



Havering

LONDON BOROUGH

AUDIT COMMITTEE AGENDA

7.00 pm	Tuesday 24 February 2026	Appointment Centre Rooms 7 & 8
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Members 6: Quorum 3

COUNCILLORS:

**Conservative Group
(1)**

David Taylor

**Havering Residents' Group
(3)**

Julie Wilkes (Chairman)
Jacqueline Williams
(Vice-Chair)
John Crowder

**Residents' Association
Independent Group
(1)**

Philip Ruck

For information about the meeting please contact:

**Luke Phimister 01708 434619
luke.phimister@havering.gov.uk**

**Please would all Members and officers attending ensure they sit in their allocated seats
as this will enable correct identification of participants on the meeting webcast.**

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:-

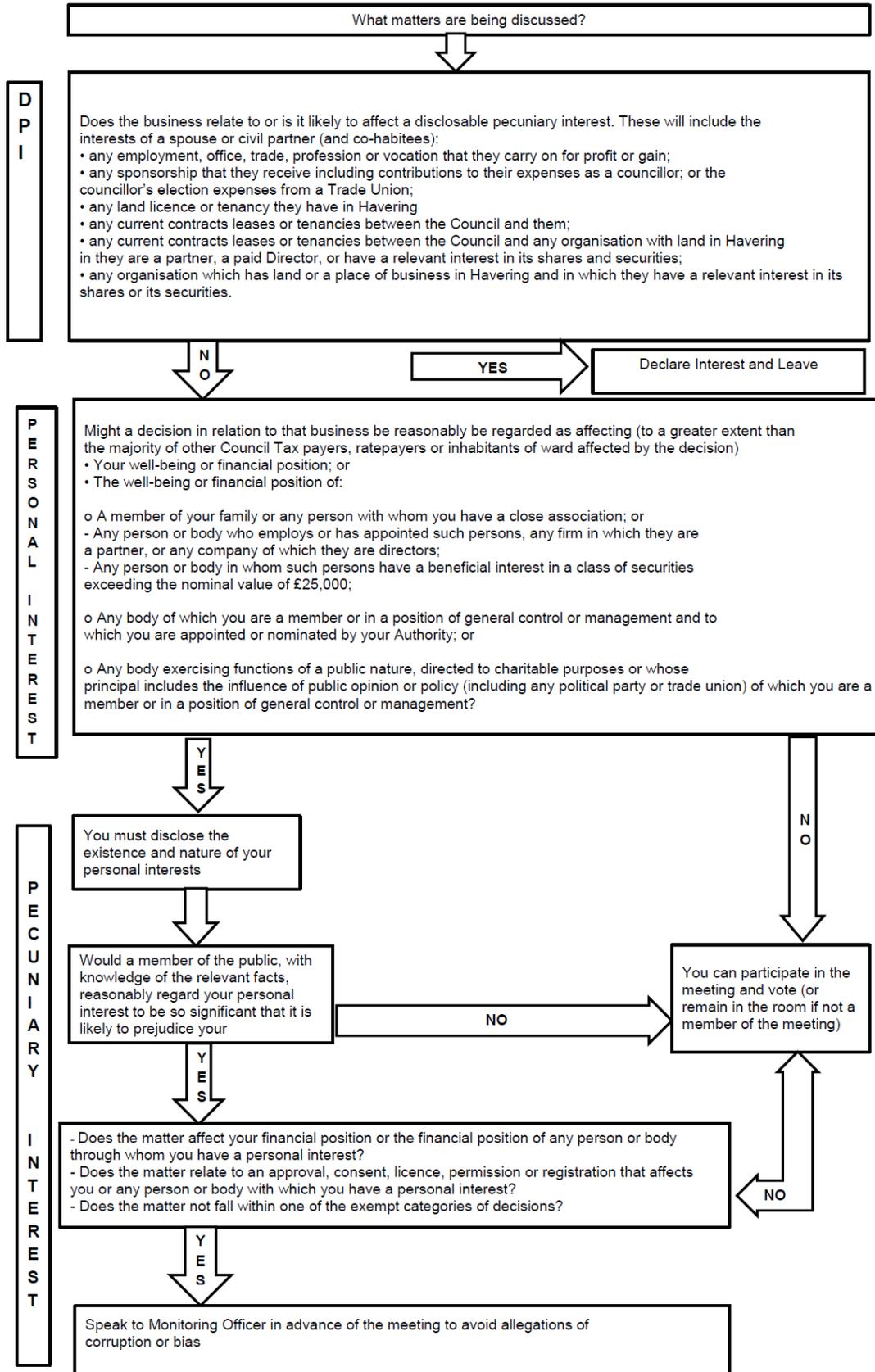
- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing,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



Principles of conduct in public office

In accordance with the provisions of the Localism Act 2011, when acting in the capacity of a Member, they are committed to behaving in a manner that is consistent with the following principles to achieve best value for the Borough's residents and to maintain public confidence in the Council.

SELFLESSNESS: Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY: Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS: Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY: Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP: Holders of public office should promote and support these principles by leadership and example.

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 7 - 12)

To approve as correct the minutes and exempt minutes of the meeting held on 25th November 2025 and authorise the Chairman to sign them.

5 STATEMENTS OF ACCOUNTS 2024/25 AND EXTERNAL AUDIT REPORTS TO THOSE CHARGED WITH GOVERNANCE (Pages 13 - 312)

Documents attached

6 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2026/27 (Pages 313 - 346)

Document attached

7 INTERNAL AUDIT REPORT (Pages 347 - 374)

Document attached

Zena Smith
Head of Committee and
Election Services

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Public Document Pack Agenda Item 4

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
Appointment Centre Rooms 7 & 8 - Town Hall
25 November 2025 (7.00 - 8.50 pm)**

Present:

COUNCILLORS:

Conservative Group David Taylor

Residents' Group Julie Wilkes (Chairman) and John Crowder

**Residents Association
Independent Group** Philip Ruck

Through the Chairman, announcements were made regarding emergency evacuation arrangements. The Chairman also advised that Item 5 (Internal Audit Progress) would be taken at the end of the agenda due to an associated exempt report.

Apologies were received for the absence of Councillors Jacqueline Williams.

28 MINUTES OF THE MEETING

The minutes of the previous meeting held on 8th July 2025 were agreed as a correct record and signed by the Chairman.

29 INTERNAL AUDIT PROGRESS

The Committee received the standard progress report on the audit plan and counter-fraud activity.

It was noted that the plan is aspirational and several audit engagements had not yet started due to priority work and resource-intensive investigations. Officers were confident that prioritisation had been appropriate. Members discussed the list of non-started audits and the likelihood of completion by year-end with officers confirming that not all items could be started and completed this year and that prioritisation for the final quarter would be reviewed and made transparent.

ACTION: The Committee asked officers to circulate a revised plan for Quarter 4 prior to the next Committee meeting.

The Committee agreed to move into closed session to consider the exempt report and the public recording was paused.

Following the closed session, the public recording was restarted and the Committee **noted** the contents of the report.

30 RISK MANAGEMENT

The Committee was presented with the six-monthly summary of key strategic risks considered by ELT/ELG.

The Committee was updated on progress with the Annual Governance Statement actions. Members discussed risks arising from the “Big Move” IT migration, including legacy systems and standalone datasets. The Committee noted the mitigation that all future system purchases and implementations must be routed through the corporate team, and that a log of legacy/standalone systems is being maintained while issues are worked through.

The Committee requested greater visibility of risk movement. On cybersecurity, it was noted that the Council has a specialist supplier contract for scanning and email filtering, and that awareness and training for staff was a critical control given many attacks originate from internal points of entry. The temporary issue with LXP performance management reporting following the tenant migration was highlighted for resolution.

ACTION: The Committee asked for officers to re-send the link to Members for access to directorate risk registers; and to add a “direction of travel” column to the strategic risk register.

The Committee **considered**, with the assistance of Officers, the current level of risk to which the Council is exposed, and the progress on the Significant Governance Issues

31 **HALF YEAR TREASURY UPDATE**

The Committee received the mid-year report covering 1 April to 30 September 2025.

Members noted the investment portfolio yielded 4.7% with the total investments as at 30th September 2025 of £79.5m. The Debt Management Office and local authorities investment income in the period was £2.9m against a full-year budget of £1.25m. Authority debt totalled £606.5m fixed at 3.7% with an average maturity of 12.1 years; no new borrowing was undertaken in the period.

In discussion, Members sought assurance on deposits with other local authorities. The Committee was advised that exposures are capped at £5m per authority, investments are diversified, and local authority loans rank for repayment at the top of the waterfall in the event of financial distress.

Members noted that base rate reductions had not materialised as quickly as expected; however, fixed-rate debt meant current costs were unaffected. Officers explained that cashflow remained in surplus through December and significant new borrowing was not expected until mid-January/February when rates were anticipated to be lower.

The Committee **noted** the treasury management activities to the end of September 2025.

Chairman

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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AUDIT COMMITTEE

24th February 2026

Subject Heading:

Statements of Accounts 2024/25 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
E-mail: heather.salmon@havering.gov.uk

Policy context:

The Council is required to produce an Annual Statement of Accounts in line with the Accounts and Audit Regulations. The 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 external auditor's reports on the 2024/25 Statement of Accounts for review, together with the 2024/25 Financial Statements for approval.

RECOMMENDATIONS

The Committee is asked to:

1. **Note** the Audit Results Report for the Authority and the disclaimer of audit opinion in relation to the financial year 2024/25, detailed at Appendix A.
2. **Note** the Audit Results Report for the Pension Fund and the unmodified opinion for 2024/25, detailed at Appendix B.
3. **Approve** the Statement of Accounts for the financial year ended 31st March 2025 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).
4. **Approve** the draft Letters of Representations for Havering Council and Havering Pension Fund and delegate authority to the Section 151 Officer and Chair of the Audit Committee to update and sign on behalf of the Council once the audit opinions are provided (Appendix D and Appendix E).
5. **Approve** the 2024/25 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, in compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 1.2. The Accounts and Audit (Amendment) Regulations 2024 amended the deadline for English local authorities to publish unaudited (draft) accounts, changing it from 31 May to 30 June for the financial years 2024/25 through to 2027/28.
- 1.3. The 2024 regulations require local authorities to approve and publish their audited financial statements by a legislative 'backstop' date. For the financial year to 31st March 2025 the backstop date is 27 February 2026.

- 1.4. Regulation 9(2) of the Accounts and Audit Regulations 2015 requires members to approve the Statement of Accounts that is to be published, either by meeting as full council or through a committee.
- 1.5. Following approval of the Statement of Accounts by members, 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.

2. Audit Delays and Recovery

- 2.1. The timely publication of local government accounts has faced significant delays in recent years. To tackle the backlog of outstanding local government external audits, Government implemented a series of back-stop dates after which auditors would no longer examine accounts for overdue periods. If audits cannot be completed by these backstop dates, the auditor will typically issue a disclaimer of opinion on the accounts.
- 2.2. As previously reported to the committee, the Council received disclaimed audit opinions in 2021/22, 2022/23 and 2023/24. It will take several years to rebuild the audit assurances required to return to an unqualified opinion. The table below shows the different audit opinions and gives a summary of each.

Audit Opinion	Description
Unmodified	Unqualified. This is the best audit outcome and means the auditor has obtained enough evidence to support a view that the accounts are materially accurate and fairly represent the financial position
Qualified	The auditor has material concerns due to a lack of evidence or evidence that suggests an error however, the error is not widespread. An 'except for' opinion
Disclaimer	This means the auditor is unable to form an opinion due to insufficient evidence and the impact may be both material and widespread
Adverse	The worst-case scenario in that the auditor has evidence to suggest material misstatements that undermine the reliability of the accounts as a whole

3. Statement of Accounts 2024/25

- 3.1. The Council published its draft 2024/25 Accounts on 30 June 2025, 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 1 July to 11 August 2025 and the relevant statutory public notice was published on the Council's website. There were no objections raised during the inspection period.

- 3.2. The audit of the Council's accounts by Ernst & Young LLP (EY) commenced in September, in line with the audit plan presented to the committee on 8 July 2025. The Audit Results Report (ARR), attached at Appendix A, details the findings of the audit and sets out the adjustments made to the accounts since they were published in draft in June 2025.
- 3.3. The key audit adjustments are:
- The correction of understated in-year depreciation (£2.3m)
 - Reclassification between debtors and creditors (£3.5m)
 - NNDR income reclassification within the CIES (£3.5m)
 - Netting down of internal recharges in the CIES (£15.4m)
- 3.4. Unfortunately, due to the lack of assurance over the opening balances from previous years' disclaimed opinions, and despite every effort being made by both the Council and the auditor team, it has not been possible to complete the audit of the Council's accounts before the backstop date of 27 February 2026.
- 3.5. As there are still a number of areas where the auditor has not been able to gain full assurance, EY are expected to issue a disclaimed audit opinion for the 2024/25 financial year. It is likely that a disclaimed opinion will also be issued for 2025/26. The authority will work closely with its external auditor to develop a realistic and achievable recovery plan as part of future audit cycles.
- 3.6. 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 2025.
- 3.7. Should any further audit adjustments be required prior to the audit opinion, approval will be sought from the Section 151 Officer in consultation with the Chair of the Committee.

4. Pension Fund Accounts 2024/25

- 4.1. The audit of the Pension Fund Accounts for the 2024/25 financial year commenced in June and is substantially complete. The audited Pension Fund Accounts are included within the Financial Statements, Appendix C.
- 4.2. 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.
- 4.3. The auditor, subject to final completion procedures, expects to issue an unqualified opinion on the 2024/25 Pension Fund Accounts.

5. Letters of Representations

- 5.1. Upon completion of the audit, it is a requirement of International Auditing Standards for the auditor to request a letter from the Council that sets out management representations, both for the main accounts and for the Pension Fund.
- 5.2. Copies of the draft letters are attached at Appendices D and E. These will be completed and signed, on behalf of the authority, by the Council's Section 151 Officer and the Chair of the Audit Committee on 26 February 2026. Upon receipt of the signed letters the auditor will be able to formally issue the audit opinions, which they aim to do on 26 February 2026.

6. Value for Money Assessment

- 6.1. The auditor identified three significant risks and has concluded that one of those risks represents a significant weakness in arrangements. This will be reported by exception in their Audit Report.
- 6.2. The external auditor's assessment of the Council's value for money (VfM) arrangements for the period 1 April 2024 to 31 March 2025 is included in the ARR, Appendix A, along with a number of recommendations relating to financial controls.

7. Annual Governance Statements

- 7.1. The Annual Governance Statement (AGS) 2024/25 is attached at Appendix F. A draft was presented to the committee on 17 April 2025 and approved by the Leader and Chief Executive of the Council on 31 July 2025.
- 7.2. Under the Accounts and Audit Regulations, publication of the annual governance statement follows the same timetable as the financial statements and the committee are asked to approve the AGS 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
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None arising directly from this report.

Appendices:

Appendix A – Draft Council Audit Results Report 2024/25

Appendix B – Draft Pension Fund Audit Results Report 2024/25

Appendix C – Statement of Accounts for the financial year ended 31st March 2025

Appendix D – Draft Letter of Representations for Havering Council, 2024/25

Appendix E – Draft Letter of Representations for Havering Pension Fund, 2024/25

Appendix F – Annual Governance Statement 2024/25

London Borough of Havering

Audit Results Report
Year ended 31 March 2025

11 February 2026



The better the question. The better the answer. The better the world works.



Shape the future
with confidence



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

11 February 2026

Dear Audit Committee Members

2024/25 Audit Results Report

We 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 24 February 2026 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 2024/25 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the London Borough of Havering (the Council's) accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

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

We consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements; and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We draw Audit Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their 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.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 24 February 2026.

Yours faithfully

Mark Hodgson

Partner,

For and on behalf of Ernst & Young LLP

Enc

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- 01 Executive Summary
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- 07 Other Reporting Issues
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- 09 Appendices

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.psa.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.



01 Executive Summary

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Executive Summary – Context for the audit

Context for the audit - Measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of the 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;
- a lack of auditors and audit firms with public sector experience; and
- increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG has worked collaboratively with the FRC and other system partners, to develop and implement measures to clear the backlog. 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. This has now been delivered.

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 2024/25 financial statements is 27 February 2026. This process of rebuilding assurance will take several years to achieve. The NAO, supported by the MHCLG and the FRC, are responsible for issuing guidance and have been liaising with audit firms to understand the complexities involved and to seek to ensure a more consistent approach for restoring assurance for disclaimed periods. The NAO has now published its Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 setting out considerations for rebuilding assurance following the issue of disclaimed audit opinions under the backstop arrangements. The guidance predominantly focuses on the rebuilding of assurance over reserves, where it is more difficult to obtain assurance because of the way in which they accumulate over successive years. It also continues to recognise that the approach needed to rebuild assurance will differ authority to authority and will need to be considered in the context of both inherent risk factors which all authorities subject to recently disclaimed opinions will share, and factors specific to each individual authority's system of internal control and financial reporting. We will continue to consider the impact of this on our audit approach. In 2024/25 we have continued to audit the closing balance sheet and in-year transactions, which allows the build back of assurances over a large number of balances within the financial statements where audit procedures can be completed for successive years.

- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 24 February 2025 Audit Results Report we issued a disclaimer of opinion on the Council's 2023/24 financial statements under these arrangements to reset and recover local government audit. We also issued a disclaimer of opinion on the 2021/22 and 2022/23 financial statements. In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances.

As a result of the disclaimer of opinions on the 2021/22, 2022/23 and 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the 2023/24 closing balances becoming 2024/25 opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. Taken together with the requirement to conclude our work by the 2024/25 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.

Appendix A sets out the current position of London Borough of Havering in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01. This is informed by the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

Executive Summary – Context for the audit

Scope update

In our Audit Plan presented to the Audit Committee meeting on the 8 July 2025, 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:

Changes in Materiality

In our Audit Plan, we communicated that our audit procedures would be performed using a planning materiality of £7.53 million and a performance materiality of £5.65 million which represented 75% of materiality.

We updated our planning materiality assessment using the draft consolidated results to £8.08 million.

We reconsidered our risk assessment in light of findings, potential fraudulent activity and weaknesses in internal control reported by the Head of Internal Audit in his 2024/25 audit opinion. As a result of this we reduced our performance materiality to 50% of planning materiality reflecting a higher risk of misstatement.

This resulted in an updated performance materiality of £4.04 million and a threshold for reporting misstatements of £0.40 million.

Executive Summary (continued)

Status of the audit

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

Closing Procedures

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

We will continue to challenge the remaining evidence provided and the final disclosures in the financial statements which could influence our final audit opinion, a current draft of which is included in Section 04.

