 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.

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 relevant performance data and other tools such as the Council's Forward Plan.

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 and finish 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 2023/24 the Board met on 25 April 2023, 11th July 2023, 10 October 2023, 21st November 2023 and 27th February 2024. The Annual General Meeting was held on the 16 September 2023. The Board produced an Annual Report for 2022/23, 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 7 November 2023. The report for 2023/24 is in production and expected to be presented to the Pension's Committee later in 2024.

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 7th November 2023.

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 2023/24, 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 2022/23 view. However, it should be noted that the reasonable assurance opinion contains one significant issue, as highlighted in the 2022/23 statement, detailed below:

- Procurement and contract management continues to be an area of ongoing risk, particularly with the challenging financial position the Council faces.

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 strategic risk register which is overseen by the Governance and Assurance Board and progress reported to the Audit Committee. Work has continued during 2023/24 to review risk registers and the Governance and Assurance Board and the Executive Leadership Group has overseen this process to ensure that the strategic 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.

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 2022/23 on 31 May 2023 in line with the deadline. As with many other local authorities the audit of the 2020/21, 2021/22 and 2022/23 accounts is not yet completed. This is due to well publicised resourcing issues. The Government and the National Audit Office recently issued a consultation on addressing the backlog and legislation is expected in due course. 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 2023/24, all data breaches that met the required threshold were reported to the Information Commissioner's Office (ICO) and no fines were imposed for weak controls. There were:

- 89 data breaches reported between 1st April 2023 and 20th March 2024
- 3 breaches reported to the ICO (ICO are taking no further action on these but have made recommendations)

Although a number of data breaches did occur, staff followed the necessary processes to report these and ensure appropriate controls were in place to mitigate any impact.

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 mandatory L&D material. An average of 89% of staff have completed all required modules. The aim is 95% completion rate with a 5% tolerance for changes in staff numbers. This is monitored at the Information Governance board and a renewed push to complete this training will commence with the next round of PDR setting.

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.

Complaints

In 2023, the council initiated a comprehensive transformation program aimed at enhancing the handling of complaints, Freedom of Information (FOI) requests, Environmental Information Regulations (EIRs), and Subject Access Requests (SARs). This multifaceted program involved several key actions:

1. Team Consolidation: The council merged various teams and services, streamlining their efforts to create a more efficient and cohesive approach.
2. Policy Simplification: Previously, there were four disparate policies governing these processes. As part of the transformation, these policies were consolidated into a single, clear, and user-friendly document. This unified policy ensures consistency and simplifies understanding for all stakeholders.
3. Streamlined Complaints Process: The transformation program aimed to streamline the complaints process. By doing so, it became more straightforward for complainants to navigate and for the council to address issues promptly.
4. Introduction of a CRM System: To enhance efficiency and accountability, the council implemented a new Customer Relationship Management (CRM) system. This system allows for better tracking and monitoring of activities related to complaints, FOIs, EIRs, and SARs.

Overall, this transformation program represents a significant step toward improving transparency, responsiveness, and effectiveness in managing these critical aspects of council operations.

Local Government Association (LGA) Independent READI Peer review

The foundation for the READI Review was identified through the Independent LGA READI Review. The current READI programme team has been in place since mid-August 2022 with the last report update provided at the end of October 2022 to the Equality, Diversity and Inclusion Cohesion (EDIC).

The READI team has allied with diverse colleagues across the council working in different gears and approaches to understand what is needed to bring system level changes; to develop understanding, learning, win hearts and minds, enabling our colleagues to go on their own journeys ascribing to READI with relevance to their job roles.

This has been achieved through listening circles, self-learning opportunities, Allyship workshops, staff forums promotional activity, building on our online learning platforms and face-to-face workshops.

The council has established a 15 areas of activity action plan which is integrated into everything that the council does, the work that all our colleagues deliver for us and the positive outcomes we achieve for our residents. This is supported by a central READI resource that facilitates on-going strategic dialogue, provides advice and support and shares good practice across the organisation.

EDIC monitors the progress and actions set out in the 15 READI objectives. The group brings together equality and special interest leads from each of the council’s service areas and each of the staff network groups. The READI programme team seeks to work with all colleagues across the council to deliver the council's vision of "The Havering you want to be part of" and clear equality outcomes.

The EDIC's purpose is to provide support, advice, assurance and governance to ensure that the council meets our duties as defined in the Equality Act 2010, develop and implement READI related Policies and Action Plan and provides a forum for discussion on matters relating to EDI. EDIC meets on a monthly basis and is chaired by the Director for Policy, Strategy and Transformation. The Group's membership comprises representatives from each directorate within the Council, including HR (Human Resources), Public Health, Communications, Regeneration, Housing, Adults and Social Care, Children's Services, and also trade unions and the Staff Forums. It provides an oversight rather than manages and tracks the progress of the READI action plan.

At corporate level, we are learning to build the right foundations to get the right outcomes. READI is strategically and structurally assimilated in all that we do. Examples of this include, setting the agenda and holding to account through EDIC (Equality, Diversity, Inclusion and Cohesion Board), driving implementation and strengthening enablers through EQHIA (Equality and Health Impact Assessment), using data where it is available to understand trends, communications, organisational development learning to support our staff deliver best practice and succession planning, staff networks investing interests for all our colleagues. Planning meetings have already taken place to ensure the latest census data informs our EQHIA process.

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 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

The refreshed statement will be published once approved at Governance board, which outlines the risks identified in relation to modern slavery this year. Following the Target Operating Model throughout 2023/24, updating the documentation was not completed, so this will now take place in 2024/25. Actions for all identified risks will be put into place and associated steps will be included in the statement.

Progress of significant governance issues raised in the 2022/23 AGS

The issues identified in the 2022/23 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 Executive Leadership Team and the Audit Committee. Whilst progress has been made during 2023/24 in each of the areas identified in the 2022/23 AGS and the decision made to close two issues, all other issues were considered to have remained significant enough to be carried forward into the action plan for 2024/25, with some amendments and with the addition of a further two Significant Governance Issues.

The issues closed as at the end of 2023/24 and the actions taken to address these are included below:

1. **Delivery of a balanced budget 2023/24:** 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 2023/24
• 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. • 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 23/24 budget and a revised MTFS was presented to cabinet in February 2023 and Council in March 2023. • 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. • Ongoing Recovery plan in place to control spend including introduction of a recruitment panel, regular reviews of agency levels, stopping all but essential spend, Social care placement panels and reviews of income and fees and charges • The 24/25 budget process took account of the full year impact of the emerging pressures in 2023/24 • The budget and MTFS is 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 assumptions and the assumptions on temporary accommodation • Senior Leadership continue to monitor the MTFS and the recovery plan to ensure the sustainability of the Council's finances. • The ongoing element of the overspend was fully incorporated in the 24/25 budget process. As part of that process the Council requested and was granted exceptional financial support which covered not only 24/25 but £21.2m in recognition of the 23/24 overspend. The Council has low levels of both earmarked reserves and general balances and DLUHC recognised that exceptional financial support would be needed to support the outturn position in order to maintain reserves and balances at a safe level

Status as at 31st March 2024
The Council significantly overspent its budget at the end of 2023/24 due to significant demand led pressures arising throughout the financial year. The service overspend is currently forecast as £30m, which over 80% of this arising from the People directorate due to demands in Live Well, Start Well and Age Well budgets. During the course of the year, officers provided members with regular reports on the Council's financial situation including budget monitoring reports, capital monitoirng, quarterly Pension Fund investment updates, treasury management updates, internal audit progress reports to Audit Committee, Pensions Committee, Overview and Scrutiny Board, Cabinet and Full Council where appropriate. Members and officers also provided several information briefing sessions on the Council's Medium Term Financial Strategy, income and assumptions clearly setting out the funding deficit for the Council. Through a more in-depth and thorough review of the constantly changing demand profile for our services, it was identified that the Council would require additional exceptional financial support in respect of the current financial year and to also support the 24/25 budget setting process. A number of actions listed above will continue into the 24/25 financial year.
Lead Officer: Strategic Director, Resources

2. 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 2023/24
• 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.
Status as at 31st March 2024
This significant governance issue is considered closed, based on the actions taken above. Delivery risks will continue to be managed and monitored through the risk register process.

Significant governance issues 2023/24 (to be addressed in 2024/25)

1. Delivery of a balanced budget 2024/25:

The Council was able to set a balanced budget for the 2023/24 financial year. The Councils monitoring process of the 23/24 budget identified at an early stage that there would be a likely ongoing overspend due to the continued pressures on the social care budgets and the emerging temporary accommodation pressure. The MTFS process reviewed the ongoing nature of these pressures and ensured that the development of the 24/25 budget included full recognition of those ongoing pressures. The process included the development of £15.3m of savings which were included in the 24/25 budget.

It became apparent at an early stage that as an efficient Council with low unit costs the Council was going to struggle to balance the 24/25 budget without requesting exceptional financial support from the Government. The Council acted quickly and entered into continued dialogue with DLUHC on this subject. The development of the budget set out the future pressures of the COucil and the savings and increases in Government support from the 24/25 finance settlement. Despite £15.3m of savings the Council had a remaining £32.5m budget gap which was presented to DLUHC in a request for exceptional financial support. DLUHC agreed to this request and the budget is underpinned using this Capitalisation directive

It should be noted the Council has taken a sensible and prudent approach to budget setting and included a most likely and worst case scenario in its forecasting. The Capitalisation directive sensibly was based on the worst case scenario but the Council will be aiming over the coming months to contain spend towards the most likely scenario which will reduce the level of exceptional financial support it may ultimately need at year end. This will be monitored very closely as it will be also pivotal to the development of the 2025/26 budget

Actions taken during 2023/24

- 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.
- 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.
- Quarterly reports to Cabinet on revenue and capital monitoring
- 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 23/24 budget and a revised MTFS was presented to cabinet in February 2023 and Council in March 2023.
- 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 savings and close monitoring of the revenue and capital plans.
- Challenge and review of the adults and children's social care budget assumption and continued updates on the pressures facing temporary accommodation

- Senior Leadership continue to monitor the MTFS and the recovery plan to ensure the sustainability of the Council's finances.
- A series of spending controls put in place to contain spend. These controls will continue into 24/25
- Controls include a recruitment panel to oversee all posts to be recruited to and regular reviews of agency spend
- All managers to review and curtail any non essential spend
- All managers to hold vacancies where possible and cover internally rather than recruiting or getting agency cover
- Production and delivery of the Council's Transformation and Productivity Plan which will include:
- Full analysis and updates on saving and efficiencies the Council is currently actioning
- Robust data driven forecasting of future pressures to enable accurate modelled financial forecasting
- Continued transformational activity to modernise the Council's outputs including a digital strategy which will in the medium term deliver efficiencies
- A capital strategy to deliver the accommodation and regeneration needed to meet future needs which will ultimately relieve pressure on the general fund
- A robust response on the actions taken following the recent OFSTED judgement setting out the Council's approach to the recommendations in that report
- A Communications strategy to raise awareness with the Public and Key stakeholders of improvements to Council Services and how to access them

Planned actions for 2024/25

- Robust baselining of all budgets including metrics
- Accurate monitoring of the cost drivers linked to financial pressures in order to fully understand emerging budget pressures
- Action plans set up where necessary to ensure delivery of the savings included in the 24/25 budget
- Robust planning approach to future years testing all MTFS assumptions and enabling timely service options to generate savings and efficiencies
- Monthly reporting of the revenue budget position to Councillors
- Quarterly monitoring reports to cabinet on capital and revenue
- Ongoing dialogue with DLUHC to raise awareness of the Councils continued financial position
- Reports to DLUHC as required to meet all requirements of the Capitalisation Directives
- Forward planning of the 25/26 position including dialogue with DLUHC at an early stage the likelihood of a further requirement for exceptional financial support
- S151 Challenge meetings set up to provide service challenge on revenue and capital budgets

Lead Officer: Strategic Director, Resources

2. Council's ability as a data controller to comply with, and demonstrate compliance with, all the data protection principles, UK GDPR requirements and ensuring compliance of our data processor(s).

Actions taken during 2023/24

- Established Information Governance Board meets regularly, presented reports on data breaches to understand trends
- Review and update of Information Governance policies

- Monitoring of completion of mandatory GDPR training and Information Governance policy acceptance
- Continuation of information risk project

Planned actions for 2024/25

- Enhanced audit and validation of BCP arrangements and Application Management/Ownership at Directorate and Service level during 2024/25.
- Further actions will be included within the mitigation plans within the Strategic and Directorate Risk Registers, monitored through Governance and Assurance Board and ELG.
- Creation of fit-for-purpose Records of Processing Activity (RoPA) and Information Risk management processes agreed with Directorates

Lead Officer: Strategic Director, Resources

3. Procurement: Weaknesses in the governance arrangements for procuring goods and services may be compounded by resourcing issues and new link with commissioning following the implementation of the Target Operating Model, and changes to the scheme of delegation and new regulations in 2024.

Actions taken during 2023/24

- Established the LB Havering Gateway Review Group to manage and govern the procurement programmes of the council.
- The Havering sovereign procurement service is now in place and a new Head of Service has been recruited (starting 1st May 2024)
- The Council's constitution has been reviewed and changes accepted in March 2024, the implementation of these changes is a pre-cursor to updating the Contract Procedure Rules (CPRs).

Planned actions for 2024/25

- Since the Council's Constitution has been re-written, the CPRs can now be reviewed and changes proposed.
- In line with the upgrade of the Council's intranet platform there will be 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 will 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.
- Constitution review to include procurement aspects.
- Implementation of a Corporate Procurement and Commissioning Board to replace GRG.
- A new process for Procurement Initiation Forms and waivers, utilising new technology and governance arrangements has been developed and will be launched in early 2024/25.
- Launch of a Procurement Forward Plan for Havering, to increase visibility, reduce bureaucracy and manage demand within the team, following full Director approval in early 2024/25.

• We will adopt a new approach to monitoring Value for Money and Social Value delivered against what is promised • We will review roles and responsibilities to ensure the Havering Procurement Team meet the business requirements in terms of Contract monitoring and management, and links with transactional services and HR to ensure end-to-end processes are as efficient as possible. • Implementation of Internal Audit recommendations • Learning from best practice • We will plan and prepare for the new Procurement regulations that are due to come into place later this year.
Lead Officer: Strategic Director, Resources

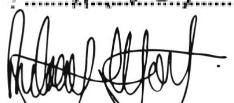
4. Inadequate judgement outcome of Starting Well's Social Care Department following Ofsted's Inspection of Local Authority Children's Services (ILACS) in December 2023 – and corresponding Children's Services Improvement Plan.
Actions taken during 2023/24
• Corporate financial investment of £8m growth to address demand pressures on services including development of two additional social work teams to address high caseload concerns. • Strengthening of resources in the Multi-Agency Safeguarding Hub (MASH) to ensure effective application of thresholds • Revised and strengthened Quality assurance framework launched and embedded • Recruitment of an Improvement team • Development of a new structure for Children's Social care launched in April 2024 • Development of a practice improvement board chaired by an Independent chair launched in March 2024 • Meetings with DfE and Ofsted in relation to intervention notice. • Relaunch of Child in Need, Child protection and Child in care permanence panels
Planned actions for 2024/25
• Development of fully costed Improvement plan through workshops with staff, partners and parent forums to be submitted to Ofsted and the DfE by end of May 2024 ratified by full council by July 2024 • Further corporate investment of £13.2m • Completion of Phase one of the Starting Well reorganisation to deliver improvements by end of July 2024. • Recruitment to permanent AD posts within Starting Well by August 2024 • Launch of Phase two of the Starting well reorganisation by October 2024 • Review of processes and forms within the Case Management System (Liquid Logic) to reduce inefficiencies • Development and rollout of a programme of thematic training for staff, managers and supervisors to support practice improvements • Improvement programme in line with improvement plan delivered before Ofsted first monitoring visit in October 2024
Lead Officer: Tara Geere, Director of Starting Well

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 19/01/2025

Chief Executive  ………………………………… Date 21/01/2025

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AUDIT COMMITTEE
30 01 2025

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 December 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 December 2024.

Peer Review

An external quality assessment peer review of Internal Audit has been scheduled to take place in 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 31st December 2024
Appendix 2 – Limited Assurance Reports

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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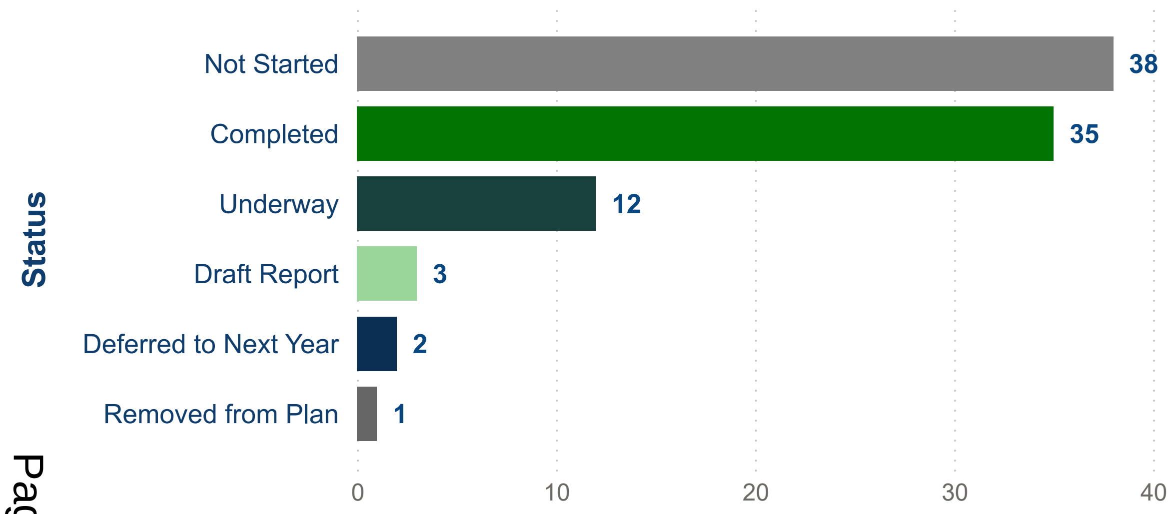
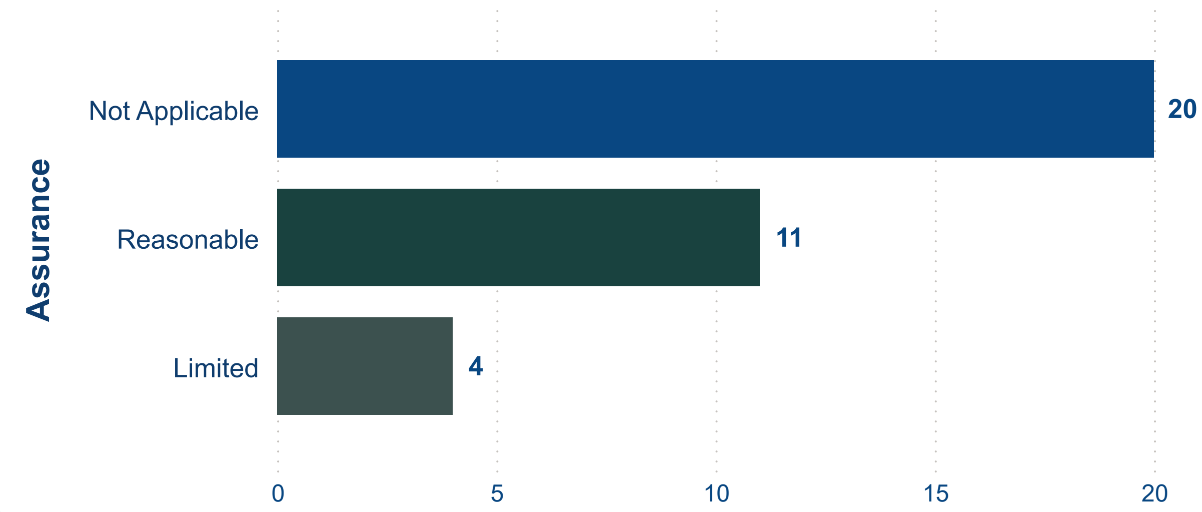
2024/25 Audit Plan Outturn Report (December) - Systems, Schools & Early Years

Appendix 1

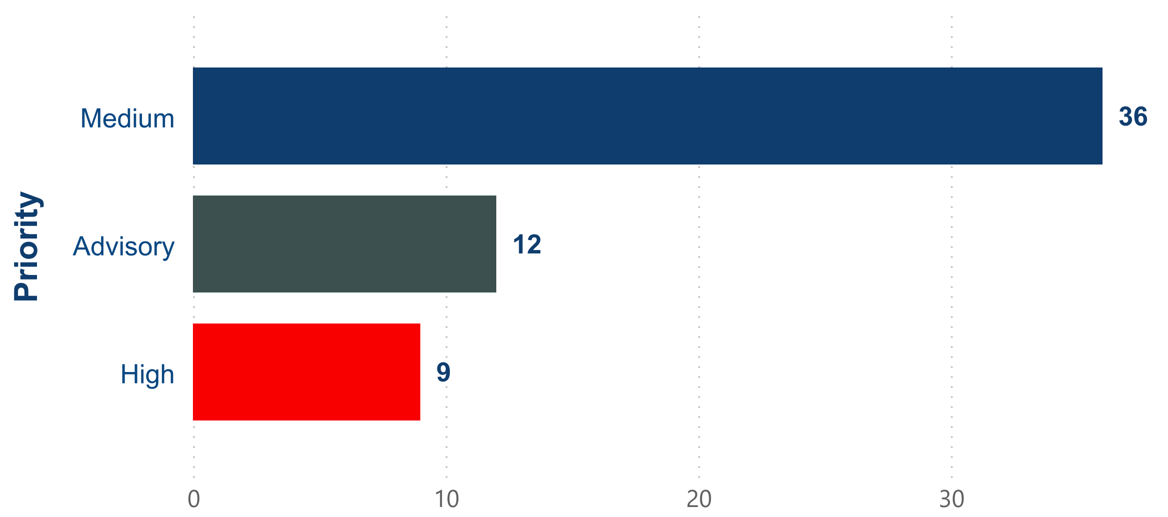
Audits by Status



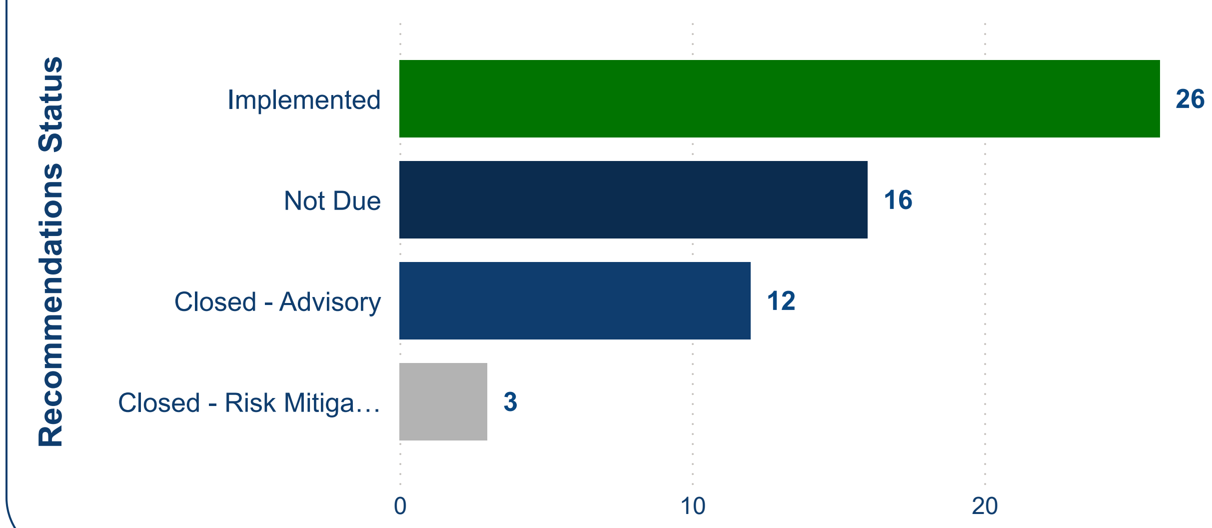
Audits by Assurance



Recommendations by Priority



Recommendations by Status



2024/25 Audit Plan Outturn Report (December)- Systems, Schools & Early Years

Appendix 1

Status of Recommendations by Priority

High Recommendations

Status	Number
Not Due	4
Implemented	3
Closed - Risk Mitigated	2
Total	**9**

Medium Recommendations

Status	Number
Not Due	12
Implemented	23
Closed - Risk Mitigated	1
Total	**36**

Advisory Recommendations

Status	Number
Closed - Advisory	12
Total	**12**

Assurance by Audit Type

Audit Type	Assurance	Assurance
Systems	Limited	3
Systems	Not Applicable	3
Systems	Reasonable	2
Schools	Reasonable	4
EY Audit	Not Applicable	17
Total		**29**

Status of Recommendations by Audit Type

Type	Closed - Advisory	Implemented	Not Due	Total
Systems		3	2	**5**
Schools	9	17	14	**40**
Health Check	3	6		**9**
Total	**12**	**26**	**16**	**54**

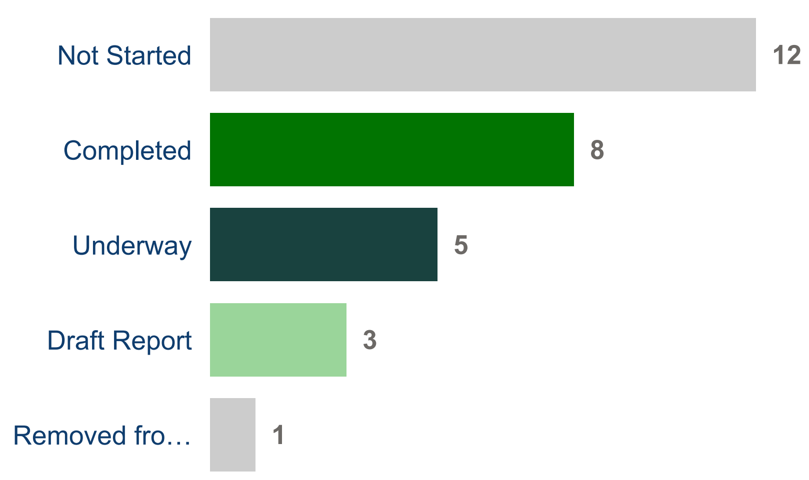
Audits Not Started by Audit Type

Audit Type	Total
EY Audit	15
Systems	12
Schools	9
Triennial	2
Total	**38**

2024/2025 Audit Plan Monitoring - Systems

Appendix 1

Audits by Status



Audits by Assurance

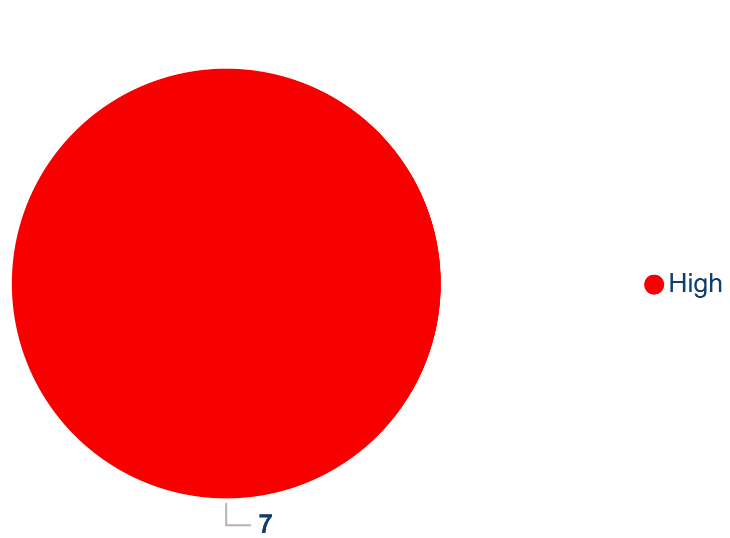
Title	Status	Assurance
Court of Protection: Deputyship and Appointeeships	Completed	Limited
Engagement of Consultants via Matrix - Governance & Compliance Culture (Phase 1)	Completed	Limited
Engagement of Consultants via Matrix Follow Up	Completed	Reasonable
Procurement Processes	Completed	Limited
Supported Families (Q1)	Completed	Not Applicable
Supported Families (Q2)	Completed	Not Applicable
Supported Families (Q3)	Completed	Not Applicable
Waivers Follow Up	Completed	Reasonable
Community Leasing	Draft Report	
Highways	Draft Report	
Tenant Management Organisations	Draft Report	
Children's: School and Early Years audit programme	Not Started	
Contract Management - Waste	Not Started	
Contracts	Not Started	
Governance and Compliance Culture	Not Started	
High Income Areas	Not Started	
Joint Counter-Fraud Work	Not Started	
Learning Disabilites and Supported Living Payments	Not Started	
Risk and Assurance Mapping	Not Started	
Starting Well	Not Started	
Supported Families	Not Started	
Supported Families (Q4)	Not Started	
Whistleblowing	Not Started	
Data Protection - legacy contracts	Removed from Plan	
Asset Management - Corporate Landlord	Underway	
Complaints	Underway	
Council Tax (Empty Property Charges)	Underway	
Financial Assessment and Benefits	Underway	
Voids (Tenant Rechargeable Repairs)	Underway	

2024/2025 Audit Recommendations Progress - Systems

Appendix 1

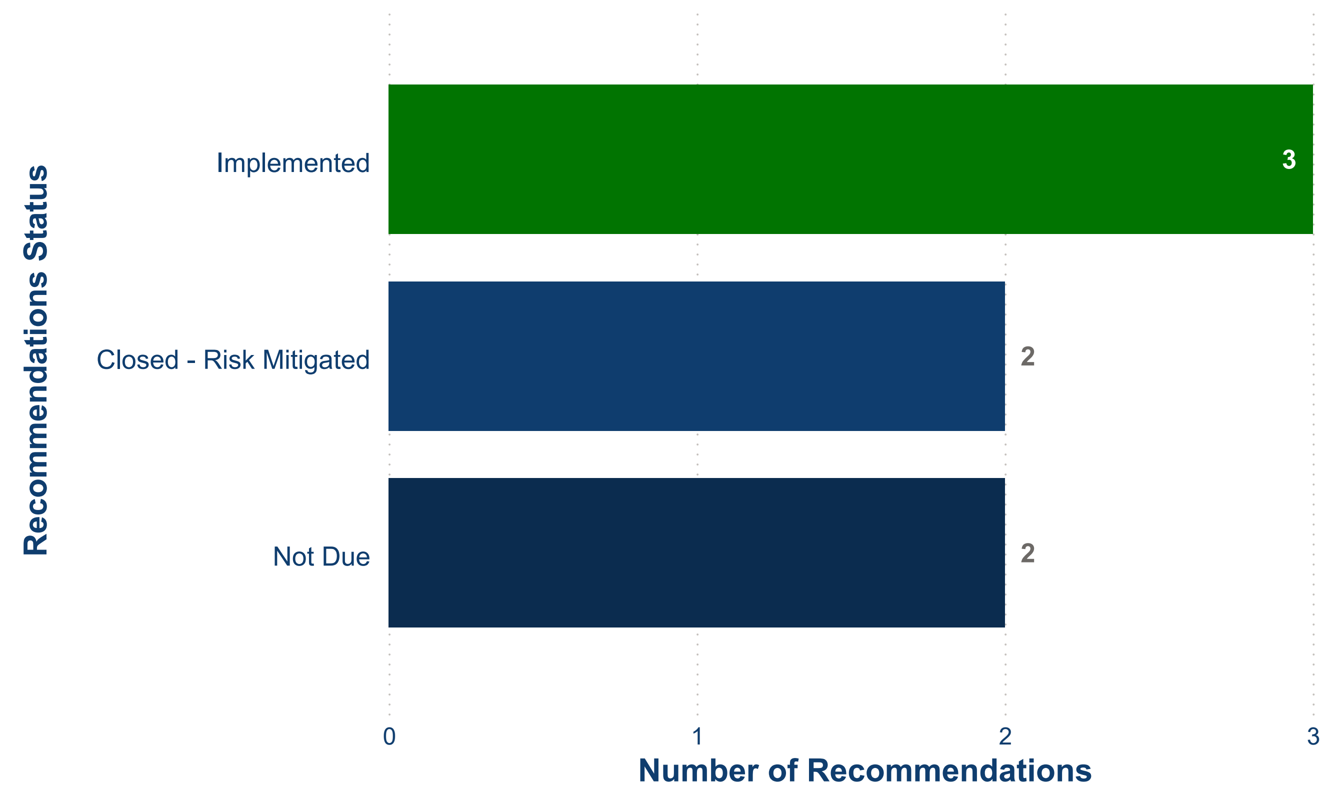
Internal Audit follows up all audit recommendations with management when the deadlines for implementation are due. There is a rolling programme of follow up work, with each auditor taking responsibility for tracking the implementation of recommendations made in their audit reports. The implementation 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 reasonable timescale, with particular focus applied to any high risk recommendations.

Recommendations Raised in 2024/25 by Priority



There are currently no high priority recommendations that are overdue

Recommendations by Status



2024/2025 Planned Actions Monitoring - Systems

Appendix 1

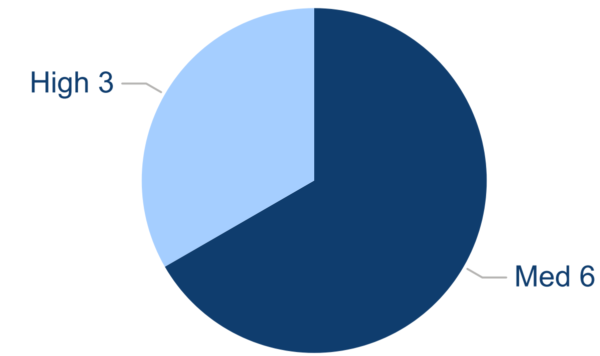
Historically Internal Audit have made recommendations based on findings arising from the internal audit review. Recommendations are written by the Auditor in collaboration with the service and subject to approval by key stakeholders as part of the final audit report.