Executive Summary (continued)

Value for Money

In our Audit Plan dated 28 April 2025, we reported that we had not fully completed our Value for Money (VFM) risk assessment but that we had, at that point, identified two risks of significant weakness in respect of the governance of Group subsidiaries and OFSTED inspection findings. Upon completion of our Value for Money risk assessment, we identified one additional risk of significant weakness in respect of internal control matters (including potential fraudulent activity) reported by the Head of Internal Audit in his 2024/25 audit opinion. We have completed our procedures to address these risks of significant weakness and have identified a significant weakness in arrangements in respect of the weaknesses identified in internal control. See Section 03 for further details.

Audit differences

Uncorrected Differences

We have identified one uncorrected misstatement relating to the valuation of Investment Properties which would decrease 'Total Comprehensive Income and Expenditure' in the Comprehensive Income and Expenditure Statement by £2.6 million. The uncorrected misstatements would have no impact on the Council's Useable Reserves.

Corrected Differences

We have identified five misstatements which Management have corrected for relating to:

1. Depreciation: £2.3 million understatement of the in year depreciation charge.
2. Short-term Debtors: Management identified the incorrect classification of a Short-term Creditor balance of £3.5 million within Short-term Debtors.
3. NNDR Income: incorrect classification of National Non-Domestic Rates (NNDR) income of £3.5 million within Net Cost of Services.
4. Management has identified and corrected for misstatements due to the grossing up of recharges in the draft Comprehensive Income and Expenditure Statement of £15.4 million. This adjustment reduces both expenditure and income within Cost of Services and does not impact the Net Cost of Services.
5. Disclosure misstatements: We identified a number of disclosure misstatements which management have adjusted for.

See Section 05 for further details.

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.

As the Council falls below the £2 billion threshold for review as per the NAO's group instructions, we are not required to undertake detailed procedures on your consolidation schedule. We are able to submit the required Assurance Statement to the NAO confirming this at the same time as the audit opinion. However, we cannot issue our Audit Certificate until the NAO has confirmed no further procedure are required of any auditor.

During the course of the audit, we became aware of instances of potential 'Non-Compliance with Laws and Regulations' which have required us to complete both additional and extended procedures in order to assess the risk of material misstatement to the financial statements, these procedures remain ongoing.

Executive Summary (continued)

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 the Council. 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.

Significant Risk	Status of our work
Misstatement due to fraud and error	Our work in this area is complete and we have not identified any indications of management override.
Inappropriate capitalisation of revenue expenditure (including Revenue Expenditure Funded from Capital Under Statute)	Our work in this area is complete and we have not identified any indications of inappropriate capitalisation of revenue expenditure.
Accounting adjustments made in the 'Movement in Reserves Statement'	We have completed our work in this area and have no matters to report.
Valuation of Investment Property	<p>We have completed our work in this area.</p> <p>We have identified one misstatement relating to the valuation of one Investment Property which has not been corrected for by Management. The impact of this uncorrected misstatement on the Council's financial statements would be to decrease Non-Current Assets in the Balance Sheet and decrease total Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement by £2.4 million.</p> <p>See Section 02 of this report for further details.</p>
The accounting treatment and valuation of inventory held in the group subsidiaries	We have completed our work in this area and have no matters to report.
Consolidation procedures in the Group Financial Statements	We have completed our work in this area and have no matters to report.

Areas of audit focus (continued)

Risk of Material Misstatement (Inherent Risk)	Status of our work
IFRS 16 Implementation	We have been unable to conclude our planned procedures in relation to IFRS 16 Implementation, see Section 02 of this report for further details.
Valuation of Land and Buildings and Council dwellings	We have completed our audit work in this area and identified one observation relating to the valuation methodology applied to assets valued under the Depreciated Replacement Cost Approach. See Section 02 of this report for further details.
Pension Liability valuation	We have completed our in this area and have no matters to report.
Accounting for impairments of Receivables	We have been unable to conclude our planned procedures in relation to the accounting for impairment of Receivables. Management identified one disclosure misstatement in the Debtors note (Note 19) of £5.3 million, which Management has adjusted for. This has no impact on the Balance Sheet or Comprehensive Income and Expenditure Statement. See Section 02 of this report for further details.
Going Concern Disclosure	We have completed our review of the Council's disclosure note (Note 1). Given the financial position of the Council, whilst our audit report does not cover Going Concern, we do highlight the Council's disclosure note within our opinion.

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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 (continued)

Control observations

We have adopted a fully substantive audit approach, so have not tested the operation of controls at the Council.

During the audit, we identified the following significant deficiency in internal control:

- The Head of Internal Audit's audit opinion for 2024/25 was one of 'limited assurance' as reported to the Audit Committee in July 2025. This limited assurance opinion was based on several potential frauds identified within the Council and as a result the identification of several internal control weaknesses. As detailed in Section 03, we have identified a risk of significant weakness in Value for Money (VFM) arrangements relating to these findings. We have completed our procedures in this area and have identified a number of control observations which are detailed in Section 06.

In addition we identified a number of control observations and improvement recommendations in relation to Management's financial processes and controls. Please refer to Section 06 for details.

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Independence

Please refer to Section 08 for our update on Independence. There are no independence issues to bring to your attention.

Factors impacting the execution of the audit

Management, and the Audit Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit.

The table over-page sets out our views on the effectiveness of the Council's arrangements to support an external financial audit across a range of relevant measures.

We have been unable to undertake all planned procedures, and this is therefore likely to extend the timetable to recover assurance on the Council's financial statements. See Appendices A and B for further details.

Executive Summary (continued)

Factors impacting the execution of the audit (continued)					
Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Effective			The Financial Statements were published by the 30 June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the draft financial statements	Requires improvement			On initial review we identified a number of non-material internal inconsistencies, disclosure, typographical and arithmetic errors in the draft Financial Statements. Overall the draft Financial Statements were of a reasonable quality for audit.	See Section 05 for details of misstatements.
Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement			Approximately 20% of working papers were not provided to the agreed timetable. The most significant of these were working papers relating to Debtors and Creditors.	As a result of delays in receiving working papers, we were required to reallocate work within the audit team and consequently the audit did not progress inline with the agreed project plan.
Quality of working papers and supporting evidence	Requires improvement			Through the course of our audit we noted that overall the quality of working papers had shown considerable improvement from prior years. However, we did experience delays in the provision of supporting evidence from the Council and in a number of areas the quality of evidence provided to support accounting balances and transactions was not to the quality required to allow us to conclude work first time, resulting in a significant number of requests for clarification and further evidence.	We were unable to complete all our planned procedures in several areas. See Appendix B.
Timeliness and quality of evidence supporting key accounting estimates	Effective			Working papers to support estimates (excepting Creditors as above) in the Financial Statements were provided as per our agreed project plan.	N/A
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement			We did not encounter significant issues or delays regarding access to the finance team and other personnel. However, the Council in November have been impacted by changes in IT systems due the Council migrating away from OneSource systems. This resulted in access issues for Council officers, to the Council's own systems and supporting documentation/evidence and access to EY's client portal, delaying responses to audit queries during this period.	N/A
Volume and value of identified misstatements	Effective			A relatively small number of misstatements were detected through our audit procedures.	See Section 05 for details of misstatements.
Volume of misstatements in disclosure	Effective			We identified a limited number of disclosure misstatements through our audit procedures.	See Section 05 for details of misstatements.



02 Areas of Audit Focus

Report

Areas of Audit Focus

Misstatements due to fraud or error

△ Fraud Risk

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

The Council and Group 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.

We identify and respond to this fraud risk on every audit engagement.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Identified fraud risks during the planning stages of the audit.
- Inquired of management regarding fraud risks and the controls implemented to address them.
- Gained an understanding of the oversight exercised by Those Charged with Governance over management's fraud-related processes.
- Discussed fraud risks with Those Charged with Governance, including risks specific to the entity's business sector and operating environment.
- Assessed the effectiveness of management's controls designed to mitigate fraud risks.
- Determined an appropriate audit strategy to respond to the identified fraud risks.
- Performed mandatory procedures regardless of identified fraud risks, including testing journal entries and other adjustments made during financial statement preparation.
- Undertook procedures to identify significant unusual transactions.
- Considered the presence of management bias in key accounting estimates and judgments.

What are our conclusions?

We did not identify any material weaknesses in internal controls or evidence of management override.

No instances of inappropriate judgments were identified during our audit procedures.

Our audit procedures did not reveal any transactions that appeared unusual or outside the Council's normal course of business.

Journal entry testing did not identify any inappropriate postings.

We noted one journal where approval had been provided via Microsoft Teams. Due to the Council's 30-day message retention policy, the approval evidence was unavailable for verification. While there was no evidence of approval for this journal, our testing did not identify any misstatements or indications of fraud. A recommendation addressing this matter is included in Section 06.

Our journal testing identified one year-end journal posted to correct a series of historic and current system issues and miscoding's. Similar corrective journals have been posted in prior years, indicating that some underlying issues remain unresolved within the Council's accounting arrangements. We recommend that the Council undertake a comprehensive review of these recurring adjustments and address the root causes within its financial systems. This recommendation is detailed in Section 06.

Areas of Audit Focus

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

△ Fraud Risk

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.

For the Council and Group Financial Statements we have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

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What are our conclusions?

The Council's 2024/25 financial statements discloses £99.6 million of capital additions in Property, Plant and Equipment, no capital additions in Investment Properties and £5.9 million of REFCUS expenditure.

We have completed our work on capital additions and REFCUS and have not identified any additions that were incorrectly capitalised or REFCUS items which did not meet the statutory definition.

Our testing of year end journals did not identify any movements from expenditure to capital outside of the normal course of business.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Tested Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised was clearly capital in nature.
- Assessed whether the capitalised spend clearly enhanced or extended the useful life of asset rather than simply repairing or maintaining the asset on which it was incurred.
- Considered whether any development or other related costs were reasonable to capitalise i.e. the costs incurred were 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 significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Areas of Audit Focus

Accounting adjustments made in the 'Movement in Reserves Statement'

△ Fraud Risk

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 the Minimum Revenue Provision (MRP).

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- 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' (MRP) and tested the accuracy of the adjustments made for MRP; and
- Used our data analytics tool to identify and test journal entry adjustments made in the movement in reserves statement.

What are our conclusions?

We have completed our work on adjustments in the Movements in Reserves Statement (MiRS) and have not identified any transactions or movements made to the MiRS outside of the normal course of business.

Entries were found to be consistent to other areas of the financial statements, and our testing of journals did not identify any instances of inappropriate posting to the MiRS.

Our testing of the Minimum Revenue Provision (MRP) did not identify any misstatements or inappropriate adjustments.

Areas of Audit Focus

Valuation of Investment Property

△ Significant Risk

Our response to the key areas of challenge and professional judgement

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

Investment Property represents a significant balance in Council and Group Financial Statements (2023/24: £102.69 million).

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

In response to this risk, we undertook the following procedures:

- 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)
- For a sample of Investment Property valuations engaged our internal specialist, EY Real Estate, to review the valuations, assumptions and conclusions reached by the external valuer.
- Considered the annual cycle of valuations to ensure that investment properties had been valued annually as required by the Code.
- Tested accounting entries have been correctly processed in the Financial Statements.

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What are our conclusions?

We have completed our work on this risk.

In 2024/25, the Group financial statements discloses £110.1 million of Investment Property assets, of which £46.7 million are held by the Council, with the remaining £63.4 million being held by Mercury Land Holdings Ltd.

We did not identify any specific changes to assets that had occurred that required communication to the valuer.

Testing of accounting entries confirmed they had been correctly processed in the financial statements.

We found no issues with the disclosure made in the accounts concerning the material uncertainty relating to year end valuations.

Areas of Audit Focus

Valuation of Investment Property (Continued)

What are our conclusions (continued)?

Our Internal Valuers review identified one asset outside of a reasonable valuation range. The property at 39-43 South Street, Romford (occupied by M&S) is recorded in the financial statements at £12.4 million. The current lease is due to expire in March 2027; however, the valuation assumes continuation beyond this date. At the balance sheet date and the date of this report, the lease renewal remains uncertain, with the Council in negotiations with M&S regarding rent, lease terms, and potential capital contributions for refurbishment. Given this uncertainty, we estimate the fair value at the balance sheet date to be within a reasonable range of £7.3 million to £9.8 million, as an investor would not pay the same price for an asset with only two years remaining on the lease compared to one with a new medium to long-term lease. This results in an overstatement in the valuation of the asset by a minimum of £2.6 million as at 31 March 2025 (being the difference of the Council's valuation to the top of our reasonable range).

Management have chosen not to adjustment for this judgmental audit difference. Further details can be found in Section 05 of this report.

Our Internal Valuers identified one observation regarding the valuation methodology employed by the Council's valuer.

In the UK market, yields used for valuing Investment Properties at fair value are typically quoted on a net basis. Net yields include purchaser costs such as stamp duty and agency fees and are generally around 6.8%. Therefore, an adjustment is normally required to remove these purchaser costs to derive an asset's fair value.

Our internal valuers noted that the Council's valuers do not make any adjustment for purchaser costs. They state that they use gross yields, which already incorporates this adjustment. This approach differs from the majority of the market, which uses net yields. As a result, comparing the Council's valuers yields directly to published market yields is not possible because they are calculated on a different basis, adding complexity to the valuation process which then requires additional audit procedures for us to gain comfort over the valuations.

For Investment Properties held in Mercury Land Holdings LLP, we have obtained assurance from the subsidiary auditors through their reporting to us and our detailed review of their audit files. The subsidiary auditors did not identify any misstatements relating to the valuation of Investment Properties by the subsidiary's external valuers and we concluded that we could rely on the work of the subsidiary auditors.

Areas of Audit Focus

The accounting treatment and valuation of inventory held in the group subsidiaries

△ Significant Risk

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

The group subsidiaries have material inventory (£32.6 million in 2023/24) held as a current asset in the balance sheet in the subsidiaries Financial Statements. The Group Financial Statements records this balance as a non-current asset within Property, Plant & Equipment. Given the difference in accounting treatment there is a risk that these balances maybe incorrectly accounted for in the Group Financial Statements.

Should these assets be inventory in nature they should be measured at lower of cost and net realisable value which requires the use of assumptions, judgements and estimates regarding the expected returns from the project and total costs to complete the development. The variances between these assumptions and actual events could have a material impact on the ultimate net realisable value.

What are our conclusions?

We have completed our work on this risk.

Management did not provide an assessment of the accounting treatment for these inventory balances. Consequently, we performed our own assessment against the CIPFA Code of Practice and relevant accounting standards.

As at 31 March 2025, two of the Council's subsidiaries, Bridge Close Regeneration LLP and Rainham and Beam Park Regeneration LLP, held inventory at cost totalling £39.3 million (£36.9 million at Bridge Close Regeneration LLP and £2.4 million at Rainham and Beam Park Regeneration LLP). Inventory is accounted for under IAS 2 by the subsidiaries.

We obtained assurance from the subsidiary auditors that the inventory cost was accurate in the subsidiary accounts and confirmed reliance on their work through our file review and evaluation of their responses to our group instructions.

Upon consolidation, these inventory balances were reclassified in the Group's Balance Sheet as Assets Under Construction within Property, Plant and Equipment under IAS 16, also at cost.

Our review and testing of the 'cost' did not identify any misstatements, as the components of the inventory cost were allowable under IAS 16. We also assessed the accounting treatment of reclassifying inventory to Assets Under Construction upon consolidation and concluded that the treatment was appropriate, given the intention to develop property assets for subsequent sale to the Council for its use.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Requested Management to prepare an assessment as to the accounting treatment of these 'inventory' balances against the requirements of the CIPFA Code of Practice considering the nature of these balances.
- Tested Managements assessment to confirm the appropriate accounting treatment in the Group Financial Statements.
- Prepared Group Instructions for the component auditors of the Council's subsidiaries; and,
- Reviewed the work undertaken by component auditors and determined whether we could place reliance on their work to obtain assurance over the Inventory balances consolidated into the group accounts.

Areas of Audit Focus

Consolidation procedures in the Group Financial Statements

△ Significant Risk

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 & Wates Regeneration LLP and Rainham & Beam Park Regeneration LLP. In 20/21, we identified a number of misstatements with the intercompany elimination adjustments.

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In 2023/24 we prepared and sent group instructions to the subsidiary auditors. We did not receive all responses to these instructions and therefore were unable to obtain assurance that the level of errors identified in 2020/21 have been rectified and reduced in subsequent years.

Given the nature and extent of the errors found in prior years, we consider this to be significant risk as the balances consolidated into the group accounts may be materially misstated. Management will also need to consider the timing of the subsidiary audits to ensure that subsidiary auditors are able to complete their procedures to allow reporting to us as a group auditor during our audit.

What are our conclusions?

We have completed our work on this risk.

We did not identify any issues with the Council's assessment of its group boundary.

We obtained responses and assurances from the subsidiary auditors in line with our group instructions. Our review of their work confirmed that we were able to place reliance on their procedures to obtain assurance over consolidated balances.

Our testing of the consolidation process and intercompany eliminations indicated that the procedures implemented by management were appropriate. We identified no misstatements related to the consolidation of group balances and disclosures.

Additionally, we tested the differences in accounting policies between the subsidiaries and the group and found no differences which led to any misstatements.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Reviewed the Council's assessment of its group boundary and the significance of the components in the group Financial Statements;
- Prepared group instructions for the component auditors of the Council's subsidiaries;
- Reviewed the work undertaken by component auditors and determined whether we can place reliance on their work to obtain assurance over the balances consolidated into the group accounts;
- Ensured that appropriate consolidation procedures are applied in line with the Code of Practice when consolidating subsidiaries into the Council's group Financial Statements;
- Understood the process for consolidation;
- Understood transactions between group subsidiaries and tested that the appropriate accounting entries have been made to eliminate inter-group transactions;
- Understood and tested the differences in accounting policies, ensured that the appropriate adjustments are made on consolidation to align accounting policies set for the group; and
- Reviewed the disclosures in the group Financial Statements and ensured that they are materially accurate and complete.

Areas of Audit Focus

IFRS 16 Implementation

 Inherent Risk

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

IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council and Group's 2024/25 Financial Statements.

IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.

Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g., RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

The Council performed an initial impact assessment in 2023/24 and expected to recognise a right of use asset of £11.5 million.

What are our conclusions?

We have not been able to complete our procedures over IFRS 16 implementation.

We performed procedures to gain an understanding of the Council's implementation of IFRS 16, including its processes, controls, and related policies.

We commenced testing of leases; however, we were unable to complete these procedures as we could not obtain sufficient assurance over the valuation of the right-of use (ROU) assets or the valuation of the lease liabilities. The Council holds a significant number of property leases accounted for as ROU assets. During our testing of lease liability and ROU values on a sample basis, we identified the following:

- 1) **Incorrect Lease Terms:** For some sampled leases, the lease term applied was incorrect, resulting in factual misstatements. While these were immaterial on an individual asset basis, further consideration is required regarding the potential impact across the untested population.
- 2) **Unsupported Lease Terms:** For certain leases, the applied lease term lacked supporting evidence. A three-year term had been used based on anticipated future lease agreements, which have not yet been finalized or signed. Some leases have been rolling since 2009, raising concerns about whether a three-year assumption is appropriate given the absence of signed agreements.

A recommendation addressing these matters is included in Section 06.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Gained an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We will pay particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- Reviewed the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- Reviewed management policies, including whether to use a portfolio approach, low value threshold, and asset classes where management is adopting as the practical expedient to non-lease components.
- Gained assurance over the right of use asset included in the 2024/25 Financial Statements
- Sample tested leases to ensure that transition arrangements have been correctly applied.
- Considered the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.

Areas of Audit Focus

Valuation of Land and Buildings and Council dwellings

△ Inherent Risk

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 Financial Statements (2023/24: £1.30 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.

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ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates. The Council performed an initial impact assessment in 2023/24 and expected to recognise a right of use asset of £11.5 million.

What are our conclusions?

We have completed our work on this risk.

We have not identified any issues from our review of the work performed by the valuer over the Council's assets, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.

No specific asset changes requiring communication to the valuer were noted. We also identified no issues regarding useful economic lives as a result of the most recent valuation. All assets were appropriately revalued within the Council's five-year rolling programme, and testing confirmed that accounting entries were correctly processed in the financial statements.

During our review, we noted an issue with the valuation methodology applied to assets valued under the Depreciated Replacement Cost approach. For the 2024/25 valuation cycle, the valuer applied an average build cost adjustment of 1% based on general asset categories commonly used by Councils. For two specific assets, Harold Hill Youth Facility and Upminster Crematorium, the actual changes in build rates for their respective categories were significantly different, at -18% and +32%. Although the current-year impact is immaterial, this approach could result in a material misstatement in future valuation periods if similar variances occur.

A recommendation addressing this matter is included in Section 06.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- 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);
- Considered 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 also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2024/25 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the Financial Statements.

Areas of Audit Focus

Pension Liability valuation

 Inherent Risk

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

The Local Authority Accounting Code of Practice and IAS19 require the Council 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 2024 this totalled £92.84 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.

What are our conclusions?

We have completed our work on this risk.

We obtained assurance from the Havering Pension Fund auditor regarding the information supplied to the actuary.

We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and identified no issues with the assumptions and methodologies applied by the Actuary.

We have agreed the Council's IAS 19 disclosures to the actuaries' report and ensured these are fairly stated in the accounts.

As at 31 March 2025, the Pension balance was an asset, requiring application of the asset ceiling under IFRIC 14. The draft financial statements were based on an initial IAS 19 report, adjusted by Management to reflect IFRIC 14 and the asset ceiling. Management subsequently obtained an updated IAS 19 report from the actuary incorporating IFRIC 14. This updated report confirmed that the draft financial statements were not misstated but required adjustments to certain disclosures in Note 42.

Our EY Pensions team reviewed the updated IAS19 report, and found that the estimate was appropriate, and the balance calculated by the actuary fell within a reasonable range.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Liaised with the auditors of London Borough of Havering Pension Fund, and obtained assurances over the information supplied to the actuary in relation to the London Borough of Havering;
- 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 consider 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.

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Areas of Audit Focus

Accounting for impairments of Receivables

△ Inherent Risk

Our response to the key areas of challenge and professional judgement

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

The impairment of Receivables (Bad debt provision) is a material estimate in the Council's Financial Statements (£56.7 million in 2023/24). The estimate is made up of several separate complex calculations which requires management to make a number of accounting judgements as to the recoverability of debt. In 2023/24 we identified a number of immaterial misstatements and there therefore remains an inherent risk of misstatement over this balance.

In response to this risk, we undertook the following procedures:

- Reviewed the calculation of the bad debt provision for reasonableness and accuracy; and
- Reperformed the bad debt calculation and test managements judgements regarding the recoverability of debt by testing a sample of trade receivables.

What are our conclusions?

We have been unable to complete our procedures over the accounting for impairments of Receivables.

The Council's Bad Debt Provision (impairment) for 2024/25 is £66.2 million, reducing total Short-term Debtors from £140.9 million to £74.7 million as disclosed in the Balance Sheet. This provision comprises several individual elements, including Council Tax, NNDR, Housing, Housing Benefit, Social Services, Parking Enforcement, and Other Sundry Debtors.

Our review of supporting working papers during detailed testing identified that many of these provisions are based from historic data dating back to 2017/18, with an accumulating effect each subsequent year. The methodology applies a 100% provision for the oldest debts, with a reducing provision for more recent years.

Given that we issued disclaimed opinions for 2021/22, 2022/23, and 2023/24 and have not performed rebuild assurance work, we are unable to obtain assurance over the bad debt provision because these disclaimed years are included in the balance.

A recommendation addressing this matter is included in Section 06.

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Areas of Audit Focus

Going Concern Disclosure

△ Inherent Risk

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

The Council's updated Medium Term Financial Strategy, estimates a budget gap of £72.1 million in 2025/26 which rises to £183.4 million over the next four years. In February 2025, the Secretary of State approved a capitalisation direction of £88.0 million for the financial year 2025/26 following approved support of £32.5 million in 2024/25 and £18.1 million in 2023/24.

Given the continuing financial support from the Secretary of State to enable the provision of core services, it is unlikely that the Council will be unable to continue operating as a going concern, but there is a risk that the Council and Group's Going Concern Disclosure note does not adequately reflect the Council and Group's financial position and requirement for exceptional financial support.

What are our conclusions?

We have completed our review and testing of the Council's going concern disclosure and conclude that it adequately reflects the Council's financial position and requirements for exceptional financial support.

The provisions of the CIPFA Code of Practice on Local Authority Accounting in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that local authorities cannot be created or dissolved without statutory prescription and that they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community, are themselves revenue-raising bodies and the financial reporting framework (Practice Note 10) presumes the continuation of service provision. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. Under the auditing standard in relation to going concern (ISA570), the Council is required to ensure that its going concern disclosure within the Financial Statements adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- 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 Financial Statements by:
- Testing the appropriateness of the Council's going concern disclosure to corroborating evidence, including
 - the Council's cashflow forecast and the Council's consideration of whether it has sufficient liquidity to continue to operate as going concern.
 - The Council's latest medium term financial plan and budget monitoring reports to confirm the position of its reserves and projected budget gaps.
- Undertaking a 'stand back' review to consider all of the evidences obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.



03 Value for Money

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Value for Money

The Authority's responsibility 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 Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Page 45 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.

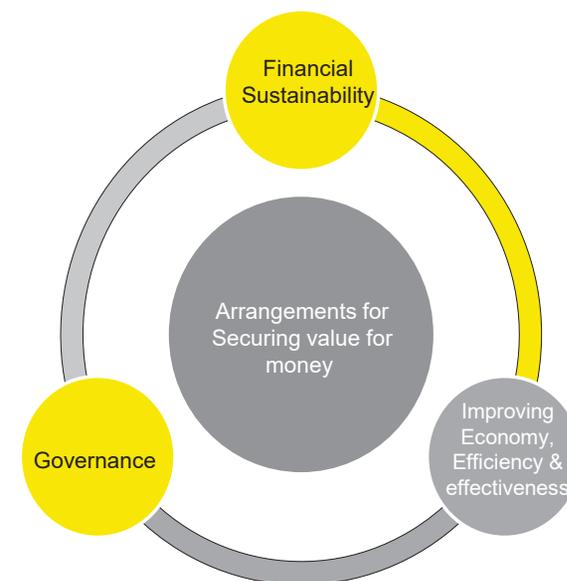
We will provide a commentary on the Council arrangements against three reporting criteria:

- 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.

In our Audit Plan dated 28 April 2025, we reported that we had not completed our Value for Money (VFM) risk assessment. Having updated and completed the risk assessment and associated planned procedures, we have identified three risks of significant weakness.

We are in the process of completing our audit procedures in relation to the three risks of weakness. These are set out on the following page.

Based on evidence to date, we expect to conclude that one of these risks represent significant weaknesses in the Council's underlying arrangements. We therefore anticipate that we will have 'Other matters' to report by exception within our Audit Report. See the following page for details of the risk of significant weakness identified.



Corporate Governance (continued)

Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
<p>OFSTED inspection findings</p> <p>In 2023/24 we reported a significant weakness relating to the outcome of an Ofsted inspection report, where the overall effectiveness in respect of the Council's Children's Service has been rated as 'inadequate'. Without an appropriate and timely response to the report findings, and how effective those responses have been, constitutes a risk of weakness in 2024/25.</p>	<p>Improving economy, efficiency and effectiveness:</p> <p>How the body uses information about its costs and performance to improve the way it manages and delivers services.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> Assessing the arrangements the Council has put in place to address the issues raised in the Ofsted inspection report. Assessed the progress the Council has made against action plans to address the issues raised in the Ofsted inspection report. Enquired of and considered the impact of any additional reporting in respect to children's services
<p>Governance of Group subsidiaries</p> <p>The Council consolidates four subsidiaries into the Group Financial statements. These subsidiaries are audited by three different auditors and in 2023/24 the group subsidiary auditors did not fully respond to our group instructions prior to the 2023/24 backstop date. The lack of timely assurance from the subsidiary auditors, over which the Council has responsibility, could give rise to a risk within any of the subsidiary bodies of which Members are not aware.</p> <p>We have therefore identified a risk of weakness relating to the governance of these subsidiaries and timely financial reporting.</p>	<p>Governance:</p> <p>How the body ensures that it makes informed decisions and properly manages its risks.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> Reviewed the governance arrangements for the Group and the ability for those charged with governance to have appropriate oversight to enable the Council to make informed decisions. Considered Management's plans to ensure subsidiaries report to the group in a timely basis.
<p>Potential fraud and internal control weaknesses</p> <p>The Head of Internal Audit's audit opinion for 2024/25 was one of 'limited assurance' as reported to the Audit Committee in July 2025. This limited assurance opinion was based on several potential frauds identified within the Council and as a result the identification of several internal control weaknesses.</p>	<p>Governance:</p> <p>How the body monitors and assess risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> Reviewed Internal Audits reports and findings relating to the potentially fraudulent activity. Employed our own Forensics experts to review the work undertaken by Internal Audit to confirm that work completed was robust and adequately designed to assess the impact of the potential frauds on the Council. Assessed the impact of the potentially fraudulent activity on the Councils compliance with Laws and Regulations. Assessed the progress the Council has made against action plans to address the weakness identified by Internal Audit.

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Corporate Governance (continued)

Risk of significant weakness in VFM arrangements

Findings

We have completed our audit procedures in relation to the three risks of weakness and have concluded the following:

OFSTED inspection findings

No significant weakness in arrangements identified.

Governance of Group subsidiaries

No significant weakness in arrangements identified.

Potential fraud and internal control weaknesses

We have identified a significant weakness in arrangements.

The limited assurance opinion reported by Internal Audit reflects instances of potentially fraudulent activity identified in the final quarter of 2024/25 which highlight weaknesses in the Council's budgets monitoring arrangements. These incidents highlight common issues regarding the robustness of management oversight of expenditure in each of the respective services. Given that this potentially fraudulent activity have all occurred in distinct business areas, this gives rise to concern that budgets are not being monitored effectively and increases the risk that the Council is incurring unnecessary expenditure.

We will include an 'Other matter' to report by exception within our Audit Report.

We will issue our VFM narrative commentary, including the findings in relation to the risk of significant weakness, in our 2024/25 Auditor's Annual Report. We have issued a draft commentary to Management, on the 27 November 2025, and we expect to issue our final report in March 2026.



04 Audit Report

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Draft Audit Report

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

Disclaimer of Opinion

We were engaged to audit the financial statements of London Borough of Havering ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2025. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,

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the related notes 1 to 42 including material accounting policy information and including the Expenditure and Funding Analysis,

Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 5,

Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) ("the Regulations") which came into force on 30 September 2024 required the accountability statements for the year ended 31 March 2025 to be approved not later than 27 February 2026 ('the backstop date').

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

Due to the disclaimers of opinion on the financial statements in the prior years and delays in receiving associated audit evidence, we have not been able to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2025.

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

Draft Audit Report

The audits of the financial statements for the years ended 31 March 2022, 31 March 2023 and 31 March 2024 for London Borough of Havering were not completed for the reasons set out in our disclaimers of opinion on those financial statements dated 10 December 2024 and 26 February 2025 respectively.

In addition, we draw attention to the uncertainty in respect of the Council's funding position for 2025/26 and beyond as set out in Note 1.

Matters on which we report by exception

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

We report to you if:

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- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
 - we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
 - we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
 - we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
 - we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

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

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

We report to you, if we are not satisfied that the Group and the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in relation to the specified reporting criteria of the Group and the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2025.

Draft Audit Report

Significant weaknesses in arrangements

In relation to governance

Our judgement on the nature of the weaknesses identified:

The Head of Internal Audit gave a limited assurance opinion for 2024/25 due to instances of potential fraud in the final quarter of the year, highlighting weaknesses in the Council's budget monitoring. These incidents point to insufficient management oversight of spending across various services, raising concerns about ineffective budget monitoring and an increased risk of unnecessary costs for the Council.

The evidence on which our view is based:

- The Head of Internal Audit's 2024/25 audit opinion.
- Internal audit and the Council's Counter Fraud teams reports and their detailed testing and investigations.
- Meetings with Council Management, Internal Audit and the Counter Fraud.

The impact on the Council:

Failure by the Council to take appropriate corrective actions to address the identified weaknesses in internal control may increase exposure to potential fraud or errors that result in unnecessary expenditure.

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

Strengthen internal controls by fully implementing the Improvement action plans developed by Internal Audit.

Responsibility of the Chief Financial (Section 151) Officer

As explained more fully in the Statement of the Chief Financial Officer (Section 151) Responsibilities set out on page 16, the Chief Financial (Section 151) Officer is responsible for the preparation of the Statement of Accounts, which includes the Group and Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Chief Financial (Section 151) Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial (Section 151) Officer is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

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

Draft Audit Report

Auditor's responsibilities for the audit of the financial statements

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

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

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether London Borough of Havering had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Havering put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether London Borough of Havering had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

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

Certificate

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office, as group auditor, has confirmed that no further assurances will be required from us as component auditor of the Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of London Borough of Havering, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 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 Group and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.



05 Audit Differences

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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 £0.40 million which have been corrected by management that were identified during the course of our audit.

1. Known difference: Depreciation - Our testing of depreciation identified seven Vehicle, Plant and Machinery assets where no depreciation had been charged in the year. These assets were capital additions in 2023/24 and therefore should have been depreciated for the first time in 2024/25 but had been incorrectly omitted from the 2024/25 depreciation calculation exercise.

This has the following impact:

Dr CIES - Net Cost of Services Depreciation Charge £2.3 million

Cr Balance Sheet - Property, Plant and Equipment £2.3 million

2. Known difference: Short-term Debtors - Management identified a £3.5 million Creditor that had been incorrectly classified as a Short-term Debtor. This amount should have been recorded as a Short-term Creditor and relates to sums owed to the Department for Work and Pensions for Housing Benefit Subsidy.

This has the following impact:

Dr Balance Sheet - Debtors £3.5 million

Cr Balance Sheet - Creditors £3.5 million

3. Known difference: NNDR Income - Our testing of NNDR Income in Taxation and Non-specific Grant Income identified that £3.5 million was incorrectly classified in Net Cost of Services.

This has the following impact:

Dr CIES - Net Cost of Services Expenditure £3.5 million

Cr CIES - Taxation and Non-specific Grant Income £3.5 million

4. Known difference: Grossing up of recharges - Management identified and has corrected for misstatements in the draft Comprehensive Income and Expenditure Statement of £15.4 million as both income and expenditure were overstated due to the incorrect grossing up of recharges. This adjustment reduces both expenditure and income within Cost of Services and does not impact the Net Cost of Services.

This has the following impact:

Dr CIES - Net Cost of Services Income £15.4 million

Cr CIES - Net Cost of Services Expenditure £15.4 million

Audit Differences (Continued)

Disclosure differences

During the audit, we identified a number of non-material internal inconsistencies, disclosure, typographical and arithmetic errors in the draft financial statements.

We also identified several disclosure misstatements, the most significant of these being:

Note 18 - Financial instruments: A number of disclosure adjustments were required to the disclosed balances in table b of the note.

Note 19 - Debtors: Management identified that £5.3 million of Housing bad debt impairments had been incorrectly included within the gross Debtors balance, this understated the Gross and Impairment Allowance balances within the Debtors note. This has no impact on the net Debtors balance in the note or the Balance Sheet.

Note 32 - Officers Remunerations: the disclosure did not include all payments and employers contributions for all senior officers disclosed.

Note 42 - Defined Benefit Pension Schemes: Several disclosure adjustments were required to the note following receipt of a combined IAS19/IFRIC 14 Actuarial report. Refer to Section 02 for further details.

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Summary of Unadjusted differences

In addition, we highlight the following misstatement greater than £0.40 million to the financial statements and/or disclosures which were not corrected by management. We ask that the Audit Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

1. Judgemental difference: Investment Properties - Our Internal Valuers review determined a reasonable range for the property at 39-43 South Street, Romford (occupied by M&S) to be between £7.3 million to £9.8 million. The draft financial statements record the property at £12.4 million, resulting in a judgmental minimum overstatement of £2.6 million (to the top of the reasonable range).

This has the following impact:

Dr CIES - Financing and Investment Income and Expenditure £2.6 million

Cr Balance Sheet - Investment Properties £2.6 million



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 2024/25 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.

The Head of Internal Audit's audit opinion for 2024/25 was one of 'limited assurance' as reported to the Audit Committee in July 2025. This limited assurance opinion was based on several potential frauds identified within the Council and as a result the identification of several internal control weaknesses. As detailed in Section 03, we have identified a significant weakness in Value for Money (VFM) arrangements relating to these findings and have identified the following recommendations:

Recommendation 1 - Review and document all operational controls to ensure they support effective budget management and identify gaps in oversight, roles, and responsibilities within the service.

Recommendation 2 - Ensure adequate training for Budget Managers, including effective use of financial systems and report generation.