Internal Audit are proposing to transfer responsibility and accountability for taking action to mitigate risks, highlighted by Internal Audit, to key stakeholders in the form of an Improvement Action Plan (IAP). The IAP would replace the current Recommendation Management Action Plan

The aim is to provide the following benefits

- Stakeholder ownership of the actions arising, more timely implementation of mitigating actions.
- Reduction in Internal Audits time spent agreeing recommendations and chasing for progress updates.
- Stakeholder accountability to Audit Committee for non-delivery of mitigating actions.

Expected Outcomes by Priority

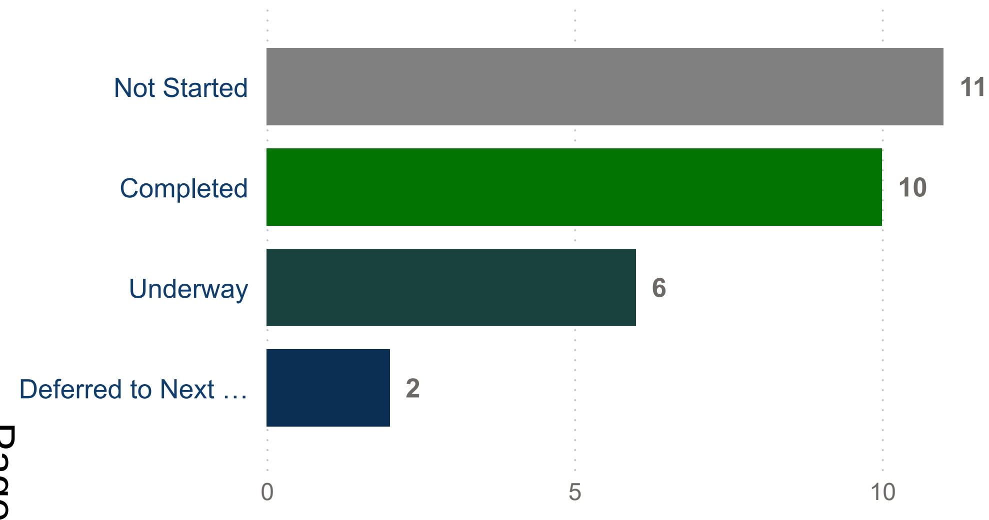


Audit Title	Expected Outcome	Priority	Expected Outcome Status
Court of Protection: Deputyship and Appointeeships	1:Management oversight and scrutiny of accounts, ensuring transparency and a clear separation of duties.	High	In Progress - Feb 25
Court of Protection: Deputyship and Appointeeships	2:Accounts are managed in accordance with OPG standards.	High	In Progress - Feb 25
Court of Protection: Deputyship and Appointeeships	3:Compliance with legislative and local requirements, including procurement; with robust audit trails.	High	In Progress - Feb 25
Court of Protection: Deputyship and Appointeeships	4:Provision of training and procedures.	Med	In Progress - Mar 25
Court of Protection: Deputyship and Appointeeships	5: Adequate income and collection processes.	Med	Complete
Court of Protection: Deputyship and Appointeeships	6: Accurate list of current (bona fide) debtors.	Med	Complete
Court of Protection: Deputyship and Appointeeships	7: Benchmarking against comparative local authorities.	Med	Complete
Court of Protection: Deputyship and Appointeeships	8: Explore alternative sources of support for more complex cases.	Med	Complete
Court of Protection: Deputyship and Appointeeships	9: Collaboration with other local authorities.	Med	Complete

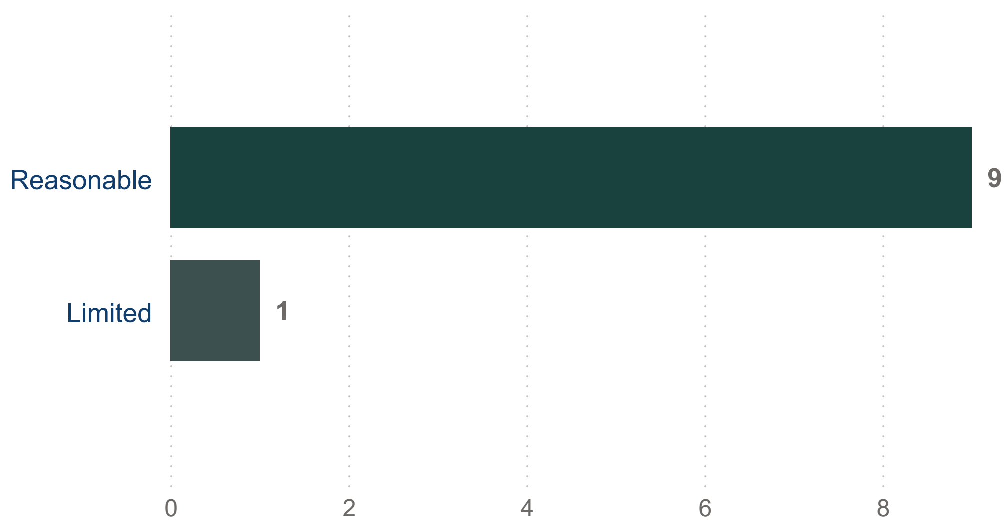
2024/2025 Audit Plan Monitoring - Schools

Appendix 1

Audits by Status



Audits by Assurance

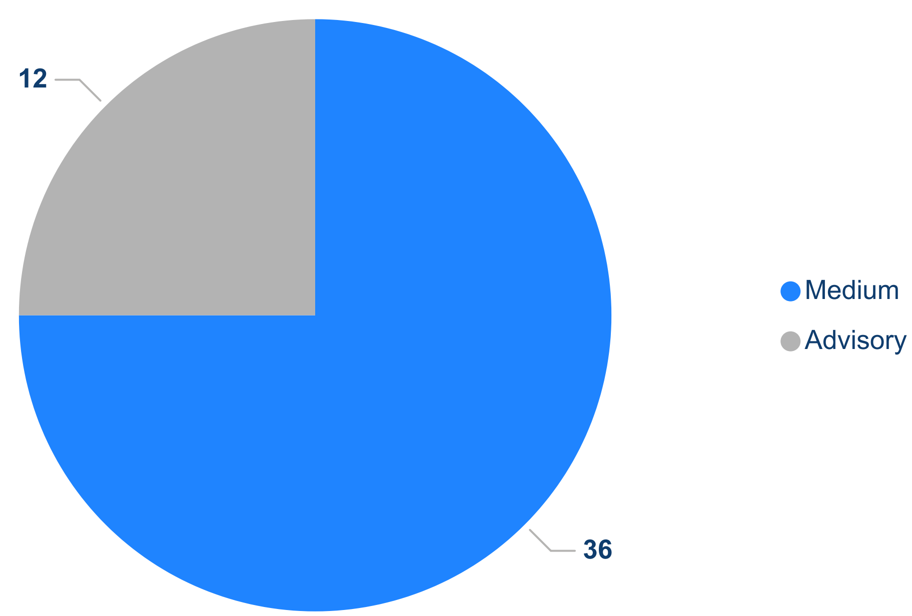


Title	Status	Assurance
Brady (TR)	Completed	Reasonable
Crownfield Infants (HC)	Completed	Reasonable
Engayne Primary (HC)	Completed	Reasonable
Harold Court Primary (TR)	Completed	Reasonable
Hilldene Primary (TR)	Completed	Reasonable
La Salette RC Primary (HC)	Completed	Reasonable
Shaw Primary Academy (HC)	Completed	Reasonable
St Marys Catholic Primary (TR)	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	
Clockhouse Primary (HC)	Not Started	
Corbets Tey 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 Peters Catholic Primary (TR)	Underway	
The Aspire Learning Federation (HC)	Underway	
The Learning and Achievement Federation (TR)	Underway	

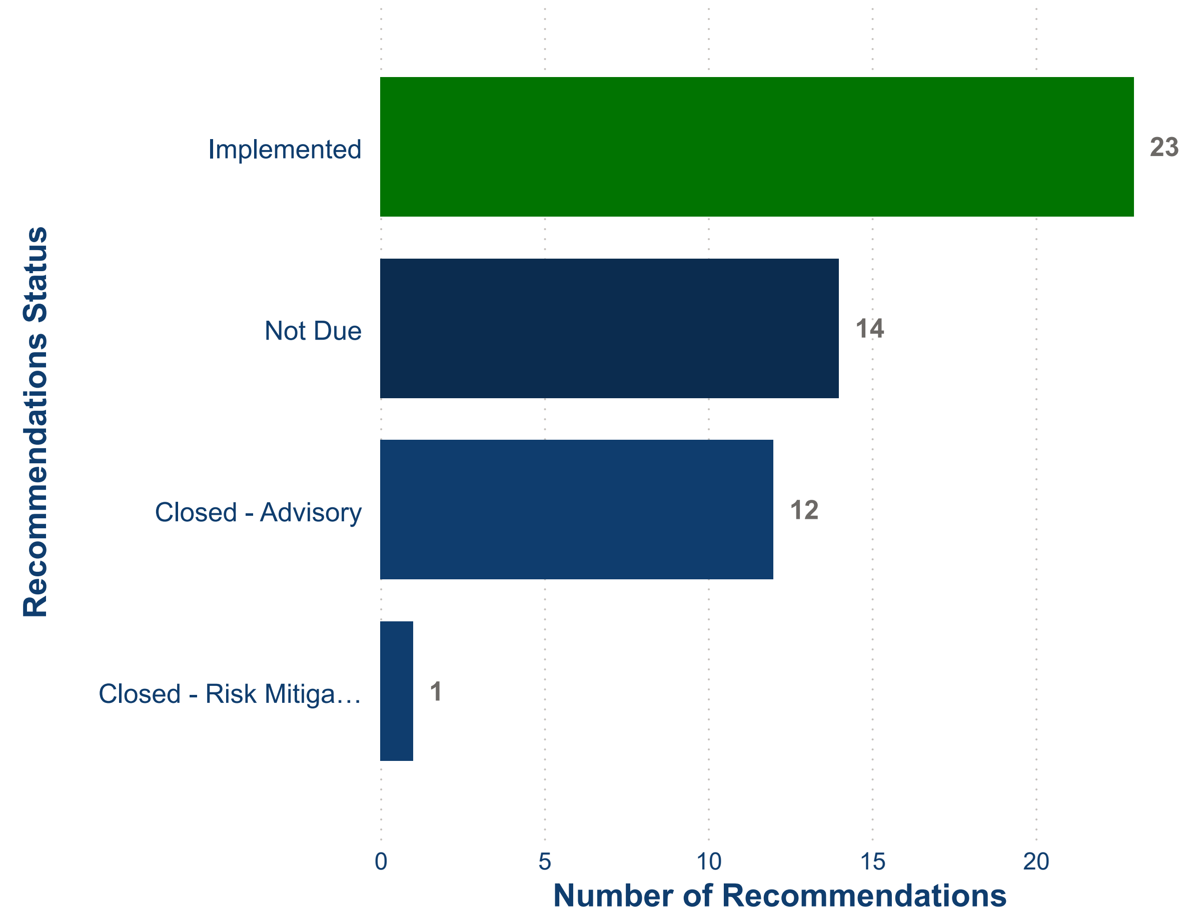
2024/2025 Audit Recommendations Progress - Schools

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



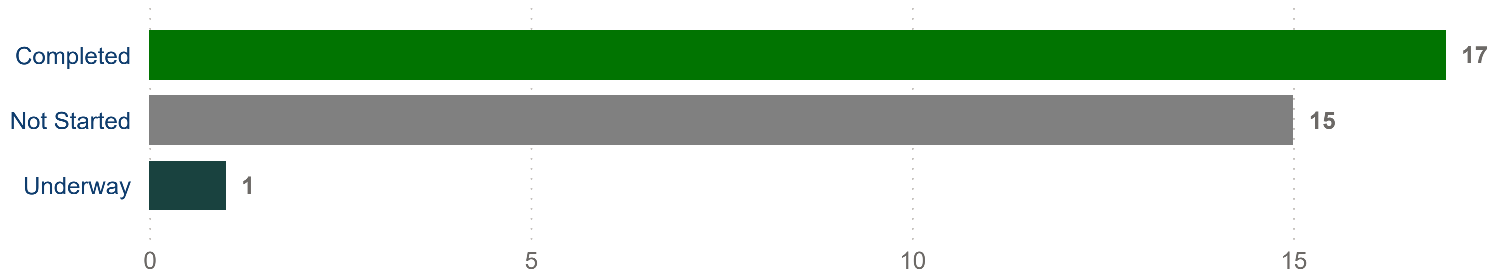
Recommendations by Status



2024/2025 Audit Plan Monitoring - Early Years

Appendix 1

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

2024/2025 Counter Fraud Audit Work

Appendix 1

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 84 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 20/12/2024, 24 non-housing referrals were also received; four of which were Whistleblowing referrals. Ten cases have been investigated and concluded and 14 referrals are currently being investigated.

Proactive Counter Fraud Investigations

Proactive work undertaken between 01/04/2024 and 20/12/2024

Area	Description	Number Received
Advice to Other Local Authorities	All Data Protection Act requests via Local Authorities, Police etc.	48
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 20/12/2024 24 referrals were received; four of which, information was provided by Whistle-blowers:

- Ten cases have been investigated and concluded; and
- Fourteen referrals are under investigation.

2024/2025 Counter Fraud Audit Work

Appendix 1

Housing Cases

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
Total Notional Saving	971820	4032800
RTB stopped	3	30
RTB referred and reviewed	94	225
Properties recovered	14	5
Number of referrals for investigation	127	104
Notional Saving *	588000	210000
Notional Saving	383820	4092800

* Notional saving revised from 2022/23 figures as recommended method uses a standard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of £42,000

Mutual Exchanges and Successions

Housing Services refer Mutual Exchanges and Successions to the Counter Fraud Team to review.

A total of 24 Mutual Exchanges and 27 Successions have been referred and reviewed.

Two Mutual Exchanges and four Successions were denied.

Housing Cases

The following table illustrates the breakdown of cases:

Description	2024/25 (to date)
Number of referrals brought forward	84
Number of referrals currently under investigation	79
Open Investigations	71
Passed to Legal Services for Criminal / Civil Proceedings	7
Closed - Fraud Detected	3
Properties Recovered	3
Number of completed / closed investigations	20
Notice To Quit (NTQ) issued	2
Pending bailiff action / Eviction	2
Number of new referrals retained for investigation *	14
NFA / No Offence	13
Awaiting Court Hearing	1
Awaiting Eviction	1
Housing Application Cancelled	1
RTB stopped **	0

Key:

** Total number of referrals received and triaged was 93. Only 20 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 225. Thirty RTB cases were stopped by Counter Fraud at the initial review stage and therefore are not counted as investigations.

Appendix 2

Final Internal Audit Report – Appointee & Deputyships

Background

An allocation within the 2024/25 Internal Audit Plan, approved by Audit Committee, for emerging risks was utilised to carry out a review of the administration of Appointees and Deputyships. The review followed concerns raised by the service and the need to identify potential gaps in the services control environment.

An improvement plan has since been produced by the service and significant work is already underway to address weaknesses identified during the original investigation. Whist this report highlights a number of control weaknesses, it is acknowledged that aspects of the work already underway within the service may address many of the risks outlined in this report.

Assurance Opinion - Limited

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.

Summary Key Findings

Management Oversight and Governance

The provision of an Appointee & Deputyship service places a significant burden of responsibility on the service to ensure that all actions and decisions taken in respect of client accounts are transparent and would withstand scrutiny. This review has highlighted a number of areas where controls should be strengthened to reduce the Council’s risk of exposure (to allegations of impropriety).

- Insufficient managerial oversight and scrutiny of client accounts, particularly in more complex cases and where additional support may be necessary.
- Lack of adequate guidance / procedures and training offered to new and existing officers to ensure ongoing awareness of latest legislation and current practices.
- Non-compliance with service and corporate requirements (procurement).
- Weaknesses in the current income collection and debt recovery processes.

Summary of Expected Outcomes

- Management oversight and scrutiny of accounts, ensuring transparency and a clear separation of duties.
- Accounts are managed in accordance with OPG standards.
- Compliance with legislative and local requirements, including procurement; with robust audit trails.
- Provision of training and procedures.
- Adequate income and collection processes.
- Accurate list of current (bona fide) debtors.

Havering
LONDON BOROUGH

Summary Key Findings	Summary of Expected Outcomes
Service Delivery A rise in demand for this service has resulted in increases to officer caseloads. Current levels were a result of historical benchmarking, however discussions with the OPG have suggested these are higher than usual when compared to other local authorities. A decision was made to temporarily pause the acceptance of new cases and a waiting list was established. At the time of this review, new cases were being accepted and the waiting list had been cleared. There is no statutory duty to provide an Appointee and Deputyship service. Unlike the Council being appointee, the Council does charge a fee to act as a deputy. A flat rate is charged regardless of the complexity of the account or the administrative resources needed to manage the account. More complex cases and those based outside of the boroughs boundary require increased officer time. Additionally, Clients are placed outside of the Borough and still under the jurisdiction of the LBH Court of Protection service leading to difficulty in arranging visits.	• Benchmarking against comparative local authorities. • Explore alternative sources of support for more complex cases. • Collaboration with other local authorities.