Recommendation 3 - Build dedicated time into work schedules to support proactive budget monitoring and control.

Recommendation 4 - Identify and define the key management information required to support effective budget oversight and decision-making.

Recommendation 5 - Implement clear procedures for budget monitoring and payment approvals.

Recommendation 8 - Ensure there is comprehensive, mandatory and ongoing Fraud Awareness Training for officers.

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 the following control observations and recommendations:

1. Journals:

- As reported in Section 02, we identified one journal where the approval for the journal had been completed via Microsoft Teams and therefore due to the councils 30 day Microsoft Teams message retention policy the approval was unavailable for testing. Whilst there was no evidence of approval for the journal we did not identify any misstatements or indications of fraud from our testing of the journal.

Recommendation: All journal approvals should be performed by a method which allows evidence of approval to be retained by the Council.

- As reported in Section 02, We also identified one year-end journal that was posted to correct a series of historic and current system issues and miscoding's. Similar corrective journals have been posted in prior years, indicating that these underlying issues remain unresolved.

Recommendation: The Council should undertake a comprehensive review of these recurring adjustments and address the root causes within its financial systems.

2. Leases:

As reported in Section 02, our testing of leases and the implementation of IFRS 16 identified issues in the calculation of lease liabilities and right-of-use (ROU) asset valuations. Specifically, for some sampled leases, the lease term applied was incorrect, and for others, there was no supporting evidence for the lease term used.

Recommendation: Management should review its working papers to ensure that lease terms applied to assets are accurate and supported by appropriate lease agreements.

3. Land and Building Asset valuations:

- As reported in Section 02, we identified that for assets valued under the Depreciated Replacement Cost approach, the Council's valuer applied an average build cost adjustment rather than the actual build cost for the type being valued..

Recommendation: Management should, as part of its review of the specialist's report, ensure that the assumptions and methodologies applied are appropriate and tailored to the specific assets being valued.

4. Bad Debt Provision:

- As reported in Section 02, we identified that the Council's Bad Debt Provision is based on historic data going back to 2017/18 accumulating each year with the oldest debts being 100% provided for with a reducing provision for more recent years.

Recommendation: Given that the Council's current bad debt provision represents nearly 50% of its outstanding short-term debtors and includes balances dating back to 2017/18, management should review the provision and assess the collectability of these historic debts. While these amounts are fully provided for in the financial statements, the Council should consider whether, given the age of the debts, they should be formally written off.

Status of previous year's recommendations

Recommendation	Update
Recommendation: We recommend that all reconciliations are performed on a timely basis to support year-end balances.	In 2024/25 all reconciliations reviewed as part of the financial statements audit had been performed on a timely basis. We therefore deem this recommendation to be closed.

Assessment of Control Environment

Preparation of robust draft financial statements, provision of quality working papers and support during the audit

As reported in the Executive Summary, Management, and the Audit Committee, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported evidence, access to the finance team and management's responsiveness to issues identified during the audit.

We do however recognise that the last full audit was of the Council's 2020/21 financial statements. Therefore, to support the audit process, we worked with the Council to provide the following areas of support:

- Effectively supporting an external audit training session held with the Finance Team on 27 March 2025
- Planning calls with the Chief Financial Officer.
- Project plan agreed with Management in advance of the audit start date setting out the timing of each audit task.
- Agreement with Management for a 3-day turnaround time for audit queries and 5-day turnaround time for sample evidences.

Provision of audit evidence matrix for samples to enable evidence is provided right first time.

Weekly audit priority queries communications and regular calls between audit senior and finance team.

Despite the additional support we have encountered the following during our audit:

- Whilst some working papers were provided in advance of our audit, approximately 20% of the working papers were not provided to the agreed timetable. The most significant of these were working papers relating to Debtors and Creditors. As a result of delays in receiving working papers, we were required to reallocate work and consequently the audit did not progress inline with the agreed project plan.
- We have experienced some delays in the provision of supporting evidence from the Council and in a number of areas the quality of evidence provided to support accounting balances and transactions has not been to the quality required to allow us to conclude work first time, resulting in a significant number of requests for clarification and further evidence.
- During November 2025 Council officers were impacted by changes in IT systems due the Council migrating away from OneSource systems. This resulted in some access issues for Council officers to the Council's own systems, supporting documentation/evidence and access to EY's client portal, delaying responses to audit queries during this key delivery period.

These issues caused slippage to the agreed project plan and inefficient use of the planned audit resources. This resulted in areas of the audit that we were unable to conclude and therefore we are unable to provide assurance over Creditors, Expenditure and Leases which have contributed to our consideration of disclaiming the audit opinion in 2024/25, the level of assurance obtained for 2024/25 is further detailed in Appendix B.

Preparation of robust draft financial statements, provision of quality working papers and support during the audit (Continued)

Recommendation: The Council should continue to enhance its approach for supporting the audit process in the following areas:

Build Capacity and Expertise for Audit Support

- Ensure sufficient capacity of skilled finance professionals with the necessary technical knowledge and experience to support the audit.

Improve Quality of Audit Working Papers

- Continue to implement robust processes to produce high-quality financial statements supported by complete, accurate, and well-referenced working papers.
- Ensure all responses to audit queries are timely, address the questions raised and include appropriate supporting evidence.

Enhance Responsiveness and Communication

- Adhere to agreed turnaround times for audit queries (3 days) and sample evidence (5 days).
- Establish clear escalation protocols for delays or unresolved issues.
- Continue regular communication between audit leads and the Finance Team to monitor progress and resolve issues promptly.



07

Other Reporting Issues

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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 financial statements 2024/25 with the audited financial statements.

Financial information in the London Borough of Havering financial statements 2024/25 and published with the financial statements was consistent with the audited financial statements.

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.

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Whole of Government Accounts

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

The Council falls below the £2 billion threshold for audit procedures within the NAO group instructions. We will confirm this position within the Assurance Statement to the NAO at the point of issuing our Audit Report. However, we cannot issue our Audit Certificate until the NAO has confirmed no further procedure are required.

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 did not identify any issues which required us to issue a report in the public interest or to issue statutory recommendations under Schedule 7.



08

Independence

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Independence

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 2024 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 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. 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.

EY Transparency Report

The [2025 Transparency Report](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 31 October 2025.

Audit Fees

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

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

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

As set out in our Audit Plan 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.psa.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.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Council are set out in the fee analysis on the following page.

Independence

	Current Year	Prior Year
	£'s	£'s
Scale Fee - Code Work	452,308	421,745
Proposed scale fee variation	TBD Note 2	99,977 Note 1
Total fees	TBD	521,722

All fees exclude VAT

Notes:

(1) For 2023/24 we submitted a scale fee variation to PSAA covering the following areas:

Page 66 Technical Accounting Issues - Additional work required in respect of the Going Concern disclosures.

VFM additional Risks - Additional audit work required to address VFM risks identified in 2023/24.

ISA 315 - Additional fee in relation to the implementation of ISA 315 in 2023/24.

Quality or preparation issues - Additional audit procedures and time required due to quality issues identified in working papers and to address control deficiencies.

• Prior Period Adjustments - Additional work required to audit adjustments made to comparative figures in 2022/23.

• Changes in Materiality - In 2023/24 we were required to lower our Planning Materiality to 1% (from 1.8%) and Performance Materiality to 50% (from 75%) resulting in increased audit testing.

• Disclaimer Planning and Reporting - additional time required to consult in respect of our opinion wording for our disclaimed opinion.

PSAA determined a scale fee variation for 2023/24 of £99,977.

(2) We propose to submit a scale fee variation to PSAA for additional 2024/25 work covering the following areas:

• VFM additional Risks - Additional audit work undertaken to address the three VFM risks identified in 2024/25 including use of internal Forensics team and assessment of the impact of the potentially fraudulent activity on Laws and Regulations.

• Changes in Materiality - In 2024/25 we have again been required to lower our Planning Materiality to 1% (from 1.8%) and Performance Materiality to 50% (from 75%) resulting in increased audit testing.

• Disclaimer Planning and Reporting - additional time required to consult in respect of our opinion wording for our disclaimed opinion.

• Additional audit work required to address significant and other risks identified in 2024/25, including

• Significant Risk Valuation of Investment Properties - including use of our internal valuation experts.

• Significant Risk The accounting treatment and valuation of inventory held in the group subsidiaries

• Significant Risk Consolidation procedures in the Group Financial Statements

• Other Risk IFRS 16 Implementation



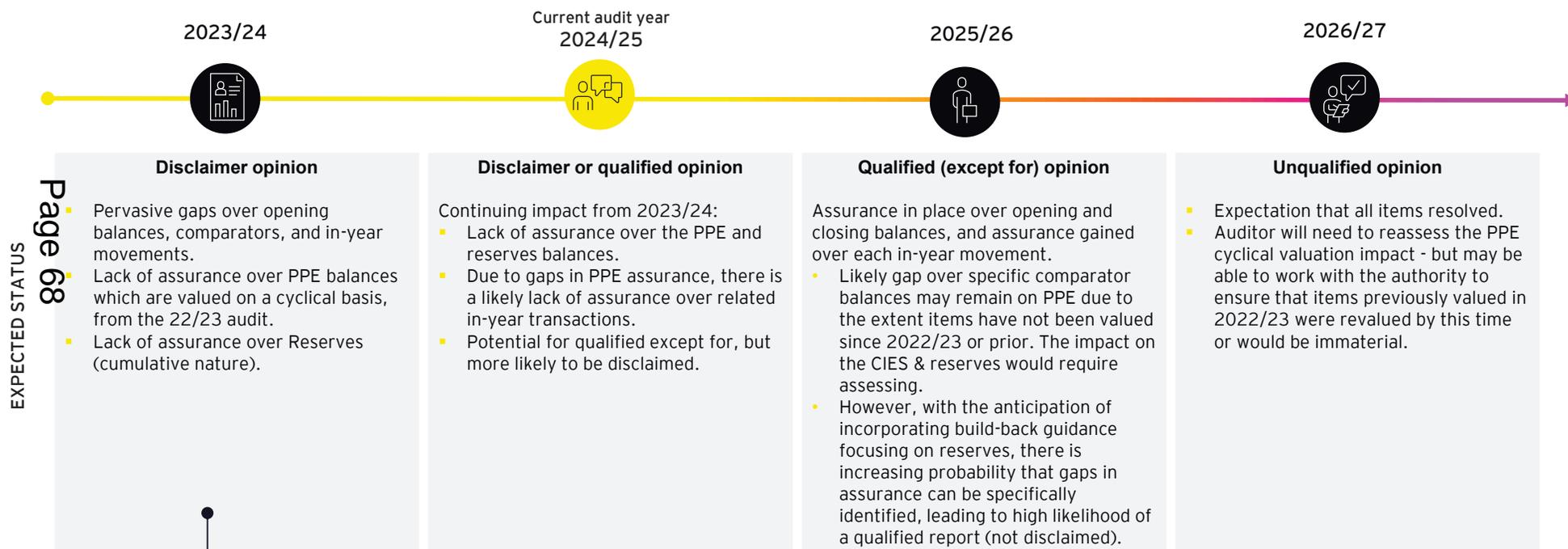
09 Appendices

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Appendix A – Progress to full assurance

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO’s Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council’s actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.



CURRENT AUDIT STATUS OF LONON BOROUGH OF HAVERING COUNCIL

- The Council’s progress is behind the expected timescales set out in LARRIG 01.
- This is because no or limited procedures were completed in 2021/22, 2022/23 or 2023/24 - being multiple years as opposed to the single year of the LARRIG example.
- In 2023/24 there were some accounts where no planned procedures have been able to be completed for 2023/24, such as Group, Debtors, Creditors, Expenditure and Grant Income, hindering the build back of assurance.
- We do not expect to be able to complete all planned procedures on Creditors, Expenditure and leases as part of our 2024/25 audit, therefore extending the period over which we will need to rebuild audit assurances.
- This means it is unlikely that audit assurances can be rebuilt to enable an unqualified opinion by 2026/27.

EXPECTED STATUS
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Appendix B – Updated summary of assurances

Summary of Assurances

The table below summarises the audit work we have completed on the 2023/24 and 2024/25 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Short-Term Debtors	None	Partial	We have completed our planned testing of balances within Short-Term Debtors but have been unable to complete procedures over the Bad Debt Provision as reported in Section 02 and therefore have only been able to obtain partial assurance over the Short-Term Debtors balance at 31 March 2025.
Borrowings (short and long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Grants	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short-Term Creditors	None	None	In 2023/24 we were unable to complete audit procedures over Short-term Creditors due to delays in the receipt of evidence and the quality of working papers and evidence. In 2024/25 the Council undertook a detailed review of the creditors working papers, as reported in Section 06 this resulted in significant delays in the receipt of these working papers. Whilst the quality of the working papers showed considerable improvement in 2024/25, due to the delays in receipt of these working papers and the quality of the evidence provided to support our sample of Short-term Creditors we were unable to complete our procedures over Short-Term Creditors in 2024/25. We have therefore been unable to obtain assurance over Short-Term Creditors balances.
Grants received in advance	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Investments	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Investments in Subsidiaries & Joint Ventures	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Long Term Debtors	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Pension Scheme Liability	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Provisions	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

Appendix B – Updated summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Reserves	None	None	We have completed our work on the movements in reserves in 2023/24 and 2024/25 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.
Group Accounts and consolidation	None	Partial	As reported in Section 02, we have completed our planned audit procedures for 2024/25 but, as a result of not having assurance over the opening balances, we do not have full assurance over the in-year movements or prior year comparatives for the Group Accounts
Property, Plant and Equipment ('PPE') and Investment Property	Partial	Partial	We have completed our audit procedures over PPE and Investment Properties, and we have: <ul style="list-style-type: none"> ➤ audited the 31 March 2025 valuation of a sample of assets, testing valuation movements since the prior year for PPE and Investment Property assets; ➤ completed testing of 2024/25 additions and disposals in the fixed asset register for PPE and Investment Property assets; ➤ tested the annual depreciation charge for PPE assets in 2024/25; and ➤ performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets in 2024/25 for PPE and Investment Property assets. However, until we are able to rebuild assurance over the completeness and accuracy of the asset base through testing of PPE additions and disposals during prior disclaimed years 2020/21 to 2023/24, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2025.
CIES - Finance and Investment Income and Expenditure	Partial	Partial	Our work on Finance and Investment Income and Expenditure in 2024/25 is complete 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.
CIES - Net Cost of Services - Employee Costs (Council & Schools)	Partial	Partial	Our work on Employee Costs in 2024/25 is complete 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.
CIES - Grant Income	None	Partial	Our work on Grant Income in 2024/25 is complete but, as we do not have assurance over the opening balance position at 1 April 2024, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
CIES - Taxation and Non-Specific Grant Income	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
CIES - Net Cost of Services - Housing Benefits	Partial	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. Our testing of Housing Benefit expenditure is performed by undertaking predictive analytical procedures which uses the prior year 2023/24 balance as a starting point. As we do not have assurance over the 2023/24 balance, we are therefore unable to obtain full assurance over the 2024/25 expenditure.

Appendix B – Updated summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
CIES - Net Cost of Services - Other Expenditure	None	None	In 2023/24 we were unable to complete audit procedures over Other Expenditure due to delays in the receipt of evidence and the quality of working papers and evidence. Due to the delays in receipt of these working papers and the quality of the evidence provided to support our sample of Other Expenditure which was not to the standard required to allow us to test balances first time, meant we were unable to complete our procedures over Other Expenditure in 2024/25. We have therefore been unable to obtain assurance over Other Expenditure balances.
CIES - Net Cost of Services - Other Income	Partial	Partial	Our work on Other Income in 2024/25 is complete 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.
CIES - REFCUS	Partial	Partial	Our work on REFCUS in 2024/25 is complete 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.
Disclosures	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Leases (IFRS 16 Implementation)		None	As reported in Section 02, we have not been able to complete our procedures over Leases and the implementation of IFRS 16 in 2024/25. We have therefore been unable to obtain assurance over these balances and disclosures.

Appendix C – Required communications with those charged with governance

Required communications with those charged with governance

There are certain communications that we must provide to those charged with governance. 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.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▪ 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 <p>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.</p>	Audit plan – 8 July 2025 Audit Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▪ 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 – 24 February 2026 Audit Committee

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Appendix C – Required communications with those charged with governance (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▪ 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 - 24 February 2026 Audit Committee
Misstatements	<ul style="list-style-type: none"> ▪ 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 - 24 February 2026 Audit Committee

Appendix C – Required communications with those charged with governance (continued)

Required communications	What is reported?	Our Reporting to you
		When and where
Fraud	<ul style="list-style-type: none"> ▪ 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: <ul style="list-style-type: none"> ▪ Management; ▪ Employees who have significant roles in internal control; or ▪ 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 - 24 February 2026 Audit Committee
Related parties	<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> ▪ 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 - 24 February 2026 Audit Committee

Appendix C – Required communications with those charged with governance (continued)

Required communications	What is reported?	Our Reporting to you
		When and where
Independence	<p>Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▪ 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 <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit plan - 8 July 2025 Audit Committee</p> <p>Audit Results Report - 24 February 2026 Audit Committee</p>

Appendix C – Required communications with those charged with governance (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> Management’s refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit Results Report - 24 February 2026 Audit Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> 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 - 24 February 2026 Audit Committee
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - 24 February 2026 Audit Committee

Appendix C – Required communications with those charged with governance (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	<ul style="list-style-type: none"> ▪ 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. 	<p>Audit plan - 8 July 2025 Audit Committee</p> <p>Audit Results Report - 24 February 2026 Audit Committee</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▪ Written representations we are requesting from management and/or those charged with governance 	<p>Audit Results Report - 24 February 2026 Audit Committee</p>
System of quality management	<ul style="list-style-type: none"> ▪ How the system of quality management (SQM) supports the consistent performance of a quality audit 	<p>Audit Results Report - 24 February 2026 Audit Committee</p>
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▪ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	<p>Audit Results Report - 24 February 2026 Audit Committee</p>
Auditors report	<ul style="list-style-type: none"> ▪ 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 	<p>Audit Results Report - 24 February 2026 Audit Committee</p>

Appendix D – Regulatory update

The English Devolution and Community Empowerment Bill - Audit Measures

Background

On 16 December 2024, the Government published the English Devolution White Paper. The White Paper outlines how England is one of the most centralised countries in the world and contends that over-centralisation is holding back the prosperity of the regions. As a result, there is an intention from Government to widen and deepen devolution to local areas across England. The English Devolution and Community Empowerment Bill (the Bill) is intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

- Part 1 introduces the new devolution architecture for England, centred around the new category of “strategic authorities” (SAs). These are organisations designated by Government to have responsibility for strategy development and programme delivery over larger functional economic areas.
- Part 2 outlines the powers and duties which existing and future SAs will have, and the new process by which new powers and duties can be conferred on SAs by Government in the future.
- Part 3 is focused on measures designed to strengthen local government and communities.
- Part 4 is intended to strengthen the accountability of the local government sector by reforming the local audit system, including the establishment of the Local Audit Office (LAO) as the body responsible for overseeing local audit.
- Part 5 concerns the banning of upwards only rent review clauses for commercial leases to prevent vacant shops and regenerate high streets in communities across England.
- Part 6 contains the technical sections related to the Bill, including on regulations, commencement and extent.

The draft legislation can be found in full at [English Devolution and Community Empowerment Bill](#).

Part 4 of the Bill - Reforming local audit

The Bill is intended to overhaul the local audit system as is part of the wider measures to address the backlog in local government audit previously considered by this report. Specifically:

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate ‘lead individuals’ and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Audit Committees will be developed by LAO in conjunction with the Local Government Association, CIPFA and other relevant bodies.

We will continue to keep you updated as these arrangements develop.

Appendix F – DRAFT Management representation letter

Appendix A

Draft Management representation letter

[To be prepared on the entity's letterhead]

[Date]

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

This letter of representations is provided in connection with your audit of the consolidated and parent Authority financial statements of London Borough of Havering ("the Group and Authority") for the year ended 31 March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or present fairly, in all material respects,') the Group and Authority financial position of London Borough of Havering as of 31 March 2025 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Authority, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and parent Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.
4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 for the Group and for the Authority 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 consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because [specify reasons for not correcting misstatement].
6. We confirm the Group and Authority does not have securities (debt or equity) listed on a recognised exchange.

Appendix F – DRAFT Management representation letter (continued)

Draft Management representation letter (continued)

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

1. We acknowledge that we are responsible to determine that the Group and Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
 2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
 3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Authority financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Group or Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
- Involving financial improprieties
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements
 - Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial statements, but compliance with which may be fundamental to the operations of the Group and Authority's business, its ability to continue in business, or to avoid material penalties
 - Involving management, or employees who have significant roles in internal control, or others
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Authority financial statements.
3. We have made available to you all minutes of the Group, Authority, Cabinet and Audit Committee through the year through to the date of this letter.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Authority financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

Appendix F – DRAFT Management representation letter (continued)

Draft Management representation letter (continued)

6. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorised 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 unauthorised access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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8. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 41 to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

E. Going Concern

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

F. Subsequent Events

1. Other than described in Note 46 to the consolidated and parent Authority financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the Annual Governance Statement for 2024/25 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2024/25 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.
3. We confirm that the content contained within the other information is consistent with the financial statements.

I. Climate-related matters

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

Appendix F – DRAFT Management representation letter (continued)

Draft Management representation letter (continued)

J. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority and Group has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets, nor has any asset been pledged as collateral. All assets to which the Authority 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.

Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the value of the Authority and Group's share of the pension fund assets and liabilities and the value of subsidiary company buildings 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.

L. Estimates

- Pensions Liability
 - Property, Plant and Equipment and Investment Properties - valuations, impairments and depreciation
 - Provision for Impairment of Receivables
 - Stock valuations
1. We confirm that the significant judgments made in making the fair value of Property, Plant and Equipment, Investment Properties, provisions, stock valuations and pension fund asset and liabilities 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 above accounting estimates.
 3. We confirm that the significant assumptions used in making the above accounting estimates appropriately reflect our intent and ability to carry out our statutory services 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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
 5. We confirm that appropriate specialised skills or expertise has been applied in making the above accounting estimates.
 6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements.

Appendix F – DRAFT Management representation letter (continued)

Draft Management representation letter (continued)

M. 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.

N. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

O. 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.

Yours faithfully,

(Chief Financial Officer)

(Chair of the Audit Committee)

Appendix 1 - Unadjusted Audit Differences

Judgemental difference: Investment Properties - Overstatement in the valuation of 39-43 South Street, Romford (occupied by M&S).

The draft financial statements records the asset at £12.4 million, External Audit have determined a reasonable range for this asset of £7.3 million to £9.8 million resulting in a judgmental minimum overstatement of £2.6 million (to the top of the auditor's reasonable range).

Appendix A

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Havering Pension Fund

Audit results report

Year ended 31 March 2025

5 February 2026



The better the question. The better the answer. The better the world works.



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

5 February 2026

Dear Audit Committee Members,

2024/25 Audit Results Report

We 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 24 February 2026 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 2024/25 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 (the Fund) accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 24 February 2026.

Yours faithfully

Hassan Rohimun
Partner
For and on behalf of Ernst & Young LLP
Encl

Contents

- 1 Executive Summary
- 2 Areas of Audit Focus
- 3 Audit Report
- 4 Audit Differences
- 5 Other Reporting Issues
- 6 Assessment of Control Environment
- 7 Independence
- 8 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (Statement of responsibilities of auditors and audited bodies (from 2023/24 audits) - Page 4 of 7 - PSAA). 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 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 in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and Management of Havering Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and Management for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

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Executive Summary

Scope update

In our Audit planning report presented at the 8 July 2025 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:

- **Changes in materiality:** We updated our planning materiality assessment using the draft financial statements and reconsidered our risk assessment. Based on our materiality measure of Net Assets, we updated our overall materiality assessment to £10.1 million (Audit Planning Report, £9.7 million). This results in updated performance materiality, at 75% of overall materiality, of £7.6 million (Audit Planning Report, £7.3 million), and an updated threshold for reporting misstatements of £0.50 million (Audit Planning Report, £0.49 million).

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

Status of the audit

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

- Going concern review and disclosures;
- Review of the final version of the Annual Report and financial statements.
- Completion of subsequent events review to the date of the audit report.
- Receipt of the signed management representation letter and financial statements.
- Final Manager, Engagement Partner and Engagement Quality Reviewer reviews.

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Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and financial statements which could influence our final audit opinion.

Audit differences

Subject to completion of the outstanding procedures noted above we have identified the following audit differences:

Uncorrected audit differences

We have identified one uncorrected audit difference of £3.5 million relating to timing difference in the valuation of level 3 Investments. See Section 04 for details.

Corrected audit differences

We identified one material disclosure misstatement and a number of disclosure misstatements which management have adjusted for. See Section 04 for details.

Executive Summary (cont'd)

Areas of audit focus

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

Misstatement due to fraud or error - Fraud Risk

Our work in this area is substantially complete and subject to Final Manager and Engagement partner review we have not identified any indications of management override.

Valuation of complex investments (unquoted investments) - Significant Risk

We have completed our work in this area. We have identified one misstatement of £3.5 million relating to timing difference in the valuation of level 3 Investments which has not been corrected for by management. See Section 04 for further details.

IAS26 Disclosure - Actuarial Present Value of Promised Retirement Benefits - Other Area of Audit Focus

We have completed our in this area and have no matters to report.

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 or Management.

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

During the audit, we did not identify any issues relating to our independence and objectivity. Please refer to Section 07 for our update on Independence.



02 Areas of Audit Focus

Report

Areas of Audit Focus

Misstatement due to fraud or error (Fraud Risk)

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.

We identify and respond to this fraud risk on every audit engagement.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Gained an understanding of 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 those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Evaluated the business rationale for significant unusual transactions outside the normal course of business.
- Assessed accounting estimates for evidence of management bias.

What are our conclusions?

Subject to final Manager's and Engagement Partner's file review, 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 journal entry testing has not identified any instances of inappropriate posting of journals.

Areas of Audit Focus (cont'd)

Valuation of complex investments (unquoted investments) (Significant Risk)

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

What are our conclusions?

We have completed our work on this risk.

We did not identify any issues during our review and evaluation of the Custodian and Fund Managers.

Our reconciliation of the financial statements to the Custodian and Fund Manager reports did not reveal any misstatements.

Our procedures also did not identify any material valuation differences in the reported fund valuations within the financial statements.

However, we identified a misstatement of £3.5 million related to Level 3 investments. This variance arose from timing differences between the draft and final valuations of these investments. The draft financial statements were prepared using December 2024 valuation estimates, the final investment valuations being received after the draft statements had been produced.

Management have not to adjust for this difference, see Section 04 for details.

Our response to the key areas of challenge and professional judgement

We undertook the following procedures to address the significant risk, which include:

- Analysed a schedule of investments and ensured correct classification, presentation and disclosure of items in the financial statements and corresponding notes.
- Gained an understanding and evaluation of the work of management's experts and evaluated the ISAE 3402 report for the Custodian and Fund Managers.
- Reviewed the latest audited accounts for the relevant Fund Managers and ensured there were no matters arising that highlighted weaknesses in the fund's valuation.
- Reviewed the basis of valuation for property investments and other unquoted investments and assessed the appropriateness of the valuation methods used.
- Reviewed investment valuation disclosures and verified that significant judgements surrounding the valuation of Level 3 Investments had been appropriately made in the financial statements.
- Performed triangulation work to agree amount per the financial statements to Fund Manager and to Custodian.
- Tested the accounting entries had been correctly processed in the financial statements.
- Assessed topside adjustments and journal entries for evidence of management bias and evaluated them for business rationale.
- Reviewed the year end investment balance in the draft financial statements and in year investment additions and determined whether there were any new individually complex investments that would pose a significant risk.

Areas of Audit Focus (cont'd)

IAS26 Disclosure – Actuarial Present Value of Promised Retirement Benefits (Other Area of Focus)

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

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 assumptions.

The information disclosed is based on the IAS 26 report issued to the Fund by the actuary to the Fund.

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

We undertook the following procedures to address this other area of focus, which include:

- Assessed the work of the pension fund actuary including the assumptions they used by relying on the work of the Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and 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.
- Ensured that the IAS 26 disclosure was in line with the relevant standards and consistent with the valuation provided by the Actuary.

What are our conclusions?

Our work in this risk is complete and we have not identified any matters to report.

Areas of Audit Focus (cont'd)

Valuation methods applied

Financial statement area	Valuation method applied and related disclosures	Impact of changes made to the valuation method applied
Level 1 Investment Assets	Fair value using observable market data, including published bid market price	No changes made to the valuation method
Level 2 Investment Assets	Fair value using valuation techniques where inputs are based on observable market data.	No changes made to the valuation method
Level 3 Investment Assets	Fair value using unobservable data that are determined by Fund Managers	No changes made to the valuation method
IAS26 actuarial present value of promised retirement benefits	Projected credit unit method	No changes made to the valuation method

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Going concern

The provisions of the CIPFA Code of Practice on Local Authority Accounting in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that local authorities cannot be created or dissolved without statutory prescription and that they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community, are themselves revenue-raising bodies and the financial reporting framework presumes the continuation of service provision. However, the Pension Fund is required to carry out a going concern assessment that is proportionate to the risks it faces. Under the auditing standard in relation to going concern (ISA570), the Pension Fund is required to ensure that its going concern disclosure within the financial statements adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

Our work in this area will be concluded closer to the Audit Report date. We are awaiting for Management to review and where required update the going concern disclosures in the final version of the Annual Report and financial statements.

Based on the work we have performed to date, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern.

Areas of Audit Focus (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 Fund's financial reporting process. They include the following:

- 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
- Matters regarding management's process for identifying and responding to the risks of fraud in the entity
- Disagreements with management, if any arising during the audit
- Other matters if any, significant to the oversight of the financial reporting process, including the strengths and weaknesses of the finance function and the quality of the financial statement preparation process

Written representations that we are seeking

Expected modifications to the audit report

Related parties

- External confirmations
- Consideration of laws and regulations, including any significant matters involving actual or suspected non-compliance with laws and regulations or articles of association which were identified in the course of the audit, in so far as they are considered to be relevant in order to enable the audit committee to fulfil its tasks.

We have nothing to report in respect of these matters.



03 Audit Report

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Draft audit report

Our opinion on the financial statements

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

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2025 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, including material accounting policy information.

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 2024/25.

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 2025 and the amount and disposition at that date of its assets and liabilities as at 31 March 2025; and
- ▶ have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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 Financial (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 12 months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial (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 2024/25, other than the financial statements and our auditor's report thereon. The Chief Financial (Section 151) Officer is responsible for the other information contained within the Statement of Accounts 2024/25.

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

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

We have nothing to report in this regard.

Audit Report (cont'd)

Our opinion on the financial statements

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 Financial (Section 151) Officer

As explained more fully in the Statement of the Chief Financial (Section 151) Officer's Responsibilities set out on pages [XX], the Chief Financial (Section 151) Officer is responsible for the preparation of the Council'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 2024/25, and for being satisfied that they give a true and fair view. The Chief Financial (Section 151) Officer is also responsible for such internal control as the Chief Financial (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 Financial (Section 151) Officer is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Chief Financial (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 enquires of the management. We corroborated this through our reading of the Pension Board minutes through inspection of other information.

Audit Report (cont'd)

Our opinion on the financial statements

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

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

Use of our report

This report is made solely to the members of London Borough of Havering, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (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.

Summary of adjusted differences

During the audit, we identified a number of non-material internal inconsistencies, disclosure, typographical and arithmetic audit differences in the draft Annual Report and financial statements which management have adjusted for.

We identified one material disclosure misstatement that has been adjusted for by management:

The London CIV Baillie Gifford Global Alpha Paris Aligned Fund valued at £133.8 million as at the 31 March 2025 was classified in the draft financial statements in note 15a as a Level 1 investment. Our audit procedures determined that this should be classified as a level 2 investment as there are no readily available quoted market prices available for this investment and therefore does not meet the definition of a Level 1 investment. Management have adjusted the note 15a disclosure moving the £133.8 million investment from level 1 to level 2.

This adjustment has no impact on the value of the investment or on the net assets of the fund.

Summary of unadjusted differences

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

1. **Total investments asset value** - we have identified an audit difference of £3.5 million related to Level 3 Investments. This variance arose from timing differences between the draft and final valuations of these investments. The draft financial statements were prepared using December 2024 valuation estimates, the final investment valuations being received after the draft statements had been produced. The final valuation showed a net increase of £3.5 million in the value of Level 3 Investments.

This has the following impact:

Dr Net Assets Statement - Investment Assets, £3.5 million

Cr Fund Account - Change in market value of investments, £3.5 million



05 Other Reporting Issues

Other Reporting Issues

Consistency of information published with the financial statements

We must give an opinion on the consistency of the information published with the financial statements, including the financial and non-financial information in the Pension Fund Statements of Accounts with the audited financial statement of London Borough of Havering, the consistency of the Pension Fund Statements of Accounts with the financial statements in the Pension Fund Annual Report, and the consistency of the Pension Fund Annual Report with the audited financial statements. The work remains outstanding and has not been completed yet as we are awaiting final version of the Annual Report and financial statements. We will provide the Audit Committee an update on the work once it's completed.

Other powers and duties

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

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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 had no matters to report.



06

Assessment of Control Environment

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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 already aware.



07

Independence

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Relationships

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

There are no relationships from 1 April 2024 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2025

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 2025: [2025 Transparency Report](#)

Services provided by EY

There are no services provided by EY from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

The table on the subsequent page includes a summary of the fees that you have paid to us in the year ended 31 March 2025 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included below. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in February 2025.

Independence

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

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

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

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

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- Officers meeting the agreed timetable of deliverables;
- Our financial statements opinion being unqualified;
- Appropriate quality of documentation is provided by the Pension Fund; and
- The Pension Fund has an effective control environment
- The Pension Fund complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.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 Pension Fund should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Pension Fund are set out in the fee analysis on this page.

	2024/25 Current Year	2023/24 Prior Year
	£	£
Scale Fee - Code Work	96,974	85,945
Proposed scale fee variation	TBC (Note 2)	26,017
Total fees	TBC	111,962

All fees exclude VAT

(1) For 2023/24, we re-assessed the scale fee to include procedures that were performed to address the risk profile of the Pension Fund, as set out in our Audit Results Report. PSAA have determined a final scale fee variation for 2023/24 of £26,017.

(2) We propose to submit a scale fee variation to PSAA for additional 2024/25 work covering the following area:

- Pension Valuation - relating to IAS26 actuarial calculation (including the use of our internal valuation experts)

The 2024/25 scale fee details can be found in PSAA website

<https://www.psa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2024-25-auditor-appointments-and-audit-fee-scale/>



08 Appendices

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Appendix A – Required communications with the Audit Committee

Required communications with the Audit Committee

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

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	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: <ul style="list-style-type: none"> 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 	Audit Planning Report - 8 July 2025 Audit Committee
Significant findings from the audit	<ul style="list-style-type: none"> 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 - 24 February 2026 Audit Committee
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> 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 - 24 February 2026 Audit Committee
Misstatements	<ul style="list-style-type: none"> 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 - 24 February 2026 Audit Committee

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

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▪ 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: <ul style="list-style-type: none"> ▪ Management; ▪ Employees who have significant roles in internal control; or ▪ 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 - 24 February 2026 Audit Committee
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▪ 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 - 24 February 2026 Audit Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▪ 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 <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Planning Report - 8 July 2025 Audit Committee</p> <p>Audit Results Report - 24 February 2026 Audit Committee</p>
External confirmations	<ul style="list-style-type: none"> ▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit Results Report - 24 February 2026 Audit Committee

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

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> ▪ 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 - 24 February 2026 Audit Committee
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▪ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - 24 February 2026 Audit Committee
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▪ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - 24 February 2026 Audit Committee
System of quality management	<ul style="list-style-type: none"> ▪ How the system of quality management (SQM) supports the consistent performance of a quality audit 	Audit Results Report - 24 February 2026 Audit Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▪ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - 24 February 2026 Audit Committee
Auditors report	<ul style="list-style-type: none"> ▪ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 24 February 2026 Audit Committee
Use of statutory powers	<ul style="list-style-type: none"> ▶ Identification of issues that are likely to lead to a form of public reporting, including: <ul style="list-style-type: none"> ▶ Statutory recommendations ▶ Public interest reporting 	Audit Results Report - 24 February 2026 Audit Committee

Appendix C – Management representation letter

Management representation letter (draft)

[Date]

Ernst & Young

[Address]

This letter of representations is provided in connection with your audit of the financial statements of Havering Pension Fund (“the Scheme”) and examination of the Scheme’s summary of contributions for the year ended 31 March 2025. 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 (or ‘present fairly, in all material respects’) the financial transactions of the Scheme during the year ended 31 March 2025, 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ and contain the information specified in Regulation 3A of the Audited Accounts Regulations and making a statement about contributions.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
2. We confirm that the Scheme is a Registered Pension Scheme. We are not aware of any reason why the tax status of the Scheme should change.