Havering
LONDON BOROUGH

Appendix 2

Appointee and Deputyships - Improvement Action Plan

Expected Outcomes All expected outcomes were accepted by management and a detailed improvement plan has been provided to Internal Audit, which will be monitored for implementation.		**Expected Outcome Status**
High	1: Management oversight and scrutiny of accounts, ensuring transparency and a clear separation of duties.	In progress – Feb 2025
High	2: Accounts are managed in accordance with OPG standards.	In progress – Feb 2025
High	3: Compliance with legislative and local requirements, including procurement; with robust audit trails.	In progress – Feb 2025
Med	4: Provision of training and procedures.	In progress – Mar 2025
Med	5: Adequate income and collection processes.	Completed
Med	6: Accurate list of current (bona fide) debtors.	Completed
Med	7: Benchmarking against comparative local authorities.	Completed
Med	8: Explore alternative sources of support for more complex cases.	Completed
Med	9: Collaboration with other local authorities.	Completed

Havering
LONDON BOROUGH

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Havering
LONDON BOROUGH

AUDIT COMMITTEE
30 January 2025

Subject Heading:	Risk Management Update
SLT Lead:	Kathy Freeman, Strategic Director of Resources
Report Author and contact details:	Jeremy Welburn Head of Assurance. Tel: 01708 432610 / 07976539248 E-mail: jeremy.welburn@onesource.co.uk
Policy context:	To provide the Committee with an update on the Strategic Risk Register.
Financial summary:	There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

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

The Council's Strategic Risk Register is attached for review by Audit Committee.

RECOMMENDATION

The Council's Strategic Risk Register is attached for review by Audit Committee. The Committee is invited to consider, with the assistance of Officers, the current level of risk to which the Council is exposed.

REPORT DETAIL

1.1 The Strategic Risk Register is subject to regular review and risks are regularly scheduled for discussion and updates at the Executive Leadership Team (ELT) meetings.

1.2 As part of this ongoing review, new risks may be added and existing risks amended or removed at any time changes are identified.

1.3 A summary version of the current Strategic Risk Register is provided in Appendix 1. This includes current likelihood and impact scoring of the risks based on assessment by the risk owner and ELT (using the risk matrix from the Council's Risk Management Strategy and Toolkit).

1.4 The Risk Management Strategy and Toolkit provides a comprehensive framework and process designed to support managers in ensuring that the Council is able to discharge its risk management responsibilities fully. The strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that we have in place to manage risk successfully.

1.5 Havering uses 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 (below). The green shaded area on the matrix (scores 1 – 5) show the risks where there is good control and the Council is comfortable with the level of risk. Risks in the amber (scores 6 – 12) and red (scores 15 to 25) zones are those over which closer control and further management action may be required.

Impact	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Very High (5)	5	10	15	20	25
High (4)	4	8	12	16	20
Moderate (3)	3	6	9	12	15
Low (2)	2	4	6	8	10
Very Low (1)	1	2	3	4	5
	Likelihood				

Appendices:

Appendix 1 – Strategic Risk Register as at December 2024

Financial implications and risks:

The Council's Audit Committee is asked to consider, with the assistance of Officers, the current level of risk to which the Council is exposed. There are no direct financial implications arising from this request, although it is noted that many of the risks themselves have significant inherent financial implications. Similarly, risks mitigations may have financial implications; these will be considered as part of relevant decision making processes and with reference to available funding.

Failure to carry out appropriate risk management processes could result in financial losses to the Council and adverse impacts on service delivery.

Legal implications and risks:

The Council is responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk (Regulation 3 of the Accounts and Audit Regulations 2015).

There are no apparent risks in noting the content of this report.

Climate Change implications and risks:

None arising directly from this report. Risks around this are reflected in the Strategic Risk Register and incorporated into the scope of audits where relevant.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from 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.

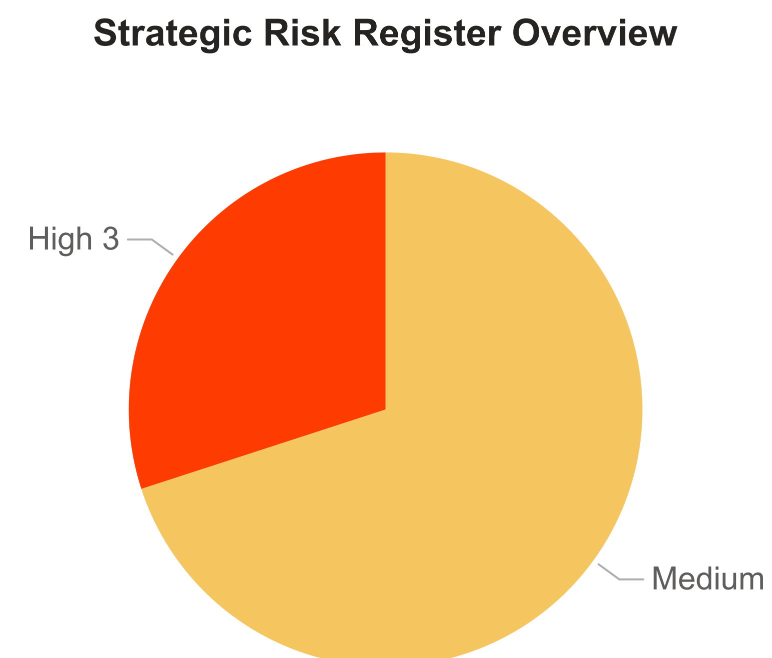
LB Havering Strategic Risk Register Report - January 2025

Havering uses a 5 x 5 matrix to plot Likelihood and Impact. The green shaded (score 1 to 5) area on the matrix shows the risks where there is good control and the Council should be comfortable with the risk. Risks in the amber (score 6 to 12) and red zones (score 15 to 25) are those over which closer control is needed.

The Strategic Risk Register currently has 10 risks.

Impact	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Very High (5)	5	10	15	20	25
High (4)	4	8	12	16	20
Moderate (3)	3	6	9	12	15
Low (2)	2	4	6	8	10
Very Low (1)	1	2	3	4	5

Likelihood



Strategic Risk Register

Risk Ref	Risk Title & Description	Current Risk Rating	Target Risk Rating	Last Review Date	Review Date
HAV0023	External Inspection Requirements - conditions attached to the Capitalisation Direction inc. an external assurance arrangement to review the effectiveness of our Financial Management arrangements, extending to a review of our governance and decision making processes. Terms remain to be defined by MHCLG. Additional inspection and reporting requirements following on from 2024 Ofsted review, CQC reviews and Housing Inspectorate. The Council's in-year savings targets may impact on delivery of priorities if not achieved.	High	Medium	December 2024	March 2025
HAV0005	Financial Resilience - Inability to deliver a balanced budget	High	Medium	December 2024	March 2025
HAV0006	Potential harm to people we owe a duty of care	High	Medium	December 2024	April 2025
HAV0024	Culture, governance, capacity and knowledge	Medium	Low	December 2024	June 2025
HAV0007	Failure to adapt to the potential impacts of climate change and meet Council's carbon neutral ambition for 2040	Medium	Medium	December 2024	March 2025
HAV0013	Failure to deliver strategic corporate priorities set out in the Corporate Plan - The Council's in-year savings targets may impact on delivery of priorities if not achieved.	Medium	Medium	December 2024	February 2025
HAV0015	Regeneration (Shaping the Future of the Borough) - impact of costs inflation, social change and economic downturn.	Medium	Medium	December 2024	March 2025
HAV0002	Significant operational disruption to the Council's critical services. Operational disruption caused by loss of or impairment to key resources supporting the Council's critical services and insufficient BCP/EP on place to deal with the consequences.	Medium	Medium	December 2024	March 2025
HAV0004	Technology: Cyber Security (Technical Controls and Platforms), Information Security and Risk Management	Medium	Medium	December 2024	March 2025
HAV0020	Technology: ICT Resilience and Legacy Systems - The Council's ability to deliver critical and key services in the event of ICT outages and be able to recover in the event of system and/or data loss.	Medium	Low	December 2024	March 2025


Progress Towards Target Risk Rating
Target Risk Rating ----------
Current Risk Rating
Summary Title
Financial Resilience
External Inspection Requirements
Potential Harm
Climate Change
Corporate Plan Delivery
Governance
Cyber Security
ICT Resilience
Operational Disruption
Regeneration
25
12
16
6
16
8
12
9
9
9
9
4
6
6
6
4
6
6
6
6
0
5
10
15
20
25

High
Current Risk Rating

HAV0005

Medium
Target Risk Rating

Financial Resilience - Inability to deliver a balanced budget

Mitigation Summary	Status
Lobby the Government at every available opportunity	In Progress
The Council continues to review its structure	In Progress
The Council recognises the need to continue to develop savings proposals in order to help balance the budget.	In Progress
The Council reviews and reprofiles the Capital programme on a quarterly basis through the year.	In Progress
The Council has developed action plans to mitigate and reduce the in-year overspend	Ongoing
The MTFS is updated on a regular basis to define the potential budget gap for the following year.	Ongoing

High
Current Risk Rating

HAV0006

Potential harm to people we owe a duty of care

Medium
Target Risk Rating

Mitigation Summary	Status
A Quality Assurance Framework provides a risk based approach to the care market	In Progress
Adults and Children's Social Care (ASC) - Resilience business case to address staffing pressures	In Progress
Appropriate and effective safeguarding processes and arrangements in place for children and adults	In Progress
Broad range of targeted training available to social care staff and managers to ensure all are properly equipped.	In Progress
Children's Services benchmarking through the London Innovation and Improvement Alliance performance dataset	In Progress
Council's cost of living response to mitigate financial pressures on residents	In Progress
Involvement in the LIIA Recruitment microsite and London Pledge work	In Progress
Monitoring and continuation of early help and intervention work where possible, in line with model of practice	In Progress
Monitoring of demand via referrals to Multi-Agency Safeguarding Hub (MASH)	In Progress
Quality process in place including contract monitoring for framework and residential providers	In Progress
Recruitment processes underway for Social workers in Havering	In Progress
Regular Review of Safeguarding caseloads across teams	In Progress
Regular Safeguarding and Oversight meeting chaired by AD Adult Safeguarding and AD Children's services	In Progress
Residential and nursing home safeguarding training	In Progress
Robust Adults Establishment Concerns & Failure Procedure and Guidance	In Progress
Robust process to escalate cases to MARAC ensuring partnership approach	In Progress
Robust Quality Assurance Framework and learning through Rapid reviews and learning dissemination in Children's Services.	In Progress
Safeguarding Adult Team attend Team Meetings to provide relevant updates around key topics such as MCA or DV	In Progress
Safeguarding Adults Board (SAB) and Local Safeguarding Partnerships (for Children) in place	In Progress
Safeguarding Policies and Guidance are reviewed and updated	In Progress
Sharing of information and intelligence with other Local Authorities at the Local Adults Quality and Safeguarding Group (monthly	In Progress
Staff are appropriately supervised to be able to carry out their roles to a high standard	In Progress
Strong links with CQC with early notification of problems with providers	In Progress
Training in Multi Agency Safeguarding Hub	In Progress
Transparent and robust Guidance for Suspension of Placements with adults providers	In Progress

High
Current Risk Rating

HAV0023

Medium
Target Risk Rating

External Inspection Requirements - conditions attached to the Capitalisation Direction inc. an external assurance arrangement to review the effectiveness of our Financial Management arrangements, extending to a review of our governance and decision making processes. Terms remain to be defined by MHCLG.
Additional inspection and reporting requirements following on from 2024 Ofsted review, CQC reviews and Housing Inspectorate.
The Council's in-year savings targets may impact on delivery of priorities if not achieved.

Mitigation Summary	Status
Implementation of the MHCLG productivity, improvement and transformation plans	In Progress
Peer Reviews carried out or CQC and Housing Inspectorate	In Progress
Ofsted Inspection - Improvement Plan ongoing	Ongoing

Medium
Current Risk Rating

HAV0007

Medium
Target Risk Rating

Failure to adapt to the potential impacts of climate change and meet Council's carbon neutral ambition for 2040

Mitigation Summary	Status
Havering Climate Change Action Plan 2024-2027 - Endorsement at Cabinet	Implemented
Inclusion in Business Continuty and Emergency Plans	Implemented
Introduction of Havering Climate Change Action Plan 2021	Implemented
Implementation of Havering Climate Change Action Plan 2024 - first year review	In Progress
London Climate Resilience Review July 2024 - Risks cross ref with action plan	In Progress

Medium
Current Risk Rating

HAV0013

Medium
Target Risk Rating

Failure to deliver strategic corporate priorities set out in the Corporate Plan - The Council's in-year savings targets may impact on delivery of priorities if not achieved.

Mitigation Summary	Status
A full review of the 2023/24 agreed Corporate Plan was undertaken.	Implemented
Engagement Strategy active and implemented	Implemented
Implement service planning to deliver Strategic Priorities	Implemented
Transparent communication to support revised Corporate Plan.	Implemented
Implementation of the DLUHC productivity, improvement and transformation plans	In Progress

Medium
Current Risk Rating

HAV0024

Culture, governance, capacity and knowledge

Low
Target Risk Rating

Mitigation Summary	**Status**
People Strategy Refresh in 2025	In Progress
Review of Significant Governance Issues arising from AGS via ELT	In Progress
Governance and Compliance Culture as a rolling programme of work in the Internal Audit Plan 2024/25	Ongoing

Medium
Current Risk Rating

HAV0002

Medium
Target Risk Rating

Significant operational disruption to the Council's critical services. Operational disruption caused by loss of or impairment to key resources supporting the Council's critical services and insufficient BCP/EP on place to deal with the consequences.

Mitigation Summary	Status
Corporate Business Continuity Plan and individual service area Business Continuity plans held and updated by services.	Implemented
Alignment of outages to scenarios	In Progress
Applications Audit	In Progress
BCP Transformation Project	In Progress
Corporate Business Continuity Plan outlines critical service for initial priorities with included service time scales.	In Progress
CRR linked to the London Risk register on relating risks, for example R72, R73 and R103 for societal associated risks	In Progress
Disaster Recovery Capabilities Verification	In Progress
Due diligience in advance of contract awards	In Progress
Individual incident plans for specific scenario for example, Multi-agency flood plan, Excess Deaths Plan, Severe Weather Lon	In Progress
Major Emergency Plan in place within organisation to mitigate the initial impacts of these types of events	In Progress
Monitoring of the Reablement Contract	In Progress
Regular review of market rates, in consultation with local providers and uplifts applied as appropriate	In Progress
Regular updates of plans and testing and exercising associated risks.	In Progress
Work with Care Providers Voice, workforce professionals and other partners	In Progress

Medium
Current Risk Rating

HAV0004

Medium
Target Risk Rating

Technology: Cyber Security (Technical Controls and Platforms), Information Security and Risk Management

Mitigation Summary	Status
Capacity in Information Assurance Team	Implemented
Cyber Security - Technical Controls & Platforms: Cyber Security Programme	Implemented
Cyber Security – Technical Controls & Platforms: Security Operations Centre Provision	Implemented
Information Governance Board Oversight	Implemented
Policy Review and Update	Implemented
Training Provision	Implemented
Cyber Security – Technical Controls & Platforms: Network Refresh Programme	In Progress
Review of Asset Registers and Owners	In Progress

Medium
Current Risk Rating

HAV0015

Medium
Target Risk Rating

Regeneration (Shaping the Future of the Borough) - impact of costs inflation, social change and economic downturn.

Mitigation Summary	Status
Covid focused mitigations	Implemented
Review of affordable housing products to maximise external grant/income opportinities.	Implemented
Annual Business Plan refresh reviews financial viability of JVs.	In Progress
Active and Pipeline Schemes are reviewed at Regeneration Officer Board.	Ongoing
Adjust delivery programmes, where appropriate, to respond to the market cycle.	Ongoing
Ensure adequacy of scheme contingency allowances.	Ongoing
Financial risks are included in each Regeneration Officer Board report for each scheme. ROB is chaired by the s151 Officer.	Ongoing
Greater focus on scheme viablity at a project level.	Ongoing
Increased monitoring of economic conditions.	Ongoing
Project risks in Verto link in with Directorate Risk Register	Ongoing
Regeneration scheme budget forecasts are updated in PBCS monthly, capital forecasts are reported quarterly to Themed Board.	Ongoing
Review for a possible need to adjust the tenure mix (a possible mitigation to viability challenges).	Ongoing

Medium
Current Risk Rating

HAV0020

Low
Target Risk Rating

Technology: ICT Resilience and Legacy Systems - The Council's ability to deliver critical and key services in the event of ICT outages and be able to recover in the event of system and/or data loss.

Mitigation Summary	Status
Application Rationalisation	In Progress
Applications Audit	In Progress
Backup systems for client case recording systems – Liquid Logic LAS, LCS and EHM	In Progress
Digital Strategy	In Progress
Disaster recovery testing	In Progress
Replacement IT backup solution procurement and implementation	In Progress
Review of Disaster Recovery capabilities	In Progress
Vendor contracts - Contacts register created for all contracts managed by one source IT.	In Progress

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Havering
LONDON BOROUGH

AUDIT COMMITTEE **30th January 2025**

Subject Heading:	Accounting Policies 2024/25
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:	To present the 2024/25 accounting policies as an appropriate basis to prepare the council's 2024/25 Statement of 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

Accounting policies are the conventions and practices applied by the Council in preparing its financial statements.

This report advises the committee on the Accounting Policies set for the financial year 2024/25.

RECOMMENDATIONS

The Committee is asked to:

- **Note** the Accounting Policies to be used in the preparation of the 2024/25 Financial Statements, as set out at Appendix A.

REPORT DETAIL

1. Introduction

1.1. The Council is required to prepare annual financial accounts covering the period from 1 April to 31 March. The Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) requires councils to prepare financial accounts with regard to relevant accounting policies.

1.2. Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting its financial statements

1.3. The Strategic Director of Resources, as Section 151 officer, is responsible for selecting the council's accounting policies and ensuring that they are applied consistently.

1.4. The accounting policies are being brought to Audit Committee for comment and discussion by those charged with governance, prior to the production of the 2024/25 Statement of Accounts.

1.5. Should any amendments be required during the production of the accounts or through the audit process, these will be agreed with the Strategic Director of Resources. Any significant changes will be reported to Audit Committee at a later date.

2. Changes in Accounting Policies for 2024/25

2.1. Accounting policies are applied consistently from year to year. Changes are required when new accounting regulations are introduced or updated, or if there is a significant change within the financial activities of the Council. The Accounting Policies are mostly consistent with those for 2023/24. The only significant change is in respect of leases.

2.2. The 2024/25 Code adopts a new standard; International Financial Reporting Standard (IFRS) 16 Leases. Under IFRS 16 the accounting for lessors is largely unchanged however, where the council is a lessee the accounting will differ. The impact of the new standard is that all leases (except those less than 12 months or deemed to be of low value) will need to be accounted for as 'right-of-use' assets with a corresponding lease liability on the balance sheet.

2.3. From 1 April 2024, most operating leases will come onto the balance sheet resulting in an additional £11.5m being recognised on transition relating to short-term residential properties leased from the private sector. This has implications for the Council's Treasury Management Strategy, its Capital Programme and its Financial Statements as all leases are now classified as capital expenditure.

2.4. No other significant changes were required to the Accounting Policies that are to be adopted for the 2024/25 Financial Statements. The 2024/25 Accounting Policies are included in full at appendix A.

IMPLICATIONS AND RISKS

Financial implications and risks:
The main financial impact will be to the balance sheet, as right-of-use assets will increase and corresponding lease liabilities will also increase.

The changes to accounting policies for leases where the council is lessee will not result in any additional cost to general fund however, where lease payments were previously an expenditure in net cost of services, they will now be treated as an interest cost and a minimum revenue provision payment in financing and investment income. There will be a depreciation charge associated with the asset which will be mitigated by the statutory reversal of depreciation from the general fund.

Any income from leases where the council is lessor will be reviewed and, where necessary, income may change from a revenue receipt to a capital receipt. It is not expected that this will have a material impact on income.

Legal implications and risks:
There are no legal implications arising directly from this report.

The changes to accounting policies are part of the process for ensuring that the Council complies with its legal obligation to prepare a Statement of Accounts in accordance with proper practices.

The accounting policies that are adopted must comply with current legislation, the Code of Practice on Local Government Accounting and IFRS requirements. The policies must therefore be carefully considered to ensure that these obligations are met.

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 – Accounting Policies 2024/25

Accounting Policies

Going Concern

The accounts are prepared on a going concern basis, on the assumption that the functions of the Council will continue in their current or similar form for the foreseeable future. The Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription, and there is no notice from Government to that effect.

NB: The assumption of going concern will be updated for the Council's latest financial position at the point of publishing the draft 2024/25 Financial Statements

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2024/25 financial year and its position at the year ending 31 March 2025. The Accounts and Audit (England) Regulations 2015 require the Authority to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* 2024/25 (the Code), 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.;

- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on 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 however, 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 2024/25 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 three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 because 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.

v. Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; 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 amortisation. 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 (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. Costs are charged on an accruals basis to the relevant service 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 People's and Resources Service 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 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.

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 between the Authority and the London Borough of Newham to share back-office operations. 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 two authorities based on an agreed formula and are allocated on an annual basis.

xviii. Leases

The Authority as Lessee

Leases with a term of less than 12 months or for items of low value (less than £10,000) are accounted for by charging payments to the relevant service line in the CIES.

For longer-term leases and those for higher value items, the Council recognises the right acquired to use the property, plant or equipment as an asset in the Balance Sheet and a liability for the obligation to pay the lessor for the right. The lease liability is initially measured at the present value of the payments to be made after the commencement date. The cost of the right-of-use asset is deemed to be the initial liability plus the incremental costs of obtaining the lease and any payments made before the commencement date.

Right-of-use assets are subsequently accounted for in accordance with the classification the underlying asset would have if owned by the Council (property, plant and equipment; intangible assets; investment property). Where the outcome would be materially different from the amount for the asset under the cost model, this will involve remeasurement to current value.

The lease liability is subsequently remeasured where future lease payments change as a result of a change in an index or rate used to determine those payments. Remeasurements are reflected in adjustments to the deemed cost of the right-of-use asset.

Payments are apportioned between:

- a charge for the acquisition of the right-of-use asset – applied to write down the lease liability
- financing charges (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)
- contingent rents not reflected in the calculation of the lease liability – debited to the relevant service line in the CIES.

The Authority as Lessor

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

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

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal, with the gain/loss attributable to the difference between the carrying amount of the asset and the Council's net investment in the lease being credited/debited to the Other Operating Expenditure line in the CIES. The net investment in the lease is recognised as a lease asset in the Balance Sheet, net of any premium paid. Lease rentals receivable are apportioned between:

- a credit for the disposal of the interest in the property – applied to write down the lease asset
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES.

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 (DRC) 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are 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 current 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 treated as revenue unless 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 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 does not go ahead or is stopped at an early stage without producing any assets the expenditure is treated as an abortive revenue cost.

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

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 25 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.

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 non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line 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 more than £10,000 are categorised as capital receipts. 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 non-current 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 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 is 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 (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amount 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 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). The Local Government Act 2003 requires the Authority to have regard to the Ministry for Housing, Communities and Local Government (MHCLG) Guidance on Minimum Revenue Provision issued in 2018.

The broad aim of the MHCLG 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 Capital Financing Requirement. 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, considering 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 are 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 are 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 are 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, 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.

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AUDIT COMMITTEE
30th January 2025

Subject Heading:	Treasury Update – Quarter 3 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 Council has adopted the CIPFA Treasury Management in the Public Services Code of Practice (the CIPFA code) which requires the Committee to approve treasury management semi-annual and annual reports. This report provides an additional update.
Financial summary:	The Treasury Strategy forms part of the Authority's overall budget setting strategy and financial management framework

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

The Council has adopted the CIPFA treasury management in the Public Services Code of Practice (the CIPFA Code) which requires the Council to report on the performance of the treasury management function to Full Council at least twice per year (mid-year and at year-end).

This quarterly report provides an additional update to Audit Committee to keep Members up-to-date with treasury activities and is intended to give a brief overview of the council's liquidity and debt position in light of the current financial situation rather than a detailed review of all prudential and treasury indicators.

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

Audit Committee are asked to:

- To note the treasury management activities to the end of December 2024 as detailed in the report.
- To note the treasury management performance to the end of December 2024
- To note the adherence to the prudential and treasury indicators

REPORT DETAIL

1. Introduction

1.1 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, (Scheduled for Audit Committee after year end)

1.2 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.

1.3 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.

1.4 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.

1.5 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. CURRENT TREASURY POSITION

2.1 Table 1 below shows the movement in both treasury investments and borrowing between the figures reported in the mid-year update and the quarter 3 position.

Table 1: Treasury Portfolio Position

	30/09/24		31/12/24	
	£m	**%**	**£m**	%
Treasury Investments				
Government & Local Authorities	45.5	100	47.6	100
Banks & Other Financial Institutions	0.0	0	0.0	0
Total Treasury Investments	**45.5**	**100**	**47.6**	**100**
Treasury Borrowing				
PWLB	425.1	97.2	475.1	97.9
Bank Loans (LOBO)	7.0	1.6	7.0	1.4
Local Authorities	5.0	1.1	3.0	0.6
Other loans	0.2	0.1	0.3	0.1
Total External Borrowing	**437.3**	**100**	**485.4**	**100**
Net Treasury Investments/(Borrowing)	**(391.8)**		**(437.8)**	

Investment Balances

2.2 The average weighted level of funds available for investment purposes during the first 3 quarters of the financial year was £78.3m

2.3 table 2 below sets out the investment performance for Quarter 3 of 2024/25 compared to the benchmark of 3 month SONIA (Sterling Over Night Indexed Average)

Table 2: investment Performance

Period	SONIA 3 month benchmark return	Authority performance	Investment interest earned
3 month	**4.85%**	**5.27%**	**£3.1m**

The Authority outperformed the benchmark by 42bp. The Authority's budgeted investment return for 2024/25 is £1.25m, and performance for the year to date is £1.85m above budget

2.4 A full list of treasury investments as at 31st December 2024 is included as appendix 1

Borrowing Balances

2.5 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.

2.6 Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, LINK have significantly revised their central forecasts for the first time since May, (see Table3 below).

Table 3: Link Interest Rate Forecasts

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

2.7 In summary, the Bank Rate forecast is now 50bps to 75bps higher than was previously the case, whilst the PWLB forecasts have been materially lifted to not only reflect the increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

2.8 Link's central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. They forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November). Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation's stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.

2.9 Table 3 shows the overall trend is for gilt yields and PWLB rates to fall back over the forecast period as inflation continues to fall in 2025. This is supported by other economic forecasts so officers are in agreement that any long term borrowing required should be on shorter durations (1 to 2 years) and to refinance on longer term duration when rates are expected to be lower.

Table 4: Current PWLB rates

Duration	Standard Rate %	Certainty Rate %	HRA Rate %
1 year	5.36	5.16	4.76
2 years	5.32	5.12	4.75
5 years	5.42	5.22	4.82
10 years	5.77	5.57	4.17
25 years	6.23	6.03	5.63
50 years	5.94	5.14	4.74

2.4 A full list of treasury long and short term borrowing as at 31st December 2024 is included as appendix 2 along with the Council's debt maturity profile

3. Compliance with Treasury & Prudential Indicators

3.1 It is a statutory duty for the Authority to determine and keep under review the Treasury and Prudential Indicators. To the 31st December 2024, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2024/25.

3.2 The Operational boundary is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources

Operational Boundary £m	2024/25 Estimate	2024/25 Actual Debt @ 31/12/2024
Debt	900	485.4
Other long-term liabilities	10	0
Total	**910**	**485.4**

3.3 The Authorised Limit for External Debt is another key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit was set as part of the budget setting process

Authorised Limit for External Debt £m	2024/25 Estimate	2024/25 Actual Debt
Debt	950	485.4
Other long-term liabilities	10	0
Total	**960**	**485.4**

3.4 In addition to compliance with all Treasury and Prudential Indicators, 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.

ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

There are no climate or environmental implications arising from this report, however the Council can make significant impact via future investment opportunities and operational changes. Numerous changes have already been made to ensure that climate is a key consideration when making investments. In line with the Council's climate change ambitions of becoming carbon neutral by 2040, investment activities will continue to contribute towards achieving this target, once requirements for the security and liquidity of investments have taken precedence.

Appendix 1

Treasury Investments as at 31st December 2024

Class	Type	Deal Ref	Start / Purchase Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Deposit	Fixed	4462	31/12/24	02/01/25	DMADF (Debt Management Account Deposit Facility)	Maturity	4.7000%	-8,600,000.00
Deposit	Fixed	4440	13/12/24	13/01/25	Surrey County Council	Maturity	5.3000%	-5,000,000.00
Deposit	Fixed	4358	30/09/24	31/01/25	Blackpool Council	Maturity	5.0000%	-5,000,000.00
Deposit	Fixed	4420	22/11/24	22/05/25	Central Bedfordshire Council	Maturity	5.2500%	-5,000,000.00
Deposit	Fixed	4417	21/11/24	02/06/25	Uttlesford District Council	Maturity	5.2000%	-4,000,000.00
Deposit	Fixed	4423	29/11/24	27/06/25	Hertfordshire Police and Crime Commissioner	Maturity	5.2500%	-5,000,000.00
Deposit	Fixed	4429	29/11/24	27/06/25	Suffolk County Council	Maturity	5.3500%	-5,000,000.00
Deposit	Fixed	4454	27/12/24	07/07/25	Warwickshire Police and Crime Commissioner	Maturity	5.6500%	-5,000,000.00
Deposit	Fixed	4457	24/12/24	24/09/25	Fife Council	Maturity	5.7000%	-5,000,000.00
Fixed Total							**5.2252%**	**-47,600,000.00**