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements 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 Scheme in accordance with applicable law the CIPFA/LASAAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, 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 Scheme has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with applicable law and the CIPFA/LASAAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 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 Scheme’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 Scheme year or subsequently concerning matters of non-compliance with any legal duty.

Appendix C – Management representation letter

Management representation letter (draft)

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 Scheme (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 Scheme’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 Scheme’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 Scheme rules.

3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

4. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect on the financial statements

5. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members and of the management of the Fund held through the [period] to the most recent meeting on the following date: [list date].

6. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Scheme’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.

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

8. 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 2024/25.

9. 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.

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

Appendix C – Management representation letter

Management representation letter (draft)

11. 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 the 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 annual report, 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 Scheme's financial statements and schedule of contributions/payment schedule.

H. Independence

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

I. Derivative Financial Instruments

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 2025 and dated [date of report] 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 C – Management representation letter

Management representation letter (draft)

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 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 are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements,

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 Scheme's ability to continue as a going concern. We do not intend to wind up the Scheme. 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 Scheme'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 in the financial statements.
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 any statements we have made in the other information or other public communications made by us.

Yours faithfully,

Chief Finance Officer

Chair of Audit Committee

Date

Appendix B

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

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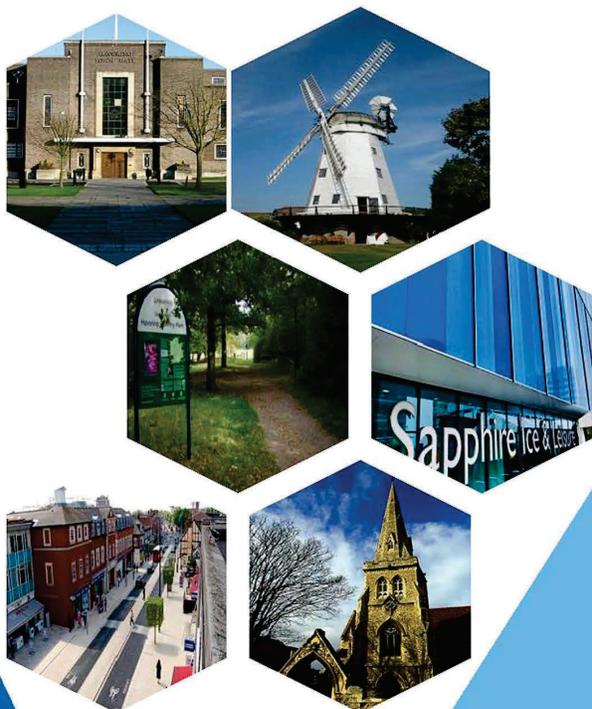
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Statement of Accounts 2024/25

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Dear Residents,

We continue to face some of the most challenging years we have ever seen. The Council's focus remains on providing services to residents of our Borough under extremely difficult circumstances. This year, we once again have the challenge of trying to balance the budget, set against a backdrop of enormous financial pressures, resulting from increases in inflation and the ongoing demands of a rising population. 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.

Unfortunately, these sharp increases in cost, due to additional demand and complexity, have not been matched by the Government grant. Since the publication of the draft Statement of Accounts, the Government have now re-distributed the funding formula to reflect the latest population changes. Although Havering benefits by £40m over the three-year funding period, the change in funding is simply insufficient to meet the rising cost of our services. Without additional funding going into the Local Government sector, Havering will continue to face significant financial challenges in the medium-term. We will continue to work closely with the Government to push for fairer funding that is reflective of our costs.

The pressures the Council is facing for 2025/26 has meant that we have, for the second year in a row, had to ask central Government for Exceptional Financial Support (EFS) to balance our budget. Havering is an efficient Council and this position has only come about through years of underfunding on our central Government grants. The Government assumes we will apply this increase as part of our funding settlement so 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. We understand that this increase is unwelcome at a time when many are struggling with the general cost of living, but this is an important part of how we deliver a balanced budget, which we must do by law.

However, not only do we have a legal duty to balance the books, we are a Borough that also listens and responds to the priorities residents tell us matter most and below are a few examples of services we have continued to deliver well:

- renewed funding to maintain and improve roads, pavements and street lighting
- continuing to fund the S92 police officers to help keep the Borough safe
- improving customer services and digital platforms for residents to access Council services
- investing in new affordable homes for residents through our regeneration programme and looking at more cost-effective solutions for temporary accommodation through modular homes on our regeneration sites
- continued investment and improvements in vital social care services to adults and children
- maintaining sixteen 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.

I am confident that the Council, and our dedicated workforce, will continue to go above and beyond to respond to these unprecedented times and will carry on delivering vital front-line services.

This is all while continuing to root out further savings and looking to find more efficient ways to deliver our services to residents. Together, I hope we can continue to make the Borough the Havering you want to be part of.

Yours sincerely

Andrew Blake-Herbert
Chief Executive, London Borough of Havering

2024/25: Narrative Report

Introduction

The Council's Statement of Accounts represents 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 by outlining how we use resources to drive performance and deliver the vision and strategy set by our Councillors. It provides an overview of how we have delivered outcomes throughout the year, and how we are planning ahead to respond as effectively as possible to future challenges.

The Borough of Havering

Havering is the third largest Borough in London geographically, covering approximately forty-three square miles. It is characterised by suburban development, with almost half of the area dedicated to open green space.

As of 2023, the population of Havering was estimated to be 268,145¹. The number of people that live in Havering increased by over 10% between the 2011 and 2021 Census. This growth rate was higher than the London and England averages, indicating a rapidly expanding community.

Havering is the fourth fastest-growing Borough in terms of young population percentage nationally and has the second oldest population in London.

In 2021, Havering's residents were 10.7% Asian, 75.3% White, 8.2% Black or African, and 3.7% Mixed.

The Borough also has a mixed socio-economic profile, with areas of both affluence and deprivation.

Organisation and Governance

The London Borough of Havering operates a Leader and Cabinet governance model. The Council Leader, elected every four years by all Council Members, provides political leadership and strategic direction. The Council has fifty-five Councillors who meet as Full Council to agree the main priorities, approve the budget and set the Council Tax. The Leader selects up to nine Executive Members for the Cabinet to manage service portfolios. Scrutiny is vital in Havering's decision-making, with an Overview and Scrutiny Board and several sub-committees ensuring fair decisions. Various other committees also contribute to governance.

The Annual Governance Statement (AGS), coordinated by the Assurance Service and monitored by the Executive Leadership Team, provides further details on the Council's governance framework and processes. The Council has responsibility for a wide range of services, these are organised into three Directorates: People, Place, and Resources, and are overseen by the Executive Leadership Team (ELT) led by the Chief Executive. The Council is also the 'corporate parent' to children and young people in its care.

Havering Council employs 3,172 staff (including Directly Employed/ Agency / Casual)². The Council's workforce is diverse, with a mix of gender (70.5% women and 29.5% men), ethnicity (67.5% white, 21.6% ethnically diverse), and disability (10.1% with a disability). Havering is committed to promoting equality, celebrating diversity, and ensuring inclusion for all employees and community members.

The Council's values and behaviours are encapsulated in the iCARE values: Integrity, Creativity, Ambition, Respect, and Everyone. These values were written by the workforce, supported by Trade Unions, and are at the heart of all Council activities. The Council's culture is built on these values, aiming to create an inclusive and respectful workplace where everyone is held accountable for upholding these principles.

¹ [Office for National Statistics Population Estimates](#)

² Havering Workforce Information Portal March 2025

Corporate Strategy

The [Havering Corporate Plan](#) sets out the vision "The Havering you want to be part of" for the organisation and the Borough, using strategic objectives to guide its actions. The plan is structured around three main themes:

The Havering you want to be part of



Supporting our residents to stay safe and well



A great place to live, work and enjoy



Enabling a resident-focused and resilient Council

The Corporate Plan details the outcomes the Council aims to achieve and the actions it will take to deliver them. The plan was reviewed in April 2025, updating the metrics to monitor progress and performance against.

The Corporate Plan helps residents hold the Council accountable for its performance and challenges the Council to continually improve what we do.

The Council's performance is regularly reviewed through meetings and reports. For example, the ELT Performance meeting discusses performance data and prepares reports for the Overview and Scrutiny Committee.

Performance

Havering Council remains dedicated to its strategic objectives, continuously enhancing its services and ensuring accountability to residents through comprehensive performance reporting.

Performance monitoring is essential for obtaining the necessary information to facilitate prompt action. We track performance against the Corporate Plan on a quarterly basis, utilising Power BI to present the data. An annual written report is also submitted to the Cabinet each year, providing a high-level evaluation of the Council's key achievements and contributions towards our priorities within the Corporate Plan, as well as identifying significant challenges for the upcoming year.

As of the end of Q4 (31st March 2025) 113 metrics were measured in the Corporate Plan. Fifty of these were narrative updates, with a further 22 not having a target set. Of the remaining 40 metrics monitored within the Corporate Plan Performance Report 53.7% (22) of them have a RAG status of **Green** (above the annual target), 9.7% (4) have a RAG status of **Amber** (below target, but within the variable tolerance) with the remaining 15 (36.6%) below target and outside of the variable tolerance (**Red** RAG Rated). Current Performance is presented on the [data intelligence hub](#).

The Council uses Power BI to present interactive dashboards that provide enhanced insights for decision-making. These dashboards are used across various departments, including Finance, IT, Digital and Customer Services, and Social Care, to monitor performance and share data with managers and members.

The [Havering Climate Change Action Plan \(HCCAP\)](#) outlines the Council's commitment to tackling the climate emergency and achieving carbon neutrality by 2040. The plan is dynamic, allowing for the addition of new actions and modification of existing ones as new technologies and Government grants become available. As of the end of the 2024-25 financial year, 30% of the actions in the HCCAP were completed, and a further 48% of in-year actions were on track.

Financial Performance

Havering's Balance Sheet

As can be seen below, Havering has a strong balance sheet. Nonetheless, only by careful management is it able to undertake carefully considered capital investments across the Borough by considering increases in the level of borrowing and the cost of that borrowing over its payback period.

	31/03/2023	31/03/2024	31/03/2025
	£'000s	£'000s	£'000s
Long-term assets	1,690,801	1,677,506	1,728,868
Current assets	106,259	143,355	205,347
Current liabilities	(128,136)	(141,489)	(426,201)
Long-term liabilities	(473,719)	(547,766)	(364,169)
Net Assets	1,195,205	1,131,604	1,143,845
funded by:			
Usable reserves	209,329	181,163	196,676
Unusable reserves	985,876	950,441	947,169
Total Reserves	1,195,205	1,131,604	1,143,845
Borrowing	328,716	454,100	609,924
Debt to Equity Ratio	27.5%	40.2%	53.3%

Revenue Outturn

The Council has encountered increasing challenges in balancing its budget in recent years, due to a combination of sharply rising demographic demand, escalating provider costs, and insufficient funding from central Government. The current funding model relies on data that is over a decade old and does not accurately reflect the present level of need. As such, the Council has had no choice but to seek Exceptional Financial Support to set a balanced budget.

In 2023/24 the Council used £18.1m of exceptional financial support financed by capital receipts to balance the overspend for that year. For 2024/25 the Council set a budget with the expectation that it would need £32.5m of support to balance the budget and finance the expected overspend at year end.

The budget position has been reported to Cabinet on a quarterly basis through the year, culminating in this outturn report setting out the final position for the year. It became apparent as early as the first quarter monitoring report that the Council was likely to need to use all of the £32.5m capitalisation directive available to it. The Council has acted robustly throughout the year with the aim of reducing spend and identifying efficiencies. Recovery Boards were set up for each department and a recruitment panel was set up to review and approve all appointments. The Council also reviewed all agency placements and, in the Resources department in particular, spend and agency numbers were reduced significantly

The table below sets out the final revenue outturn position of the Council, which is a £30.4m overspend against the original budget without exceptional financial support. This table also provides a comparison to the Period 9 forecast which was submitted to Cabinet in March

Revenue Outturn 2024/25

Directorate	Revised Budget £m	Final Actual £m	Variance to Budget £m	Period 9 Forecast Outturn £m
Resources	26.5	25.9	(0.6)	0.0
People	159.4	180.0	20.6	22.3
Place	14.8	16.4	1.6	2.5
Corporate	10.8	5.6	(5.2)	(4.7)
Worst Case contingent budget	18.5	0.0	(18.5)	(18.5)
TOTAL	230.0	227.9	(2.1)	1.6
Capitalisation requirement	(32.5)	0.0	32.5	32.5
TOTAL OVERSPEND	197.5	227.9	30.4	34.1
Settlement Funding Assessment	(39.5)	(39.5)	0.0	0.0
Council Tax	(158.0)	(158.0)	0.0	0.0
Total Funding	(197.5)	(197.5)	0.0	0.0

The revenue overspend was financed by using £30.4m of Exceptional Financial support as agreed with the Government in February 2024.

Capital Expenditure and Financing

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 used to finance the capital spend in 2024/25 is illustrated below.

Financing	24/25 £m	24/25 %
Capital Receipts	16.600	13%
Revenue & Reserves	17.214	13%
Infrastructure Tariff & S106	2.531	2%
Grants	23.851	18%
Borrowing	70.054	54%
Total Funding	130.250	100%

Treasury Management

Total cash, cash equivalents and investments for the Authority on 31st March 2025 amounted to £117m (£71m on 31st March 2024). The Authority's cash investments increased during the year as proceeds from PWLB issuance (£293m) were received to refinance maturing debt of £118m and to reduce the internal borrowing position as a result of historic capital spend. The average yield from the Authority's cash investments for 2024/25 was 5.26% (5.04% for 2023/24).

The guidance on Local Government Investments in England gives priority to security, liquidity, and yield in that order. The primary objective of the Authority's investment strategy is therefore to minimise security risk with the

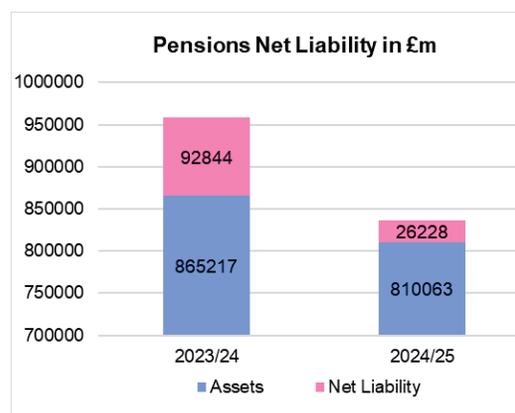
credit ratings of the banks and market information monitored regularly by officers who engage in the investment process. Officers kept treasury investments in short-term instruments of less than 1 year so they can be used to fund the Capital Programme and reduce the need to borrow whilst maintaining a liquidity buffer of £40m as a contingency.

The Authority's debt portfolio as at 31st March 2025 totals £607m and is fixed at an average rate of 3.7% with an average duration of 12.6 years. The Authority has balanced the need to minimise costs from funding capital expenditure by using internal cash balances and defer where possible the drawdown of more expensive long-term debt against the protection it offers in reducing interest rate risk and stabilising capital financing costs in the budget strategy.

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 £26.2m as at 31st March 2025 compared with £92.8m as at 31st March 2024. Estimating liability involves judgments about the discount rate, salary increases, retirement age changes, longevity, interest rates, inflation, and expected asset returns. It also considers the effects of the recent McCloud ruling and GMP equalisation.

The Pension Fund's net assets decreased in 2024/25, from £865m to £810m due to investment market decreases in 2024/25 and the liability decreased from £958m to £837m partly due to slightly lower 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 during 2025.

Looking ahead – Opportunities and Challenges

In the upcoming financial year, Havering presents numerous promising opportunities. The Council has commissioned the creation of a new special educational needs and disabilities school for 300 students aged 4 to 19, to address the pressing SEND requirements within the Borough. Furthermore, the Council will continue to invest in infrastructure, which includes the installation of a modern CCTV system, funding for police officers, and enhancements to parks and roads, all aimed at improving safety and supporting local businesses. Initiatives such as the Live Well Havering Network and the Havering Food Alliance will offer avenues for collaboration and support to promote residents' health and wellbeing.

As outlined in the Corporate Plan Annual Report for 2024/25, we expect significant challenges related to meeting the rising demand for social care services, particularly for children and vulnerable adults. We also foresee pressures concerning increasing costs of placements for children in care and the need for sustainable funding solutions. The introduction of the food waste service, mandated by Government legislation, will receive limited funding from the Government and will not cover the full cost of implementing the service. At this moment, we await details of the funding the Council will receive to deliver this new Government initiative.

The Havering Improvement & Transformation Plan aims to enhance the Council's productivity, efficiency, and financial stability. It supports the medium-term financial position by achieving key goals and reducing waste. The plan incorporates CIPFA recommendations and includes developing a "Family Welcome Centre" for vulnerable

families via the Harold Hill Town Centre Regeneration Masterplan. It addresses governance issues, such as appointing directors for Mercury Land Holdings to prevent conflicts of interest. The plan involves working with residents, community groups, and health partners to meet its objectives.

The Havering Climate Change Action Plan aims for the Council to achieve carbon neutrality by 2040. According to the annual review sent to Cabinet in May 2025, continuous action is necessary, and contributions are expected from everyone. Implementing this action plan is intended to reduce greenhouse gas emissions and support the transition away from high-carbon practices in working, travelling, conducting business, and living. Encouraging residents and businesses to adopt sustainable practices and lower their carbon footprint requires significant effort.

It has recently been confirmed that the Statutory Override on the Dedicated High Needs deficit will continue beyond March 2026 and continue to the end of 2027/28. Due to the increase in the children's population over the past decade, Havering's cumulative high needs deficit is now over £35m and estimated to increase to beyond £60m by the end of 2025/26. This is a significant issue for Councils nationally, and the Government must respond with a sustainable solution that addresses the need for Councils to deliver its statutory duties against the funding available.

2025/26 will be important for Local Government Finance. On June 20th, the Government launched the Fair Funding Review 2.0 consultation to re-balance national funding distribution with new allocations starting in 2026/27. This offers an opportunity to address Havering's funding needs and support service delivery without borrowing. Additionally, the Government released a paper on Council Tax modernisation. Officers will respond to both consultations to strongly advocate for Havering's interests.

Reserves position

The Council has had a low level of Earmarked Reserves and General Balances in recent years. This position is a result of the shortfall in funding the Council has received, which has resulted in overspends and utilisation of reserve balances. The Council has recognised the need to increase its general reserves in order to improve resilience to meet future risks. The need to increase reserves was also noted as an action in the recent CIPFA review of the Council's finances.