Appendix 2

Treasury Borrowing as at 31st December 2024

Class	Type	Deal Ref	Start / Purchase Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
Loan	Fixed	735 Housing Revenue A/C	19/02/24	19/02/25	PWLB	Maturity	5.0300%	35,000,000.00
Loan	Fixed	736 Housing Revenue A/C	29/02/24	28/02/25	PWLB	Maturity	5.0600%	45,000,000.00
Loan	Fixed	737 Housing revenue A/C	19/03/24	19/03/25	PWLB	Maturity	4.9300%	10,000,000.00
Loan	Fixed	738 Housing Revenue A/C	28/03/24	28/03/25	PWLB	Maturity	4.9200%	28,000,000.00
Loan	Fixed	484074 General Fund	06/04/00	04/04/25	PWLB	Maturity	4.8750%	478,411.83
Loan	Fixed	484074 Housing Revenue A/C	06/04/00	04/04/25	PWLB	Maturity	4.8750%	500,694.11
Loan	Fixed	739 Housing revenue A/C	29/11/24	01/12/25	PWLB	Maturity	4.7600%	20,000,000.00
Loan	Fixed	740 Housing revenue A/C	20/12/24	22/12/25	PWLB	Maturity	4.6500%	30,000,000.00
Loan	Fixed	500049 Housing Revenue A/C	28/03/12	28/03/26	PWLB	Maturity	2.9200%	2,801,126.17
Loan	Fixed	500049 General Fund	28/03/12	28/03/26	PWLB	Maturity	2.9200%	248,473.83
Loan	Fixed	500057 Housing Revenue A/C	28/03/12	28/03/27	PWLB	Maturity	3.0100%	15,178,400.38
Loan	Fixed	500057 General Fund	28/03/12	28/03/27	PWLB	Maturity	3.0100%	1,346,399.62
Loan	Fixed	482691 General Fund	14/07/99	27/06/27	PWLB	Maturity	4.7500%	478,411.83
Loan	Fixed	482691 Housing Revenue A/C	14/07/99	27/06/27	PWLB	Maturity	4.7500%	500,694.11
Loan	Fixed	500056 Housing Revenue A/C	28/03/12	28/03/28	PWLB	Maturity	3.0800%	15,178,400.38
Loan	Fixed	500056 General Fund	28/03/12	28/03/28	PWLB	Maturity	3.0800%	1,346,399.62
Loan	Fixed	481185 General Fund	23/07/98	04/04/28	PWLB	Maturity	5.5000%	956,823.67
Loan	Fixed	481185 Housing Revenue A/C	23/07/98	04/04/28	PWLB	Maturity	5.5000%	1,001,388.21
Loan	Fixed	500050 Housing Revenue A/C	28/03/12	28/03/29	PWLB	Maturity	3.1500%	15,178,400.38
Loan	Fixed	500050 General Fund	28/03/12	28/03/29	PWLB	Maturity	3.1500%	1,346,399.62
Loan	Fixed	500051 Housing Revenue A/C	28/03/12	28/03/30	PWLB	Maturity	3.2100%	15,178,400.38
Loan	Fixed	500051 General Fund	28/03/12	28/03/30	PWLB	Maturity	3.2100%	1,346,399.62
Loan	Fixed	500054 Housing Revenue A/C	28/03/12	28/03/31	PWLB	Maturity	3.2600%	15,178,400.38
Loan	Fixed	500054 General Fund	28/03/12	28/03/31	PWLB	Maturity	3.2600%	1,346,399.62
Loan	Fixed	500052 Housing Revenue A/C	28/03/12	28/03/32	PWLB	Maturity	3.3000%	15,178,400.38
Loan	Fixed	500052 General Fund	28/03/12	28/03/32	PWLB	Maturity	3.3000%	1,346,399.62
Loan	Fixed	500053 Housing Revenue A/C	28/03/12	28/03/33	PWLB	Maturity	3.3400%	15,178,400.38
Loan	Fixed	500053 General Fund	28/03/12	28/03/33	PWLB	Maturity	3.3400%	1,346,399.62
Loan	Fixed	500055 Housing Revenue A/C	28/03/12	28/03/34	PWLB	Maturity	3.3700%	15,178,400.38
Loan	Fixed	500055 General Fund	28/03/12	28/03/34	PWLB	Maturity	3.3700%	1,346,399.62
Loan	Fixed	500058 Housing Revenue A/C	28/03/12	28/03/42	PWLB	Maturity	3.5000%	27,555,674.58
Loan	Fixed	500058 General Fund	28/03/12	28/03/42	PWLB	Maturity	3.5000%	2,444,325.42
Loan	Fixed	Richard Beard Trust	01/04/94	01/04/44	Richard Beard	Maturity	0.3800%	6,971.26
Loan	Fixed	Lucas playsite trust	01/04/94	01/04/44	Lucas Playsite	Maturity	0.3800%	157,762.41
Loan	Fixed	Havering Theatre Trust	01/04/96	01/04/46	Havering Theatre Trust	Maturity	0.3800%	100,443.60
Loan	Fixed	491046 General Fund	23/01/06	23/01/56	PWLB	Maturity	3.7000%	956,823.67
Loan	Fixed	491046 Housing Revenue A/C	23/01/06	23/01/56	PWLB	Maturity	3.7000%	1,001,388.21
Loan	Fixed	491255 General Fund	27/01/06	23/01/56	PWLB	Maturity	3.7000%	956,823.67
Loan	Fixed	491255 Housing Revenue A/C	27/01/06	23/01/56	PWLB	Maturity	3.7000%	1,001,388.21
Loan	Fixed	491284 General Fund	31/01/06	23/01/56	PWLB	Maturity	3.9000%	956,823.67
Loan	Fixed	491284 Housing Revenue A/C	31/01/06	23/01/56	PWLB	Maturity	3.9000%	1,001,388.21
Loan	Fixed	491367 General Fund	14/03/06	14/03/56	PWLB	Maturity	4.1000%	2,818,135.14
Loan	Fixed	491367 Housing Revenue A/C	14/03/06	14/03/56	PWLB	Maturity	4.1000%	2,949,391.21
Loan	Fixed	491432 General Fund	06/04/06	04/04/56	PWLB	Maturity	4.2000%	642,028.68
Loan	Fixed	491432 Housing Revenue A/C	06/04/06	04/04/56	PWLB	Maturity	4.2000%	671,931.49
Loan	Fixed	491715 General Fund	16/06/06	16/06/56	PWLB	Maturity	4.2500%	1,210,674.25
Loan	Fixed	491715 Housing Revenue A/C	16/06/06	16/06/56	PWLB	Maturity	4.2500%	1,267,062.01
Loan	Fixed	492043 General Fund	31/08/06	28/08/56	PWLB	Maturity	4.2000%	478,411.83
Loan	Fixed	492043 Housing Revenue A/C	31/08/06	28/08/56	PWLB	Maturity	4.2000%	500,694.11
Loan	Fixed	493012 General Fund	08/03/07	28/02/57	PWLB	Maturity	4.2500%	2,392,059.17
Loan	Fixed	493012 Housing Revenue A/C	08/03/07	28/02/57	PWLB	Maturity	4.2500%	2,503,470.53
Loan	Fixed	479798 General Fund	07/08/97	01/08/57	PWLB	Maturity	6.8750%	1,435,235.50
Loan	Fixed	479798 Housing Revenue A/C	07/08/97	01/08/57	PWLB	Maturity	6.8750%	1,502,082.32
Loan	Fixed	480334 General Fund	22/12/97	01/08/57	PWLB	Maturity	6.2500%	334,888.28
Loan	Fixed	480334 Housing Revenue A/C	22/12/97	01/08/57	PWLB	Maturity	6.2500%	350,485.88
Loan	Fixed	479761 General Fund	05/08/97	05/08/57	PWLB	Maturity	6.8750%	3,588,088.75
Loan	Fixed	479761 Housing Revenue A/C	05/08/97	05/08/57	PWLB	Maturity	6.8750%	3,755,205.80
Loan	Fixed	480534 General Fund	04/03/98	01/02/58	PWLB	Maturity	6.0000%	334,888.28
Loan	Fixed	480534 Housing Revenue A/C	04/03/98	01/02/58	PWLB	Maturity	6.0000%	350,485.88
Loan	Fixed	99909632 LOBO - General Fund	18/11/05	18/11/65	Danske Bank	Maturity	3.6000%	3,420,347.79
Loan	Fixed	99909632 LOBO - Housing Revenue A/C	18/11/05	18/11/65	Danske Bank	Maturity	3.6000%	3,579,652.21
Loan	Fixed	273323 Housing Revenue A/C	01/12/20	01/12/69	PWLB	Maturity	1.5300%	30,000,000.00
Loan	Fixed	175002 Housing Revenue A/C	24/03/20	24/03/70	PWLB	Maturity	1.4800%	25,000,000.00
Loan	Fixed	725 General Fund	08/11/21	08/11/71	PWLB	Maturity	1.7000%	25,000,000.00
Loan	Fixed	734 General Fund	29/12/21	29/12/71	PWLB	Maturity	1.4300%	25,000,000.00
Fixed Total							**3.6006%**	**482,389,455.78**
Loan	Temporary Borrowing - Fixed	4451	18/12/24	19/02/25	Surrey Heath Borough Council	Maturity	4.9800%	3,000,000.00
Temporary Borrowing							**4.9800%**	**3,000,000.00**
Loan Total							**3.6091%**	**485,389,455.78**

AUDIT COMMITTEE 30 January 2025

Subject Heading:	**Treasury Management Strategy Statement (TMSS) and Annual investment strategy 2025/26**
ELT Lead:	**Kathy Freeman** Strategic Director of Resources and S151 Officer
Report Author and contact details:	**Tony Piggott** Treasury Manager **Mark White** Capital strategy Manager
Policy context:	The CIPFA Code of Practice (CIPFA TM Code) on treasury management 2021 recommends that the TMSS is reported to a committee for effective review. This role is undertaken by the Audit Committee and this report will be reviewed at its meeting on the 30th January 2025 with a final version of the report presented to Cabinet on the 5th February.
Financial summary:	The TMSS forms part of the Authority's overall budget setting strategy and financial management framework.

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 Treasury Management Strategy Statement ("TMSS") is part of the Authority's reporting procedures as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management ("TM") Code and its Prudential code ("The CIPFA Prudential Code") for capital finance in local authorities. The TMSS also sets out recently introduced changes to the legislative framework, which are generally designed to place restrictions on authorities' commercial activity.

This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA TM Code/Prudential Code and Government Guidance, and it covers:

- The Borrowing and Investment Strategies
- Treasury Management and Prudential Indicators.

RECOMMENDATIONS

- To review the Treasury Management Strategy Statement 2025-26.

REPORT DETAIL

1. Introduction

1.1 The statutory Codes set out that the Authority is required to approve a Treasury Management Strategy Statement, and the Prudential Indicators.

1.2 CIPFA define treasury management 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."

1.3 The Authority is required to operate a balanced revenue budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that the Authority's cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments in accordance with the Authority's appetite for risk and liquidity requirements, as priorities before considering investment return.

1.4 The other main function of treasury management is to help fund 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 required to 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 the Authority's risk or cost objectives

1.5 Whilst any regeneration initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure which has its own governance process), and are separate from the day to day treasury management activities. This expenditure is shown throughout this report as the "regeneration programme".

1.6 The current treasury portfolio is set out in appendix 1.

2. Key Considerations and Sustainability

2.1 TMSS 2024/25

2.1.1 Treasury Management considerations:

- The Macroeconomic outlook
- The Borrowing strategy
- Prudential indicators and treasury limits
- The Investment strategy

- TM regulation and policies

2.1.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA TM Code and the Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance.

3. Service Delivery and Performance Issues

3.1 Macro-economic and Interest rate outlook

3.1.1 Link assist the Authority with determining its view on interest rates. Link provided their latest outlook on Bank rate and PWLB rates. The PWLB rate forecasts below in table 1 are based on Certainty Rate (the standard rate minus 20 bps (0.2%) which has been available to local authorities submitting a certainty rate return which included a high level description of capital spend and financing plans. In addition to the certainty rate there is also access to a lower HRA PWLB rate (standard rate minus 60 bps) which started on 15th June 2023. This rate is solely intended for use in Housing Revenue Accounts and primarily for new housing delivery.

Table 1: Link interest rate outlook

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

3.1.2 Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, LINK have significantly revised their central forecasts for the first time since May, (see above Table1). In summary, the Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst the PWLB forecasts have been materially lifted to not only reflect the increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

3.1.3 Link's central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. They forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November). Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation's stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.

3.1.4 Gilt yields and PWLB rates: The overall trend is for gilt yields and PWLB rates to fall back over the timeline of Link's forecast, as inflation continues to fall in 2025.

Table 2: PWLB Rates at 16 January 2025

Duration	Standard Rate %	Certainty Rate %	HRA Rate %
1 year	5.36	5.16	4.76
2 years	5.32	5.12	4.75
5 years	5.42	5.22	4.82
10 years	5.77	5.57	4.17
25 years	6.23	6.03	5.63
50 years	5.94	5.14	4.74

3.1.5 Officers reviewed other economic forecasts and found there is a consensus that rates are trending down. Officers are in agreement that long term borrowing should be on shorter durations (1-2 years) and then refinance on longer term durations when rates are expected to be lower.

3.2 Borrowing Strategy

3.2.1 The revenue budget is, by law, balanced such that income is expected to equal expenditure. However, the timing of government grants and other large items can lead to large variations in the actual daily cash position, for example the average monthly payroll alone is in the region of £10.5m.

3.2.2 As at 31 March 2024 the Authority had cash balances of £71m, this had reduced to £47.6m at 31 December 2024. In addition to the variability of cash flow, Capital expenditure, to the extent that it is not financed by government grants, capital receipts or other external funding, has reduced the cash balance. Over time this will be matched by borrowing but it should be noted that the exact timing of the borrowing and expenditure will not match.

3.2.3 The Capital programme 5 year spend 2025/26 through to 2029/30 is £1.13bn of which £773m (of which £518m is HRA and £200m is Regeneration which are supported by robust business plans) is to be funded through prudential borrowing. This will change if new government grants are announced, new decisions that Havering may take such as if new items were added to the capital programme or disposals of surplus assets were to be agreed.

3.2.4 For the reasons set out above the Authority needs to maintain a prudent cash balance to allow it to cover the variability of expenditure. The extent to which borrowing would be required will depend on the movement in cash reserves, working capital, strength of the capital forecast and how much slippage might occur during each financial year.

3.2.5 It is sensible to plan on the basis of covering the inevitable month on month fluctuations in cash balances to avoid what would in effect be an unplanned, and therefore expensive, short-term overdraft. Based on analysis of the monthly cash variations then £40m has been established as an appropriate cash balance or liquidity allowance.

3.2.6 The underlying need to borrow for the capital programme is measured by the Capital Financing Requirement (CFR). Havering like most authorities have set their external borrowing below their CFR level. This means that the CFR, has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy.

3.2.7 Against this background and the risks within the economic forecast, caution will be exercised on 2025/26 treasury operations. The Strategic Director of Resources in conjunction with the Treasury Manager will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then long term borrowing will be postponed.

- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

3.2.8 Plans are also in place to undertake in year HRA long term borrowing on short durations to meet the borrowing need whilst interest rates remain below the budgeted rate in the HRA business plan.

3.2.9 Potential borrowing sources are set out below:

Approved sources/type of borrowing

On Balance Sheet

	Fixed	Variable
PWLB	•	•
Municipal bond agency	•	•
Local authorities	•	•
Banks	•	•

Pension funds	•	•
UK Infrastructure Bank	•	•
Energy Efficiency Fund (MEEF)	•	•
Market (long-term)	•	•
Market (temporary)	•	•
Stock issues	•	•
Local Authorities (temporary)	•	•
Local Bonds	•	
Local authority bills	•	•
Overdraft		•
Negotiable Bonds	•	•
Internal (reserves & balances)	•	•
Finance leases	•	•

3.2.10 The preferred strategy, as agreed with Link at this stage is to borrow for fixed term loan durations less than 5 years from the either the PWLB, Market (Long term and temporary), Local authorities, Banks depending on whom is offering better terms for a relatively short term duration (up to 5 years), to minimise the immediate interest rate costs. These sources represent the cheapest and most accessible source for shorter duration debt and for borrowing of this size. This will then be refinanced as part of the longer-term borrowing strategy once interest rates start to come off their current elevated levels. The option to use quasi government loans from the UK Infrastructure Bank (UKIB) for new long term borrowing may also be used on specific capital projects which typically provide Environmental, Social and Governance (ESG) outputs where they provide value for money over PWLB certainty rates.

3.2.11 Interest rates may not follow the central outlook set out in this report and there is a significant risk that they may remain elevated for longer or actually increase due to unknown factors such as geopolitical events. In this scenario, the Strategic Director of Resources in consultation with the Cabinet member for Finance may decide from a risk management point of view that it would be sensible to secure the capital investment strategy, if longer term borrowing from one of the approved sources set out above was undertaken sooner than later. This may result in a higher cost of borrowing than planned but capital plans will be regularly monitored to ensure they remain affordable and sustainable.

3.2.12 As it stands the PWLB is currently the most cost effective source except possibly on specific ESG related capital plans. This however may change, for example the Government in 2019 arbitrarily increased PWLB rates which it subsequently reversed in 2021. Treasury officers and Link will constantly monitor the capital finance market to identify the most cost effective source of long term borrowing from the above list of approved sources of capital finance.

3.2.13 Other borrowing arrangements: such as the use of leasing, specialist ‘green’ funding that may be more cost efficient for some types of capital expenditure such as for vehicles, equipment and decarbonisation schemes.

3.2.14 The type, period, rate and timing of new borrowing will be determined by the Strategic Director of Resources under delegated powers, taking into account the following factors

- Expected movements in interest rates as outlined above
- Maturity profile of the debt portfolio set out in graph 1 and table 3 below show the debt maturity profile.
- The impact on the medium term financial strategy (MTFS)
- Proposed Prudential Indicators and limits as set out in appendix 2.

Graph 1: Debt Maturity Profile

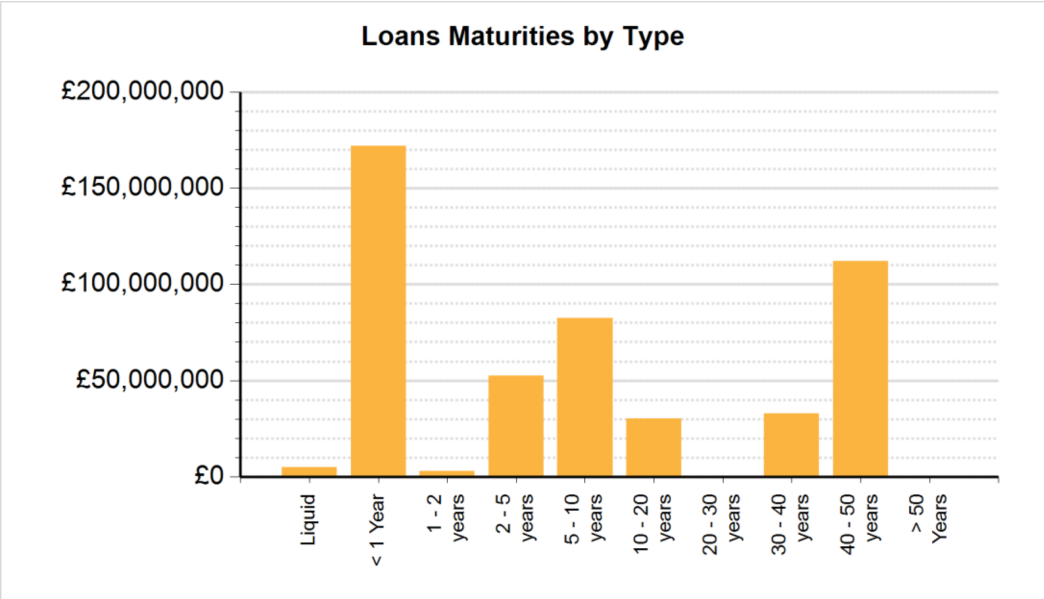


Table 3: debt maturity profile as at 31/12/24

Duration	Amount £'000	Fixed Rate %
< 1 year	172.0	35.4
1 to 2 years	3.0	0.6
2 to 5 years	52.6	10.8
5 to 10 years	82.7	17.1
10 to 20 years	30.1	6.2
20 to 30 years	0.2	0.1
30 to 40 years	32.9	6.8
40 to 50 years	112.0	23.0
Total	**485.5**	**100**

Policy on borrowing in advance of need

3.2.15 This is set out in appendix 4 of this report.

Debt Rescheduling

3.2.16 Where short term borrowing rates are considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- The generation of cash savings and / or discounted cash flow savings
- To fulfil the treasury strategy
- To enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility)
- Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

3.3 Prudential Indicators and treasury limits

3.3.1 The Authority's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, shown in appendix 2, which are designed to assist Members' overview and confirm capital expenditure plans.

3.3.2 The CIPFA Prudential Code and the CIPFA TM Code requires authorities to set treasury indicators The treasury indicators limit treasury risk and activities of the Authority; This includes a liability benchmark for the General Fund (GF) and the Housing Revenue Account (HRA); appendix 3.

3.3.3 The purpose of these are to manage the activity of the treasury function within a flexibly set remit for risk management, yet not impose undue restraints that constrict opportunities for cost reduction or performance improvement.