The Council has a budgeted £5m contribution to general balances built into its budget and was able therefore to increase general unallocated reserves from £10.1m to £15.1m on March 31st 2025. The Council has a further planned contribution built into the 2025/26 budget and will keep the adequacy of general reserves under close review moving forward.

The Council was also able to increase earmarked reserves through careful planning to allow key reserves to be set up to support future IT expenditure. This enhancement of the Council's reserves to build resilience is a key part of the overall strategy to improve the Council's financial health.

Medium Term Financial Strategy 2025-2029

In February 2025 Full Council agreed a balanced budget for 2025/26. In setting the 2025/26 budget the Council has also developed its Medium Term Financial Strategy for future years. The strategy makes assumptions about future pressures such as demographic growth, inflation and future Government funding, as well as including the full year effect of savings proposals already developed. The strategy shows that, without significant additional future funding from the Government, the Council's budget gap will grow on an annual basis despite Council Tax increases and any future savings.

The budget report to Council in February 2025 included a snapshot of the Medium Term financial strategy but the strategy 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 MediumTerm Financial Strategy set out in the February 2025 budget report to Council.

2025-2029 MTFS	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	2028/29 (£m)
Underlying 24/25 base budget position	34.5			
Demographic and unit cost pressures	21.3	14.0	14.5	15.0
Other service pressures	4.1	5.9	1.0	1.0
Inflation and Pay award	5.2	5.2	5.2	5.2
Investment and Growth	4.4	-0.8	0.0	0.0
Capital Financing	10.6	5.9	2.2	0.9
Other Corporate Pressures	9.9	2.8	2.3	5.1
One off items in 2024/25 budget	7.4	0.0	0.0	0.0
Worst Case contingent budget	17.8	0.0	0.0	0.0
TOTAL PRESSURES	115.2	33.0	25.2	27.2
Savings	-10.3	-2.8	-1.1	-1.1
Government funding	-8.3	5.1	-2.1	-2.3
Fees and Charges	-0.7	-0.7	-0.7	-0.7
Council Tax 4.99%	-7.9			
Underlying Budget gap (mid case)		70.2	112.1	144.7
Financing costs of Underlying Budget Gap		7.3	11.3	14.6
TOTAL GAP before EFS Support	88.0	112.1	144.7	182.4

The 2025/26 budget position was underpinned by Exceptional Financial Support agreed with the Government of £88m based on a worst-case scenario. The Council is aiming to mitigate and control as many of the pressures as possible 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 2025/26 budget included a package of £10.3m of savings which was 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 has 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 other opportunities and the Council, as part of its recovery plan, is reviewing the way it provides all services to ensure high-quality services are delivered efficiently and change delivery methods where appropriate.

The Medium-Term Financial Position continues to be directly impacted by the following items:

- Demographic and Unit Cost Pressures

The Council continues to experience demographic pressures and rising unit costs, 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 to ensure that the rising costs of the services are recovered where possible. In 2025/26 the Government also announced an increase in National Insurance contributions. Most of the additional Council spend for this increase was funded by a grant, but there was no such support for any of the Council's providers resulting in increased prices for our supplies and placements.

- Government funding

The Government have committed to introducing a fair funding review for 2026/27 to re distribute Local Government Funding based on new updated formulae. This is long overdue and will result in a multi-year settlement from 2026/27 onwards to give the Council clarity on future funding. The 2025/26 settlement however was, in effect, a roll over from previous years and so did not address the Council's financial position in anyway, resulting in the need for a further £88m exceptional financial support request.

The Spending Review in June 2025 confirmed that Local Government spending would marginally rise and Councils would be able to increase funds by a 3% general Council Tax increase, supplemented by a 2% precept for Adult Social Care. Whilst this is welcomed, there is concern across the sector that this funding level is inadequate to meet national future demand.

The Government have also committed to a reset of Business Rates in 2026/27 and will set out its SEND reform plans in an Education white paper, to be published in the autumn.

- 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.

In summary, the Council will only use general balances and earmarked reserves as a last resort to finance in year overspends. In setting the 2025/26 budget and Medium-Term Financial Strategy, the Council has included planned contributions to increase general balances to £20m and will continue to review reserve levels moving forwards. The Council will continue to review all expenditure and income streams to improve the financial position and will identify both new efficiencies and larger medium-term projects with the aim of reducing costs and improving service delivery for our residents

Capital Programme 2025/26 to 2029/30

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 £1.1bn and is set out in the table below:

	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£m	£m	£m	£m	£m	£m
People	26.715	19.000	3.353	0.000	0.000	49.068
Place (excluding HRA)	96.972	118.229	48.188	7.500	7.000	277.889
Resources	12.119	0.300	0.000	0.000	0.000	12.419
Total GF	135.806	137.529	51.541	7.500	7.000	339.376
Place (HRA)	189.074	168.735	133.129	191.001	117.372	799.311
Total Capital Expenditure	324.880	306.264	184.670	198.501	124.372	1,138.687

Key Risks

The Council aims to embed a consistent, effective approach to risk management, using the Risk Management Strategy and Toolkit. This places an emphasis on risk management as a key part of good governance and decision-making and not just compliance. The Council seeks to be risk-aware but not risk-averse, encouraging innovation while managing threats.

The current risks in the Council's Strategic Risk Register are included below:

Financial Resilience - Inability to deliver a balanced budget
Potential harm to people we owe a duty of care
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.
Failure to adapt to the potential impacts of climate change and meet Council's carbon neutral ambition for 2040
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.
Culture, governance, capacity, and knowledge
Technology: Cyber Security (Technical Controls and Platforms), Information Security and Risk Management
Significant operational disruption to the Council's critical services.
Regeneration (Shaping the Future of the Borough) - impact of costs inflation, social change, and economic downturn.
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.

The strategic risks and their mitigations are regularly reviewed and updated at the Executive Leadership Team meetings. Directorate and service risk registers are managed locally, with a process to monitor and escalate emerging and increasing risks.

Kathy Freeman

**Strategic Director of Resources
London Borough of Havering
Date: XX February 2026**

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 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 Council, 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 2025 and its income and expenditure for the year ended 31 March 2025.

Cllr Julie Wilkes
Chair, Audit Committee
XXth February 2026

Strategic Director of Resources,
Chief Financial (Section 151) Officer
XXth February 2026

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

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Balance Sheet as at 31 March 2025

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 2024 Authority £000	31 March 2024 Group £000	Notes	31 March 2025 Authority £000	31 March 2025 Group £000
1,525,131	1,557,773	Property, plant and equipment 14a	1,558,299	1,597,518
2,350	2,350	Heritage assets 15	4,632	4,632
47,921	102,693	Investment property 16b	46,729	110,093
156	156	Intangible assets 17	1,374	1,374
		Right of Use Assets 39	8,518	8,518
33,106	0	Long term investments in subsidiaries 16d	44,786	0
2,456	2,456	Long term investments in joint ventures 16d	0	0
66,386	19,110	Long term debtors 19	64,530	11,340
1,677,506	1,684,538	Long-term assets	1,728,868	1,733,475
50,394	50,394	Short-term investments 18	76,018	76,018
517	517	Inventories	465	465
64,676	61,184	Short-term debtors 19	74,740	67,537
27,768	28,343	Cash and cash equivalents 20	54,124	54,808
143,355	140,438	Current assets	205,347	198,828
(21,710)	(21,710)	Short-term borrowing 18	(299,356)	(299,356)
(119,779)	(123,379)	Short-term creditors 22	(126,845)	(127,748)
(141,489)	(145,089)	Current liabilities	(426,201)	(427,104)
0	0	Long-term creditors	0	0
(7,818)	(7,818)	Provisions 23	(9,174)	(9,963)
(432,389)	(430,477)	Long-term borrowing 18	(310,568)	(310,210)
0	0	Long-term lease liability	(4,102)	(4,102)
(92,844)	(92,844)	Other long-term liabilities 42	(26,228)	(26,228)
(14,715)	(14,715)	Capital grants receipts in advance 35b	(14,097)	(14,097)
(547,766)	(545,854)	Long-term liabilities	(364,169)	(364,600)
1,131,604	1,134,031	Net assets	1,143,845	1,140,599
181,163	175,636	Usable reserves 24	196,676	185,652
950,441	958,395	Unusable reserves 25	947,169	954,947
1,131,604	1,134,031	Total Reserves	1,143,845	1,140,599

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2025 and its income and expenditure for the year ended 31 March 2025.

Kathy Freeman

Authorised for Issue
Kathy Freeman

Authority Movement in Reserves Statement 2024/25

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	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2023	8,161	49,833	24,820	56,431	3,860	66,225	209,330	985,877	1,195,207
Movement in reserves during 2023/24									
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
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
Movement in reserves during 2024/25									
(Deficit)/surplus on provision of services	(44,999)		(3,313)				(48,312)	60,551	(48,312)
Other comprehensive expenditure and income							0		60,551
Total comprehensive expenditure and income	(44,999)	0	(3,313)	0	0	0	(48,312)	60,551	12,239
Transfer of capital funding to finance capitalisation (note 9)	(30,400)						(30,400)	30,400	0
Other adjustments between accounting basis and funding basis under regulations (Note 9)	82,726	0	9,169	111	(18)	2,238	94,226	(94,226)	0
Net (decrease)/increase before transfers to earmarked reserves	7,327	0	5,856	111	(18)	2,238	15,514	(3,275)	12,239
Transfers to/from Earmarked Reserves (Note 10)	(2,328)	2,328	0				0		0
(Decrease)/increase in Year	4,999	2,328	5,856	111	(18)	2,238	15,514	(3,275)	12,239
Balance at 31 March 2025	15,113	46,421*	34,371	24,719	8,173	67,875	196,676	947,169	1,143,845

* Please note this balance includes Housing Revenue Account Earmarked Reserves and Schools Balances. Please see note 10 for further details.

Group Movement in Reserves Statement 2024/25

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 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 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
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	44,092	28,515	24,608	8,191	65,638	181,162	950,442	2,432	1,134,032
Movement in reserves during 2024/25										
(Deficit)/surplus on provision of services	(44,999)		(3,313)				(48,312)		(5,505)	(53,817)
Other comprehensive expenditure and income							0	60,551	(173)	60,378
Total comprehensive expenditure and income	(44,999)	0	(3,313)	0	0	0	(48,312)	60,551	(5,678)	6,561
Transfer of capital funding to finance capitalisation direction (note 9)	(30,400)						(30,400)	30,400		0
Other adjustments between accounting basis and funding basis under regulations	82,726	0	9,169	111	(18)	2,238	94,226	(94,226)		0
Net (decrease)/increase before transfers to earmarked reserves	7,327	0	5,856	111	(18)	2,238	15,514	(3,275)	(5,678)	6,561
Transfers to/(from) Earmarked Reserves	(2,328)	2,328	0				0			0
(Decrease)/Increase in Year	4,999	2,328	5,856	111	(18)	2,238	15,514	(3,275)	(5,678)	6,561
Balance at 31 March 2025	15,113	46,421*	34,371	24,719	8,173	67,875	196,676	947,169	(3,246)	1,140,599

* Please note this balance includes Housing Revenue Account Earmarked Reserves and Schools Balances. Please see note 10 for further details.

Cash Flow Statement as at 31 March 2025

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.

2023/24 Authority £000	2023/24 Group £000		Note	2024/25 Authority £000	2024/25 Group £000
(52,244)	(54,586)	Net surplus on the provision of services		(48,312)	(53,817)
65,047	67,516	Adjust net surplus or deficit on the provision of services for non-cash movements	26	65,347	71,253
(39,124)	(39,124)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(46,746)	(46,746)
(26,321)	(26,194)	Net cash flows from Operating Activities		(29,711)	(29,310)
(105,808)	(109,109)	Investing activities	27	(99,757)	(104,159)
124,789	127,834	Financing activities	28	155,824	159,934
(7,340)	(7,469)	Net increase /(decrease) in cash and cash equivalents		26,356	26,465
35,108	35,812	Cash and cash equivalents at the beginning of the reporting period	20	27,768	28,343
27,768	28,343	Cash and cash equivalents at the end of the reporting period	20	54,124	54,808

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 2025, the budget for 2025/26 was agreed relying on £10.3m of new planned savings and £88m of assumed exceptional financial support from Government (in the form of a capitalisation direction) to achieve a balanced position based on a worst-case scenario.

The Government required the Council to prepare a Transformation and Improvement Plan and undergo an independent financial management assessment as a condition of receiving 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 was formally signed off by the Ministry of Housing, Communities and Local Government (MHCLG). Members approved the Council's Improvement and Transformation Plan on 24th July 2024 and the plan is now being adopted and monitored.

The Council has a number of spending controls in place to ensure that only essential spend takes place. These include a recruitment panel, a debt board, spending panel and regular reviews of agency costs. This will help control spend and keep within budget in 2025/26 and minimise future pressures moving forward.

The Council has needed Exceptional Financial Support in the last two years and again, for 2025/26, has required £88m of support to balance the budget.

The Council however, continues to face rising demand due to Social Care demographics and unit costs and the rising cost of meeting our statutory Housing duties. In developing the 2025/26 budget the Council 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 however, there remains a £70.2m gap for 2025/26 on a most likely case rising to £88m worst case scenario. The Council has presented this position to MHCLG who have provisionally agreed exceptional financial support of £88m for 2025/26 in order to balance the budget.

The Government has announced wide ranging reforms commencing with a review of the funding formula in 2025. Havering has proactively set out its 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.

The Government published a consultation paper on funding reform in June 2025 and has used the outcome of that consultation to provide a three-year settlement for local authorities which was announced on December 17th 2025. This announcement has provisionally increased the amount of grant available to Havering although the additional funding will be phased in over three years. The additional funding will not fully close the Council's budget gap and so further exceptional financial support requests will be necessary moving forward. As a result, the Council applied for EFS for 2026/27 in December 2025.

Due to the short-term nature of exceptional financial support, which is only announced a year at a time, currently there is uncertainty on the Council's future funding position. 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 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 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 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 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.

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 2025/26 Code where disclosures are required in the 2024/25 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

- a) IAS 21 Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. This standard is not relevant to the Council as no non-exchangeable currency is held.
- b) IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts. As the Council has not issued insurance contracts, this standard is not relevant
- c) The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy as confirmed in paragraph 3.3.1.4.

There are no other new accounting requirements introduced in the 2025/26 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 2025 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	<p>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.</p> <p>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 £1,560m may be subject to fluctuations.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for Assets would increase by £4.2m for every year that useful lives had to be reduced.</p> <p>If the asset valuation of all property plant and equipment were to fall by 1% a reduction in value of £15.6m would arise. This would normally be reversed to the Revaluation Reserve.</p> <p>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.</p>
Fair value measurements	<p>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 <i>similar</i> assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>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).</p> <p>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.</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets).</p> <p>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</p>
Provisions	<p>The Authority has made a provision of £3.76m for the settlement of insurance claims based upon an actuarial assessment of the current level of liability.</p>	<p>An increase over the forthcoming year of 10% in the value of claims to be settled would have the effect of adding £0.376m to the provision required.</p>

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 £13.3m. However, the assumptions interact in complex ways. During 2024/25, the Authority's actuary advised that changes in actuarial assumptions gave rise to a gain of £145.7m offset by a £88m asset ceiling adjustment, net £57.7m for future pension deficit payments. The gain in 2023/24 was £38.9m. These amounts are taken to the Consolidated Income and Expenditure Statement.
Arrears	At 31 March 2025, the Authority had a gross debtor's balance of £141m (£121.4m at 31 March 2024). A review of significant balances suggested that an impairment of doubtful debts of 47% (£66.2m) was appropriate.	If collection rates were to deteriorate, a 25% increase in the amount of the impairment of doubtful debts would require an additional £16.6m to be set aside as an allowance.
NNDR Appeals	At 31 March 2025, the Authority had a provision of £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 27 February 2024 the Department for Levelling Up, Housing and Communities agreed in principle to provide the council with £32.5m of support for 2024/25, 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. The Council has utilised £30.4m of the capitalisation direction for 2024/25 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 30 June 2025. 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 2025, 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 2025 balance sheet have been identified.

7. Expenditure and Funding Analysis 2024/25

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 2023 – 31 March 2024		1 April 2024 – 31 March 2025	
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Bases	Service	Net Expenditure Chargeable to the General Fund and HRA Balances
£000	£000		£000
22,079	42,424	Place	20,457
168,084	6,360	People	188,454
9,944	9,377	Resources	9,750
22,737	(35,466)	Corporate Budgets	5,522
5,521	-	oneSource Shared	5,323
(18,112)	22,416	Non-Shared LBH	(1,450)
210,253	45,111	Net Cost of Services	228,056
(215,901)	7,040	Other Income and Expenditure	(238,911)
(5,648)	52,151	(Surplus) or Deficit	(10,855)
32,981		Opening General Fund and HRA Balance	38,629
5,648		Less/Plus Surplus or Deficit on General Fund and HRA Balance in Year**	10,855
38,629		Closing General Fund and HRA Balance at 31 March	49,484

*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 2024/25

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capitalisation Directive	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000	£000
Place		30,787	(744)	314	30,357
People		10,637	(2,003)	196	8,830
Resources		0	446	(3)	443
Corporate Budgets	(30,400)	29,735	(7,068)	7,113	(620)
oneSource Shared		0	420	(2)	418
Non-Shared LBH		2,638	0	(0)	2,638
Net Cost of Services	(30,400)	73,797	(8,949)	7,619	42,067
Other income and expenditure from the Expenditure and Funding Analysis				19,426	19,426
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(30,400)	73,797	(8,949)	27,045	61,493

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	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000	£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

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.

8. Expenditure and Income Analysed by Nature

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

2023/24 £000	Expenditure/Income	2024/25 £000
	Expenditure	
234,346	Employee benefits expenses	249,674
366,923	Other services expenses	433,285
78,806	Depreciation, amortisation, impairment	79,415
28,890	Interest payments	20,599
18,535	Precepts and levies	18,907
(27)	Payments to Housing Capital Receipts Pool	(44)
(6,339)	(Gain)/Loss on the disposal of assets	(11,453)
721,134	Total expenditure	790,383
	Income	
(125,411)	Fees, charges and other service income	(163,330)
(17,436)	Interest and investment income	(7,741)
(195,105)	Income from council tax and non-domestic rates	(188,070)
(330,937)	Government grants and contributions	(382,930)
(668,889)	Total income	(742,071)
52,244	Surplus or Deficit on the Provision of Services	48,312

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.