3.4 Investment Strategy

3.4.1 The MHCLG and CIPFA have extended the meaning of 'investments' to include both treasury and non-treasury investments. This report deals solely with treasury investments, (as managed by the treasury management team).

3.4.2 The Authority's investment policy has regard to the following:

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA TM Code and Guidance Notes from 2021.

3.4.3 The key intention of the Guidance is to maintain the requirement for authorities to invest prudently and that priority is given to the security and liquidity of investments before yield. The Authority's objective is therefore to achieve, within this constraint, the optimum return on its investments with the appropriate levels of security and liquidity. Within the prudent management of its financial affairs, the Authority may temporarily invest funds that are borrowed for the purpose of expenditure expected to be incurred in the reasonably near future. Borrowing purely to invest or on-lend for speculative purposes remains unlawful and this Authority does not engage in such activity.

3.4.4 The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This Authority has adopted a prudent approach and to managing risk, its minimum credit criteria is set out in Appendix 5. The Authority's investment strategy has not changed from the 2024/25 TMSS which was approved by full Council as part of the 2024/25 budget setting process.

3.4.5 Investments will make reference to the core balance, cash flow requirements and the outlook for short and medium term interest rates.

3.4.6 Credit ratings should not be the sole determinant of the quality of an institution. This Authority is not bound by the institution's rating and, importantly, officers will continually assess and monitor the financial sector and the economic/political environment in which institutions operate.

3.4.7 Treasury investment instruments identified for use in the financial year are listed in Appendix 6. The 'specified' and 'non-specified' investment categories are in accordance with the MHCLG Investment Guidance.

3.4.8 The Strategic Director of Resources, on advice, may make operational changes to these limits in response to prevailing market conditions and regulatory changes. Presently the Authority's operational lending list only includes the highest quality UK financial institutions, other local authorities (limit of £10m per authority) and the Government Debt Management Office – investment balances are expected to be generally around the liquidity allowance of £40m and by definition these are generally held on very short duration investments.

3.4.9 All investments will be denominated in sterling.

3.4.10 Regular monitoring of investment performance will be carried out during the year.

Loans to Third Parties or Non Treasury investments

3.4.11 The Authority may borrow to make grants or loans to third parties for the purpose of capital expenditure, as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146). This facility is likely to be used to support local economic regeneration and development activity but not limited to those purposes. The additional capital expenditure may be funded by external borrowing. Loans for working capital or revenue purposes are permitted as long as these are funded from the Authority's internal cash balances as external borrowing is not permitted in such circumstances.

3.4.12 Pension Fund Cash - The Local Government Pension Scheme (Management and Investment) Regulations 2016 requires the Authority to maintain a separate bank account for the Pension Fund. For the management of Pension Fund cash, there is in place an agreement to pool internally held pension fund balances (working cash and those pending external investment) with the investment balances of the Authority. These balances are invested in accordance with the Authority's Treasury Management Strategy.

3.4.13 The Pension Fund receives interest annually on their cash balances at a rate commensurate with that received by the Authority. Pension Fund cash balances may be withdrawn anytime. In the event of loss of any investment, this will be borne on a pro rata basis equivalent to the value of each party's contribution to the investment which incurred the loss.

3.5.1 **Treasury Management Regulation**

Statutory reporting requirements

3.5.2 Council is required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals in accordance with the CIPFA TM Code.

a. **Prudential and treasury indicators and Treasury Strategy, TMSS** (this report) - The first, and most important report is forward looking and covers:

- The capital plans, (including prudential indicators)
- The Treasury Management Strategy Statement, (how the investments and borrowings are to be organised), including treasury indicators
- An Investment Strategy, (the parameters on how investments are to be managed).

b. **A mid-year treasury management** report – a progress report and updates Members on the capital position, amending prudential/treasury indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** – a backward looking review document providing outturn details on actual prudential and treasury indicators and treasury activity compared to the estimates within the strategy.

3.5.3 The above reports are required to be adequately reviewed before being adopted by Full Council. This role is undertaken by Audit Committee.

3.5.4 Quarterly reports – In addition to the three major reports detailed above, quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council but do require to be adequately reviewed. This role is undertaken by the Audit Committee. (The reports, specifically, should comprise updated Treasury/Prudential Indicators.)

3.5.5 The minimum revenue provision policy is included in the 5 Year Capital Programme and Strategy Report which is presented to Cabinet alongside the Budget report.

Training

3.5.6 A key requirement of the CIPFA TM Code is Member consideration of treasury management matters and the new Knowledge and Skills framework set out in the revised CIPFA TM Code published in December 2021.

3.5.7 Furthermore, pages 47 and 48 of the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

3.5.8 The Authority addresses this important issue by:

- Providing training sessions, briefings and reports on treasury management and investment issues to those Members responsible for the monitoring and scrutiny of treasury management. A treasury training session for members took place on 22 January 2024.

- Prepare tailored learning plans for treasury management officers and board/council members.

- Require treasury management officers and Committee/Council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).

- Requires all relevant Officers to keep their skills up to date through training, workshops and seminars, and participating in the CIPFA Treasury Management Forum and the London Treasury Officers' Forum.

3.5.9 In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', that officers will circulate annually to members for completion.

The policy on use of external service providers

3.5.10 The Authority uses Link Group ("Link") as its external treasury management adviser, the contract was procured through a framework and commenced on 1 July 2024 and due to expire on 30 June 2029.

3.5.11 The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

3.5.12 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are agreed and subjected to regular review.

3.5.13 The Authority may use specialist advisers on non-treasury investments, e.g. investment in regeneration schemes.

REASONS & OPTIONS

Reasons for the Decision

The statutory Codes set out that the Authority ought to approve a Treasury Management Strategy Statement, and the Prudential Indicators.

Alternative Options Considered

The DLUHC Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The S151 officer, having consulted the Cabinet Member for Finance and Transformation, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on Income and Expenditure	Impact on Risk Management
Invest in a narrower range of counterparties and/or for shorter duration	Interest income will be lower	Lower chance of losses from credit related defaults, but any such loss may be greater
Invest in a wider range of counterparties and/or for longer duration	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; Non HRA debt cost is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain

IMPLICATIONS & RISKS

Financial Implications and Risks

The TMSS is a key part of the overall budget strategy and financial management framework and governs the strategic and operational treasury management activities throughout each financial year in order to manage the Authority's financial risks associated with cash management via borrowing and investments.

Members are approving the programme on the basis that the capital programme spend is achieved, which feeds through into the Prudential Indicators set out in the report. The reality is that there is likely to be slippage and this will impact on the MTFS.

The assumption for new borrowing is that interest rates will follow the outlook set out in table 1 above. The expectation is that borrowing will be on fixed rate terms on maturities less than 5 years and that these will be refinanced into longer term loans during 2025/26 onwards once interest rates become lower:

Legal Implications and Risks

Local Authorities are required by Regulations 2 and 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003/3146 as amended to have regard to the "Prudential Code for Capital Finance in Local Authorities" and Treasury Management in the Public Services Code of Practice published by CIPFA when considering their duties under Part 1 of the Local Government Act 2003. The Authority must comply with section 3 of the Local Government Act 2003 to keep under review the amount of money the Authority can afford to borrow. The Authority has fiduciary duties toward its tax payers to act in good faith in the interests of those tax payers with the considerable sums of money at its disposal. The Strategies being proposed for approval seek to discharge those duties in a reasonable and prudent manner.

There are no other apparent legal implications arising as a result of this Report.

Human Resource Implications and Risks

There are no direct Human Resources implications arising as a result of this report

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.

The Authority is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. There are no equalities implications within this report

Health and Wellbeing Implications and Risks

The Authority is committed to improving the quality of life and wellbeing for all Havering employees and residents in respect of socio-economics and health 20 determinants. There are no direct implications to the Authority's workforce and resident's health and wellbeing as a result of this report.

Climate Change Implications and Risks

There are no climate or environmental implications arising from this report, however the Council can make significant impact via future investment opportunities and operational changes. Numerous changes have already been made to ensure that climate is a key consideration when making investments. In line with the Council's climate change ambitions of becoming carbon neutral by 2040, investment activities will continue to contribute towards achieving this target, once requirements for the security and liquidity of investments have taken precedence.

BACKGROUND PAPERS

None

APPENDICES

Appendix 1

CURRENT TREASURY POSITION

As at 31 March 2024 and 31st December 2024, Investments and borrowings are set out in table 1 below.

Table 1: Treasury Portfolio Position

	Actual31/03/24		Actual 31/12/24	
	£m	**%**	**£m**	%
Treasury Investments				
Government & Local Authorities	71.0	100	47.6	100
Banks & Other Financial Institutions	0.0	0	0.0	0
Total Treasury Investments	**71.0**	**100**	**47.6**	**100**
Treasury Borrowing				
PWLB	425.1	94.0	475.1	97.9
Bank Loans (LOBO)	7.0	1.5	7.0	1.4
Local Authorities	20.0	4.4	3.0	0.6
Other loans	0.2	0.1	0.3	0.1
Total External Borrowing	**452.3**	**100**	**485.4**	**100**
Net Treasury Investments/(Borrowing)	**(381.3)**		**(437.8)**	

Appendix 2

PRUDENTIAL INDICATORS & CAPITAL EXPENDITURE

Capital expenditure

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve capital expenditure forecasts set out in table 1:

Table 1: Capital expenditure forecast 2024/25 - 2027/28

Capital Expenditure £m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
General Fund (excluding regen)	41.6	79.0	63.1	27.8	11.1
Regeneration	1.8	22.3	72.7	109.7	40.4
HRA	83.0	114.8	189.1	168.7	133.1
Total	**126.4**	**216.1**	**324.9**	**306.2**	**184.6**

Financing of Capital Expenditure

Table 2 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.

Table 2: Financing of Capital expenditure forecast 2024/25 - 2027/28

Financing of capital expenditure £m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital Receipts	27.5	38.8	22.8	3.6	8.1
Capital Grants	24.7	57.8	84.5	70.3	35.1
Revenue & Reserves	8.6	13.3	12.7	13.0	13.5
Net financing need for the year (borrowing)	**65.6**	**106.2**	**204.9**	**219.4**	**128.0**

The net financing need for regeneration programme activities included in the above table against expenditure is shown below:

Table 3: Regeneration Programme forecast 2024/25 - 2027/28

Financing of capital expenditure £m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital Expenditure	1.8	22.3	72.7	109.7	40.4
Other Sources of Financing	0.0	2.8	5.3	14.7	2.5
Net financing need for the year (borrowing)	**1.8**	**19.5**	**67.4**	**95.0**	**37.9**
Percentage of total net financing need	2.7%	18.3%	32.5%	39.9%	27.0%

The Authority's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The 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 so it's 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 however the implementation of the International Finance Reporting Standard (IFRS) 16 for leasing means there will be a number of leases (previously classified as operating leases) coming onto the balance sheet.

The Authority is asked to approve the CFR projections below:

Table 4: Capital financing requirement forecast 2024/25 - 2027/28

£m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital Financing Requirement					
General Fund	151.5	168.2	184.7	185.6	185.8
Regeneration	69.9	79.6	144.8	235.9	268.0
Capitalisation Direction	0.0	32.5	120.1	245.0	377.4
Housing	397.3	435.9	543.2	656.9	735.7
Total CFR	**618.7**	**716.2**	**992.8**	**1,323.4**	**1,566.9**
Movement in CFR		97.5	276.6	330.6	243.5

Movement in CFR represented by					
Net financing need for the year (above)		106.2	204.9	219.5	127.9
Add Capitalisation Direction		32.5	89.2	131.0	145.0
Less MRP		(6.8)	(10.0)	(17.3)	(25.9)
Less Receipts set aside & VRP		(34.4)	(7.5)	(2.6)	(3.5)
Movement in CFR		**97.5**	**276.6**	**330.6**	**243.5**

The Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Table 5: Operational boundary 2024/25 - 2027/28

Operational Boundary £m	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt	756.2	1,032.9	1,363.4	1,606.9
Other long-term liabilities	10.0	10.0	10.0	10.0
Total	**766.2**	**1,042.9**	**1,373.4**	**1,616.9**

The Authorised Limit for External Debt

This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Authority. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Table 6: Authorised limit 2024/25 - 2027/28

Authorised Limit £m	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Debt	806.2	1,082.9	1,413.4	1,656.9
Other long-term liabilities	10.0	10.0	10.0	10.0
Total	**816.2**	**1,092.9**	**1,423.4**	**1,666.9**

The Authority’s forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing. The forecast future borrowing requirement assumes existing levels of reserves, working capital and liquidity buffer whilst factoring in borrowing for capital expenditure and capitalisation directive.

Table 7: Capital Financing Requirement (CFR) and Borrowing

£m	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
External Debt					
Debt at 1 April	327.8	452.3	591.0	885.1	1,235.6
Actual/Forecast borrowing in year	124.5	106.2	204.9	219.5	127.9
Borrowing in year for Capitalisation Direction	0.0	32.5	89.2	131.0	201.0
Actual gross debt at 31 March cumulative	**452.3**	**591.0**	**885.1**	**1,235.6**	**1,564.4**
The Capital Financing Requirement	618.7	716.2	992.9	1,323.4	1,566.9
Under / (over) borrowing	**166.4**	**125.2**	**107.8**	**87.8**	**2.5**

Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances. The Authority is asked to approve the following indicators:

Ratio of financing costs to net revenue stream

Table 8 identifies the trend in the cost of capital, (borrowing and other long term obligation costs), against service spending, HRA rents and the regeneration programme. The estimates of financing costs include current commitments and the proposals in this budget report.

Table 8: Ratio of financing costs to HRA rents 2024/25 - 2027/28

Housing Revenue Account	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
HRA Rental Income	66.0	71.5	74.7	78.6	81.7
Capital Financing Cost	18.6	20.8	24.5	30.0	34.8
Ratio of Financing Costs to HRA Rental Income	**28.2%**	**29.1%**	**32.8%**	**38.2%**	**42.6%**

Table 9 shows the trend in the capital financing costs of the General Fund, Regeneration and the Exceptional Financial Support (EFS) as a percentage of the authority's net revenue stream (income).

Table 9: Ratio of the General Fund capital financing costs to net revenue stream 2024/25 – 2027/28

Service Spending (excluding Regeneration)	**2023/24 Actual**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
Net Revenue Stream	182.0	198.0	204.0	213.0	222.0
Capital Financing Cost	12.0	13.2	15.3	17.2	17.5
Ratio of Financing Costs to Net Revenue Stream	**6.6%**	**6.7%**	**7.5%**	**8.1%**	**7.9%**

Regeneration	**2023/24 Actual**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
Net Revenue Stream	182.0	198.0	204.0	213.0	222.0
Capital Financing Cost	5.0	5.3	7.5	12.8	17.7
Ratio of Financing Costs to Net Revenue Stream	**2.7%**	**2.7%**	**3.7%**	**6%**	**8%**

Capitalisation Direction	**2023/24 Actual**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
Net Revenue Stream	182.0	198.0	204.0	213.0	222.0
Capital Financing Cost	0.0	0.8	5.4	15.2	28.2
Ratio of Financing Costs to Net Revenue Stream	**0.0%**	**0.4%**	**2.7%**	**7.1%**	**12.7%**

The Strategic Director for Resources reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Appendix 3

TREASURY LIMITS

Treasury Management Limits on Activity

There are two debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair opportunities to reduce costs/improve performance.

The Code requires that for LOBO maturity date should be considered the most probable maturity date and not the next call date.

The indicators are

Liability benchmark

The Authority is required to estimate and measure the Liability Benchmark for the forthcoming financial year and the following three financial years, as a minimum. Graph 1 below shows the LB for the Council, this is broken down into its two component funds in Graph 2: General Fund and Graph 3: HRA.

There are four components to the LB:

1 **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years. This is denoted by the Green line that tops the bar chart showing existing debt (all fixed rate interest) gradually maturing over the next 50 years.

2 Loans Capital Financing Requirement (CFR): this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Minimum Revenue Provision (MRP) funded from General Fund revenue budget for debt repayment. This is a measure of the Authority's borrowing requirement to finance the Authority's capital programme and is the very top line graph shown in in blue.

3 Net loans requirement: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast. This is represented by the solid tan 29 coloured line graph. The difference between solid tan line and the CFR blue line represents the amount of internal cash from reserves/balances that has already been invested in the Authority's capital programme..

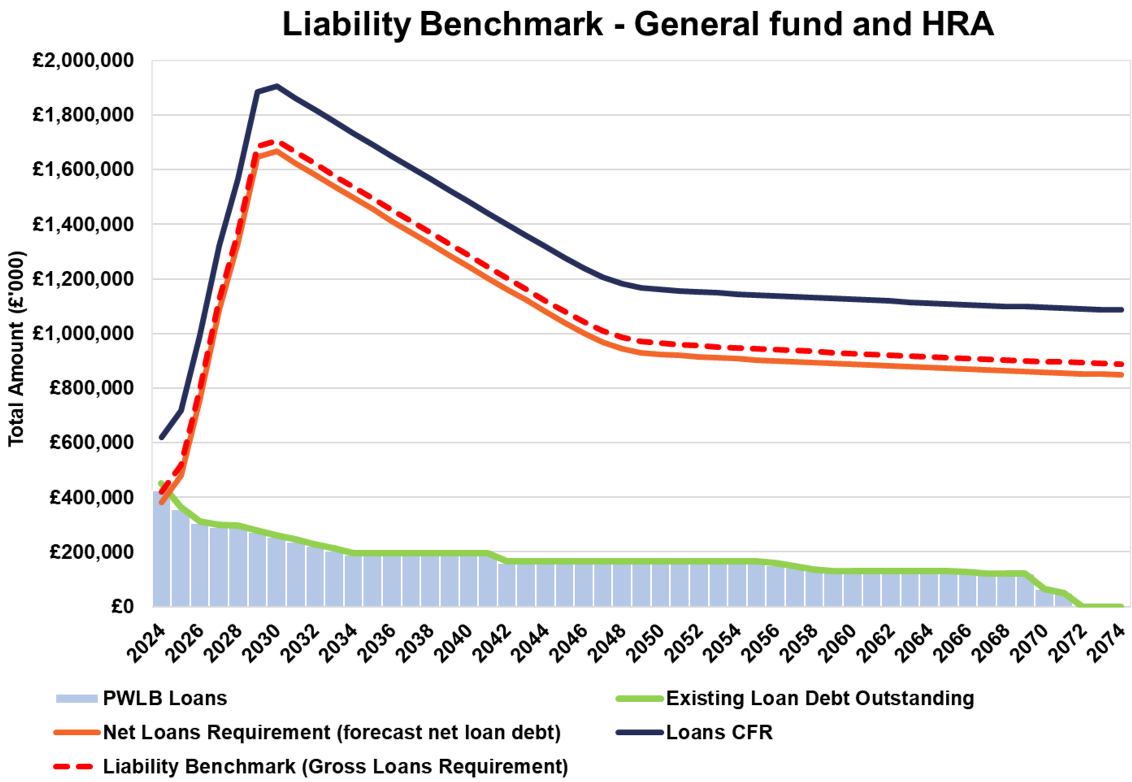
4 Liability benchmark (or gross loans requirement): this equals net loans requirement plus the £40m short-term liquidity allowance that the

Authority is holding in external liquid treasury investments to manage the daily variability in its cash flow. This represents the dotted red line in the graphs below and means the Authority having to externally borrow to maintain the liquidity allowance at £40m.

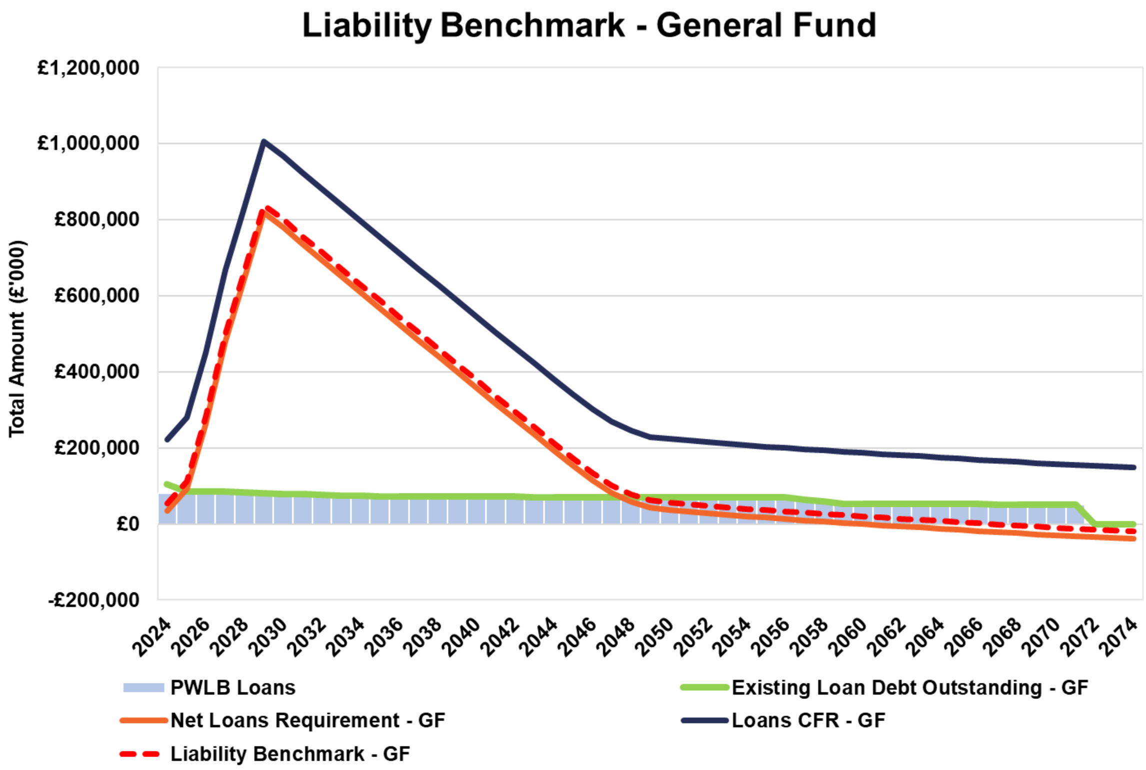
The years where actual loans (Green line) are less than the benchmark (red dotted line) indicate a future borrowing requirement that the Authority will need to fund from external borrowing. Were actual loans outstanding to exceed the benchmark this would represent an over borrowed position, resulting in excess cash requiring investment but as you can see from the graphs below this is not the position faced by this Authority.

However any currently unknown future borrowing plans will increase the benchmark loan debt requirement.

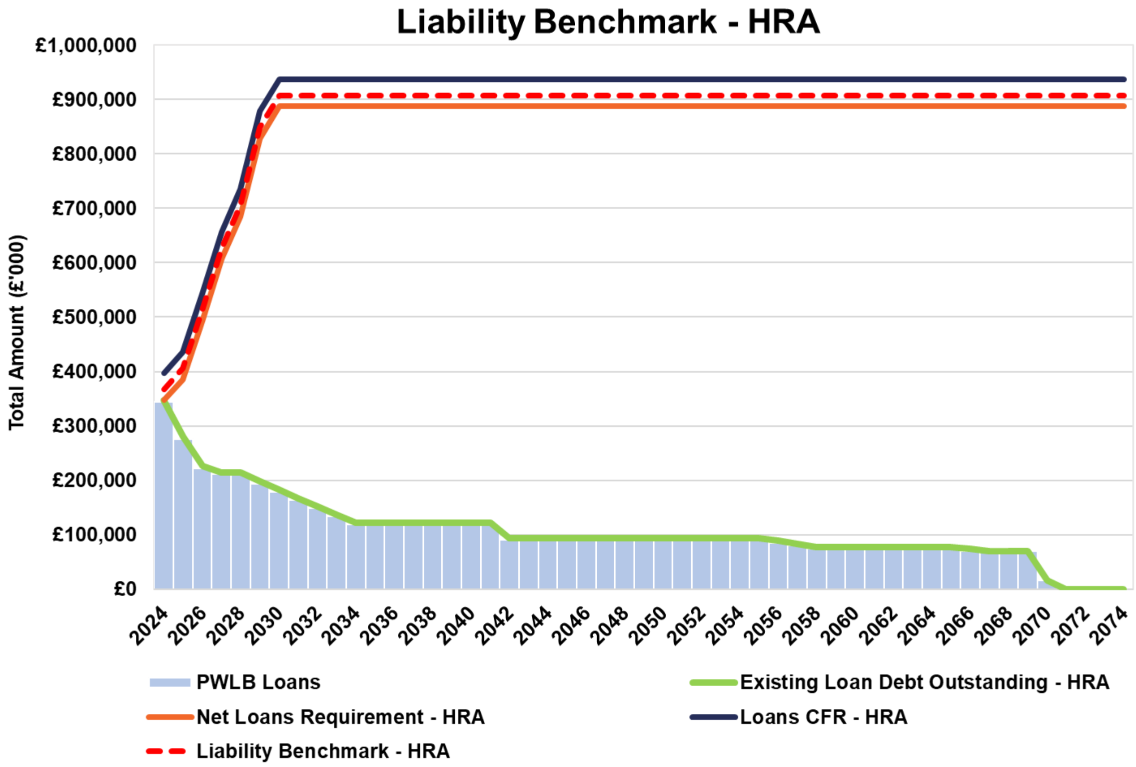
The purpose of the LB is to encourage authorities to use their internal cash reserves to fund growth in their CFR rather than use external debt which is generally more expensive. Moreover it reduces risk as it reduces the need to externally invest the Authorities excess cash reserves over long periods with counterparties where there could be default risk. The benchmark also avoids the risk of over-borrowing and borrowing ahead of need beyond what is permitted in the short to medium term. Generally this technique enables the Authority's treasury activity to be more efficient and represents good practice.



This shows currently known future borrowing plans as per Authority's capital strategy which covers the three financial years 2025/26 to 2027/28 on the General Fund and 30 years in the draft HRA Business plan..



As there are no known General Fund borrowing plans beyond the MTFS period this shows the CFR curve being dragged down by successive annual MRP charges to revenue. Ideally LB requires 10 years of known capital plans but this is difficult given how Local Authority finances operate



Given the long term nature of HRA capital assets there is no statutory requirement to make a MRP charge on HRA revenue and hence why the CFR curve is relatively flat after 5 years. Then, Over the next three 5 years the net loan requirement is expected to converge with the CFR curve as the HRA externally borrows to reduce its internal borrowing from the General Fund to finance prior years' capital expenditure.

Maturity Structure of Borrowing

These gross limits are set to reduce the Authority's exposure of large sums falling due for refinancing; these have been kept deliberately wide to provide flexibility for any restructuring that might be carried out to de-risk the debt portfolio.

Maturity structure of fixed interest rate borrowing 2025/26		
	Lower	**Upper**
Under 12 months	0%	60%
12 months to 2 years	0%	70%
2 years to 5 years	0%	80%
5 years to 10 years	0%	80%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

Investment treasury indicator and limit

Total principal funds invested for greater than 365 days. These limits are set with regard to the Authority's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. The Authority is asked to approve the following treasury indicator and limit

Upper limit for principal sums invested for longer than 365 days			
£m	**2025/26**	**2026/27**	**2027/28**
Principal sums invested for longer than 365 days	£25m	£10m	£10m
Current investments as at 31.12.24 in excess of 1 year maturing in each year	£0m	£0m	£0m

Appendix 4

POLICY ON BORROWING IN ADVANCE OF NEED

The Authority must ensure that its total debt does not, except in the short-term, exceed the total of the CFR in the preceding year i.e. 2024/25, plus the estimates of any additional CFR for the year 2025/26 and the following two financial years. This allows some flexibility for early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

Any decision to borrow in advance will be considered carefully to ensure that value for money can be demonstrated, and that the Authority can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Authority will

- Ensure that the ongoing revenue liabilities created, and the implications for future capital plans and budgets have been considered

- Evaluate economic and market factors that might influence the manner and timing of the decision to borrow

- Consider the pros and cons of alternative forms of funding, interest rate structures and repayment profiles

- Consider the positive and negative impacts of borrowing in advance of need on the Authority’s cash balances, in particular the increased exposure to credit risk that will arise as a result of investing this additional cash in advance of need

Appendix 5

The Authority's Counterparty Credit policy, minimum credit ratings criteria

Credit Rating: Investment decisions are made by reference to the lowest appropriate published credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Within the parameters set out below the Authority uses the Link Group (the treasury management advisor) creditworthiness report to establish a lending list. The S151 officer will agree an operational lending list within the parameters set out below.

1. **Banks (Unsecured) and Building Societies:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. For non UK Banks, the Authority's credit criteria will require that banks from AA- rated countries and above can be used.

Current bank accounts: the Authority's own banker, Should the credit rating fall below A-, for liquidity purposes the Authority may continue to deposit surplus cash with the group providing that investments can be withdrawn on the next working day. Balances will be reviewed on a daily basis to assess their appropriateness.

Banks (secured): Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

2. Rated Building Societies - The Authority's credit rating criteria for UK Building Societies in 2025/26 will continue to limit deposits to those UK Building Societies that meet the credit criteria in table 1 below.

3. Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

4. Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made following an external credit assessment as part of a diversified pool in order to spread the risk widely.

5. Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing and, as providers of public services, they retain the likelihood of receiving government support if needed.

6. Pooled funds: Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee.

7. Money Market Funds (MMF): The Authority will continue to use MMF's, which provide lower interest returns but do provide a highly liquid, diversified investment via a highly credit-rated pooled investment vehicle. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

8. Ring Fenced Banks, (RFB) The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), were required, by UK law, in response to the global financial crisis to separate core retail banking services from their investment and international banking 36 activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. In general, simpler, activities offered from within a ring-fenced bank (RFB) will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank (NRFB).

Table 1: Approved investment counterparties and limits

Credit rating	Banks unsecured*	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£15m 5 years	£15m 20 years	£15m 50 years	£5m 20 years	£5m 20 years
AA+	£15m 5 years	£15m 10 years	£15m 25 years	£5m 10 years	£5m 10 years
AA	£15m 4 years	£15m 5 years	n/a	£5m 5 years	£5m 10 years
AA-	£15m 3 years	£15m 4 years	n/a	£5m 4 years	£10m 10 years
A+	£15m	£15m	n/a	£5m	£10m

	2 years	3 years		3 years	5 years
A	£15m 13 months	£15m 2 years	n/a	£5m 2 years	£5m 5 years
A-	£15m 6 months	£15m 13 months	n/a	£5m 1 year	£5m 5 years
	UK Local Authorities £10m per Authority; 50 years				
Pooled funds	£25m per fund These include Bond Funds, Gilt Funds, Enhanced Cash Funds, Mixed Asset Funds and Money Market Funds,)				

Investment Limits

The Authority further proposes the investment limits as set out in the table below to protect the security of its investments. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 2: Investment limits

	Cash limit
UK Central Government	unlimited
Any single organisation, except the UK Central Government	£15m each
Any group of organisations under the same ownership	£15m per group
Any group of pooled funds under the same management	£5m per manager
Financial instruments held in a broker's nominee account	£50m per broker
Foreign countries	£15m per country
Registered providers	£15m in total
Unsecured investments with building societies	£25m in total
Money Market Funds	£50m in total

Appendix 6

Specified and Non Specified Investments

Specified investments:
The DLUHC Guidance defines specified investments as those:

- Denominated in pound sterling, due to be repaid within 12 months of arrangement,
- Not defined as capital expenditure by legislation, and invested with one of
- The UK Government
- A UK local Authority, parish Authority or community Authority, or A body or investment scheme of "high credit quality".

The Authority defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

Table 1: Specified Investments

Instrument	Institution Type	Instrument Minimum 'High' Credit Criteria	Limit	Max. Maturity Period
Accounts, deposits, certificates of deposit and senior unsecured bonds with banks other than multilateral development banks, UK Government Gilts.	UK Banks and UK Banking Groups[1]	per Appendix 5, Table 1	£15m	per Appendix 5, Table 1
	UK Building Societies	per Appendix 5, Table 1	£15m	per Appendix 5, Table 1
	Non UK Banks	Sovereign Rating of AA+ and above and meet Credit Criteria in Appendix 5, Table 1	£15m	per Appendix 5, Table 1
Covered bonds, floating rate notes, reverse repurchase agreements and other collateralised arrangements with banks and building societies	UK Banks and Building Societies and Non UK Banks	Per Appendix 5, Table 1 (and Sovereign Rating of AA+ minimum for Non UK Banks)	See Note 2	per Appendix 5, Table 1
Term Deposits	Local Authorities and other Public Institutions	UK Sovereign Rating	£15m	per Appendix 5, Table 1
Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing.	Registered Social Housing Providers	per Appendix 5, Table 1		per Appendix 5, Table 1
Money Market Fund		AAA [3]	£15m	
Enhanced Cash Funds		AA/Aa[4]	£15m	
1. £15m Limit per bank / banking group.				
2. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.				
3. Investments will be made with those MMF's which have a rating of AAA				
4. Minimum of Fitch / Standard & Poor's AA or Moody's Aa rating				

Table 2 : Non specified investments

Instruments	Non Specified Investments	Institution Type	Minimum Credit Criteria	Maximum Duration	Cash limit
Accounts, deposits, certificates of deposit, structured deposits and senior unsecured bonds with banks other than multilateral development banks. Covered bonds, reverse repurchase agreements, and other collateralised arrangements with banks and building societies. Short Dated Bond Funds, Diversified Growth Funds, Absolute Return Funds and Property Funds. Unrated Bonds.	Total long-term investments (investments over 1 year)	UK and Non UK Banks and Building Societies, Rated Registered Social Housing Providers (RSP)	Per Appendix 5, Table 1	10 yrs.	£50m
	Total investments without credit ratings or rated below A- (except UK Government and local authorities)	Unrated Registered Social Housing Providers (RSP), Unrated Banks and Building Societies	N/A	5 yrs.	£5m
	Total Investments made in pooled investment vehicles.			7 yrs.	
	Total Investments made in un-rated bonds.				
	Total non-specified investments				**£55m**

Non-specified investments:

Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any treasury investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

	Cash Limit £m
Total long-term investments	100
Total Investments without credit ratings or rated below A- (subject to due diligence)	0
Total non-specified investments	**100**

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