2024/25	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£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)	8,031	918				(8,949)
Financial instruments (transferred to the Financial Instruments Adjustments Account)		(326)				326
Transfer to negative DSG reserve	(19,426)					19,426
Council tax and NNDR (transfers to or from Collection Fund)	(7,114)					7,114
Holiday pay (transferred to the Accumulated Absences Reserve)	(180)					180
Transfer of capital funding to finance capitalisation directive	(30,400)					30,400
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)	(14,497)	(50,558)			(26,917)	91,972
Total Adjustments to Revenue Resources	(63,586)	(49,966)	0	0	(26,917)	140,469
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5,484	12,772	(18,256)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(131)	131			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	44		(44)			0
Posting of HRA resources from revenue to the Major Repairs Reserve		10,655		(10,655)		0
Use of Capital Receipts To Repay Debt			1,458			(1,458)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) / HRA Voluntary repayment of debt	12,189	2,800				(14,989)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,041	500				(6,541)
Total Adjustments between Revenue and Capital Resources	23,758	26,596	(16,711)	(10,655)	0	(22,988)
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			16,600			(16,600)
Use of the Major Repairs Reserve to finance capital expenditure				10,673		(10,673)
Application of capital grants to finance capital expenditure	(12,498)	14,201			24,679	(26,382)
Total Adjustments to Capital Resources	(12,498)	14,201	16,600	10,673	24,679	(53,655)
Total Adjustments	(52,326)	(9,169)	(111)	18	(2,238)	63,826

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)	(61,330)			(23,143)	91,575
Total Adjustments to Revenue Resources	(25,936)	(60,230)	0	0	(23,143)	109,309
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)	(32,725)	31,823	(4,331)	587	24,073

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 2024/25. The movement on HRA earmarked reserves and schools balances is also shown in this note.

	Balance as at 31 3 2023	Transfers (from)/to Revenue	Balance as at 31 3 2024	Transfers (from)/to Revenue	Balance as at 31 3 2025
	£000	£000	£000	£000	£000
General Fund Earmarked Reserves					
Corporate Transformation reserve	118	(42)	76	(57)	19
Business Risk reserve	8,005	(2,713)	5,292	158	5,450
Provision for future IT Digital	-	-	-	3,500	3,500
Homes for Ukraine	-	-	-	2,519	2,519
Business Rates reserve	3,248	(362)	2,886	(18)	2,868
Regeneration	1,325	(347)	978	(489)	489
ICT Refresh	600	1,043	1,643	-	1,643
OneSource reserve	1,489	(612)	877	(122)	755
Insurance reserve	4,952	-	4,952	(164)	4,788
Reserves for future capital schemes	6,021	1,074	7,095	(1,183)	5,912
Legal reserve	179	-	179	-	179
Crematorium and Cemetery reserves	659	(66)	593	(60)	533
Children's reserve	696	262	958	591	1,549
Public Health reserve	2,839	(533)	2,306	(156)	2,150
Adults Social Care Reserve	2,193	(369)	1,824	(692)	1,132
Whole life costing Transport Fleet reserve	300	(86)	214	(25)	189
Emergency assistance scheme	1,587	538	2,125	-	2,125
Other reserves	7,078	(3,688)	3,390	860	4,250
Total General Fund Earmarked Reserves	41,289	(5,901)	35,388	4,662	40,050
Housing Revenue Account Earmarked Reserves					
HRA Major works	3,021	2,178	5,199	-	5,199
HRA Reserve for Future Capital	-	-	-	257	257
Total Housing Revenue Account Earmarked Reserve	3,021	2,178	5,199	257	5,456
Schools Balances					
General Balances	956	1	957	(431)	526
Schools Balances	4,568	(2,019)	2,549	(2,160)	389
Centrally held schools balances (Note 34)	0	-	0	-	0
Total Schools Balances	5,524	(2,018)	3,506	(2,591)	915
Total Earmarked Reserves	49,834	(5,741)	44,093	2,328	46,421

In previous years this note shows combined reserve balances.

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.

Provision for future IT Digital - This reserve has been set up to fund IT projects to enhance the Council's digital offer and improve long term efficiencies in working practices.

Homes for Ukraine - This reserve has been set up to finance the Council's ongoing support to Ukrainian refugees. The reserve is financed from unallocated and un-ringfenced grant funding from the Government in support of this project.

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.

Children's Reserve – This is to contribute towards the funding of projects within children services.

Public Health Reserve – This reserve arose out of a transfer of Primary Care Trust funding for Drugs and Alcohol Action Team services and underspends against the Public Health grant. The intention is to use the reserve for Public Health initiatives.

Social Care Reserve – This is additional contribution to the pooled Better Care Fund by the Clinical Commissioning Group, which will be used on joint social care and health projects between the Local Authority and the Clinical Commissioning Group.

Whole Life Costing Vehicle Fleet Reserve – This reserve funds whole life costing in the vehicle and plant system.

Emergency Assistance Scheme - The EAS is for assistance for extreme hardship in emergency situations. It is for vulnerable residents and customers experiencing hardship or in need of support.

Other Reserves – This encompasses a range of several smaller reserves including Health and Safety reserve, Local Plan and liberty protection safeguards.

HRA Earmarked Reserves

HRA Major Works - This is a reserve to fund major works in the HRA Capital Programme.

HRA Reserve for Future Capital - Reserve for HRA future capital expenditure.

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 2024/25 are shown at Note 34. An overdrawn balance on the DSG account of £19.4m has been transferred to a unusable negative reserve in accordance with guidance to separate the balance from the Council General Fund.

11. Other Operating Expenditure

2023/24 £000		2024/25 £000
18,535	Levies	18,907
(27)	Payments to the Government Housing Capital Receipts Pool	(44)
(6,339)	(Gain) / Loss on the disposal of non-current assets	(11,453)
12,169	Total	7,410

12. Financing And Investment Income And Expenditure

2023/24 £000		2024/25 £000
12,051	Interest payable and similar charges	16,456
6,230	Pensions net interest on the net defined benefit liability	4,143
(6,827)	Interest receivable and similar income	(7,741)
(4,072)	Income and expenditure in relation to investment properties (note 16a)	(4,472)
203	Changes in the fair value of investment properties	1,192
7,585	Total	9,578

13. Taxation And Non-Specific Grant Income

2023/24 £000		2024/25 £000
(149,959)	Council tax income	(157,049)
(45,146)	National non-domestic rates income ¹	(47,329)
(31,933)	Non ring-fenced government grants	(37,172)
(24,146)	Capital grants and contributions	(28,621)
(251,185)	Total	(270,171)

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

14. Property, Plant and Equipment

Movements in Balances 2024/25

	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 2024	689,261	616,339	40,652	4,978	1,738	60,267	1,413,235
Additions	54,065	12,361	4,576	445	0	28,149	99,596
Revaluation increases/(decreases) to :							
Revaluation Reserve	(3,178)	(10,556)	0	0	0	0	(13,734)
Revaluation gains to the CI&ES	(30,398)	(7,997)	0	0	0	0	(38,395)
Derecognition - Disposals	(5,097)	(145)	(5,523)	0	0	0	(10,765)
Derecognition - other	0	0	0	0	0	0	0
Reclassifications & Transfers	0	7,344	0	0	0	(8,929)	(1,585)
At 31 March 2025	704,653	617,346	39,705	5,423	1,738	79,487	1,448,352
Accumulated Depreciation and Impairment							
At 31 March 2024	0	1,322	16,232	579	0	0	18,133
Depreciation Charge	10,365	7,136	6,988	88	0	0	24,577
Depreciation written out upon Revaluation:							
Revaluation Reserve	(10,365)	(6,253)	0	0	0	0	(16,618)
CI&ES	0	(908)	0	0	0	0	(908)
Derecognition - Disposals	0	0	(5,523)	0	0	0	(5,523)
Reclassifications	0	0	0	0	0	0	0
At 31 March 2025	0	1,297	17,697	667	0	0	19,661
Net book value at 31 March 2025	704,653	616,049	22,008	4,756	1,738	79,487	1,428,691
Net book value at 31 March 2024	689,261	615,017	24,420	4,399	1,738	60,267	1,395,102

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

14a. 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

	2023/24	2024/25
	£000	£000
Net Book Value (modified historical cost)		
at 1 April	127,430	130,029
Additions	9,599	7,140
Derecognition	0	0
Depreciation	(7,000)	(7,560)
Impairment	0	0
Other Movement in Costs	0	0
at 31 March	130,029	129,609

Reconciliation of Highways and Other PPE assets to Balance Sheet figure

	31 March 2024	31 March 2025
	£000	£000
Net Book Value (modified historical cost)		
Infrastructure Asset	130,029	129,609
Other PPE Assets	1,395,102	1,428,691
Total PPE Assets	1,525,131	1,558,300

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.

14b. Property, Plant & Equipment continued

Capital Commitments

Estimated future capital commitments are shown below. Payment for these schemes will be incurred in 2025/26.

31 March 2024 £000		31 March 2025 £000
	General Fund	
955	Arts, culture, sport and leisure	935
9,701	Roads, footways and bridges	10,797
23,323	Education capital schemes	17,834
128,335	Town centre and environmental Improvements	116,793
33,143	Office accommodation, equipment, ICT and vehicles	15,516
5,704	Other smaller General Fund schemes	2,562
201,161	Total General Fund commitments	164,437
147,509	Housing Revenue Account	234,852
348,670	Total commitments	399,289

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 2025.

	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	-	-	22,008	129,609	4,756	-	79,487	235,860
Valued at fair value as at:								
31 March 2025	704,653	564,198	-	-	-	1,738	-	1,270,589
31 March 2024	-	18,807	-	-	-	-	-	18,807
31 March 2023	-	10,359	-	-	-	-	-	10,359
31 March 2022	-	8,468	-	-	-	-	-	8,468
31 March 2021	-	14,217	-	-	-	-	-	14,217
Total cost or valuation	704,653	616,049	22,008	129,609	4,756	1,738	79,487	1,558,300

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
Additions	0	727	727
Depreciation	0	(29)	(29)
Transfers from Property, Plant & Equipment	0	1,584	1,584
31 March 2025	110	4,522	4,632

The transfer from Property, Plant & Equipment in 2024/25 relates to construction costs relating to Upminster Windmill.

16. Investment Properties and Joint Ventures Investment

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

2023/24 £000		2024/25 £000
4,627	Rental income from investment property	4,711
(555)	Direct operating expenses arising from investment property	(239)
4,072	Net gain	4,472

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.

2023/24 £000		2024/25 £000
48,124	Opening Balance	47,921
(203)	Revaluation gains/(loss) from fair value adjustment	(1,192)
0	Disposal of investment properties	0
47,921	Balance at the end of the year	46,729

The valuation of the Authority's investment property portfolio in 2024/25 was undertaken by Wilks Head & Eve who provide specialist valuations advice and who have extensive experience in the property sector.

c) Investment Properties within the group balances

Mercury Land Holding own £63.364m of investment properties on an open market value for existing use basis.

All properties in wholly owned subsidiaries are recorded in the group balance sheet within PPE and Investment Property, as follows

2023/24 £000		2024/25 £000
54,772	Mercury Land Holdings (Investment Properties)	63,364
32,642	Bridge Close LLP	36,863
0	Rainham & Beam Park LLP	2,357
87,414	Balance at the end of the year	102,584

In addition the Council has a 50% stake of £29.6m of properties under construction in the Havering & Wates Regeneration LLP.

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2025 and 2024 are as follows:

31st March 2025

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 2025 £000
Office units	0	3,841	0	3,841
Commercial Units	0	34,094	0	34,094
Land	0	8,448	0	8,448
Misc	0	346	0	346
Total	0	46,729	0	46,729

31st March 2024 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 2024 £000
Office units	0	3,490	0	3,490
Commercial Units	0	35,803	0	35,803
Land	0	8,282	0	8,282
Misc	0	346	0	346
Total	0	47,921	0	47,921

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.

Group Investment Properties

In addition, Mercury Land Holding held £63.4m of level 2 investment properties. These were predominantly for residential property purposes.

d) Investment in Subsidiaries and Joint Ventures

The group consists of the Council, subsidiaries; Mercury Land Holdings, Bridge Close LLP, Rainham & Beam Park LLP and Havering and Wates Regeneration LLP joint venture. The table below shows the Council holding in these subsidiaries and the principal business activity.

Name	Country of incorporation	Class of shares	Holding	Principal activity
Mercury Land Holdings	England	Ordinary	100%	Development of the building project
Bridge Close LLP	England	Ordinary	100%	Development of the building project
Rainham & Beam Park LLP	England	Ordinary	100%	Development of the building project

The Council bought out the other 50% share of Rainham & Beam Park in 2024/25 for £1 plus provided £140,000 additional loan financing to the scheme.

Joint Ventures

The following is a Council joint venture:

Name	Corporation of incorporation	Class of shares	Holding	Principal activity
Havering & Wates Regeneration LLP	England	Ordinary	50%	Development of the building project

A summary of movements in Council investments in subsidiary and joint ventures is as follows:

2023/24 £000	Investments in subsidiary companies and Joint Ventures:	2024/25 £000
33,748	Opening Balance	35,562
1,814	Additions	9,224
35,562	Closing Balance	44,786

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 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:

2023/24 £000	Intangible fixed assets software and system development	2024/25 £000
1,848	Gross carrying amounts	1,848
(1,636)	Less accumulated amortisation	(1,692)
212	Net carrying amount at start of year	156
0	additions	1,275
(56)	Less amortisation for the period	(56)
156	Net carrying amount at end of year	1,375
	Comprising:	
1,848	Gross carrying amounts	3,123
(1,692)	Less accumulated amortisation	(1,748)

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). Other than loans and investments with subsidiaries where the Council bought out the other share of a joint venture (these are held at FVTPL), all the other 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 2024		Financial Liabilities	31 March 2025	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
		Loans at amortised cost:		
		PWLB		
425,124	1,199	- Principal borrowed	303,096	297,029
		- Accrued interest		2,217
		Market Loan		
7,000	106	- Principal borrowed	7,000	
		- Accrued interest		107
		Other Loans		
265	20,000	- Principal borrowed	472	
	405	- Accrued interest		2
432,389	21,710	Total borrowing *	310,568	299,355
		Liabilities at amortised cost:		
		Trade payables		
	57,357	- Trade Creditors		63,690
0	57,357	Included in creditors	0	63,690
432,389	79,067	Total financial liabilities	310,568	363,045

* The total short-term borrowing includes £2.324m (2023/24: £1.305m) representing accrued interest on long-term borrowing (PWLB £2.2m & LOBO Market Loan £107k)

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

31 March 2024		Financial Assets	31 March 2025	
Long-Term	Short-Term		Long-Term	Short-Term
£000	£000		£000	£000
32,877	50,000	At Amortised Cost		
	394	- Principal at amortised cost	41,928	75,000
		- Accrued interest		1,018
2,685		At Fair Value Through Profit & Loss		
		- Investment in subsidiary	2,858	
35,562	50,394	Total Investments *	44,786	76,018
	6,768	- Cash (including bank accounts)		12,124
	21,000	- Cash equivalents at amortised cost		42,000
0	27,768	Total cash and cash equivalents	0	54,124
10,948		- Amortised cost soft loans to group entities	13,054	
43,994		- Amortised cost other loans to group entities	38,517	
11,444		- Fair Value Through P&L - other loans to group entities	12,959	
	45,026	- Trade receivables		56,613
66,386	45,026	Included in debtors	64,530	56,613
101,948	123,188	Total financial assets	109,316	186,755

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

31 March 2024		Financial Assets	31 March 2025	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
	50,000	- Principal at amortised cost		75,000
	394	- Accrued interest		1,018
0	50,394	Total investments	0	76,018
	7,343	- Cash (including bank accounts)		12,808
	21,000	- Cash equivalents at amortised cost		42,000
0	28,343	Total cash and cash equivalents	0	54,808
47	45,026	- Trade receivables	69	48,701
47	45,026	Included in debtors	69	48,701
47	123,763	Total financial assets	69	179,527

(c) Financial Instruments - Gains and Losses
Gains and losses in 2024/25 were as follows:

	Financial Liabilities		Financial Assets		2024/25 Total
	Amortised Cost	Fair Value through CI&ES	Amortised Cost	Fair Value through CI&ES	
	£000	£000	£000	£000	£000
Interest expense	16,456				16,456
Interest payable and similar charges	16,456	0	0	0	16,456
Interest income			(7,741)		(7,741)
Increases in fair value	0				0
Interest and investment income	0	0	(7,741)	0	(7,741)
Changes in value of investment properties				1,192	1,192
Income and expenditure relating to investment properties				(4,472)	(4,472)
Pensions Net Interest		4,143			4,143
Impact in Other Comprehensive Income *	0	4,143	0	(3,280)	863
Net gain (loss) for the year	16,456	4,143	(7,741)	(3,280)	9,578

* Not financial instruments but included to reconcile to note 12

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 Total
	Amortised Cost	Fair Value through Ci&ES	Amortised Cost	Fair Value through Ci&ES	
	£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

(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 2025, 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 2025.
- 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 2024		Fair Value Level	31 March 2025	
Balance Sheet £000	Fair Value £000		Balance Sheet £000	Fair Value £000
		Financial liabilities held at amortised cost:		
425,124	342,994	- Loans from PWLB	600,125	530,062
7,000	5,146	- Long-term LOBO loans	7,000	6,646
265	265	- Other long-term loans	472	472
20,000	20,000	- Other Short-term loans	0	0
1,710	1,710	- Accrued interest	2,326	2,326
454,099	370,115	Total	609,923	539,506
57,357	57,357	Liabilities for which fair value is not disclosed	63,690	63,690
511,456	427,472	Total Financial Liabilities	673,613	603,196

31 March 2024		Fair Value Level	31 March 2025	
Balance Sheet £000	Fair Value £000		Balance Sheet £000	Fair Value £000
57,357	57,357		63,690	63,690
21,710	21,710		299,356	302,493
432,389	348,405		310,568	237,013
511,457	427,472		673,614	603,196

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 2024		Fair Value Level	31 March 2025	
Balance Sheet £000	Fair Value £000		Balance Sheet £000	Fair Value £000
32,877	32,877	3	41,928	41,928
54,942	54,942	2	51,571	51,571
50,394	50,394	2	76,018	76,018
2,685	2,685	3	2,858	2,858
11,444	11,444	3	12,959	12,959
6,768	6,768		12,124	12,124
21,000	21,000		42,000	42,000
180,110	180,110		239,458	239,458
45,026	45,026		56,613	56,613
225,136	225,136		296,071	296,071
33,106	33,106		44,786	44,786
2,456	2,456		0	0
66,386	66,386		64,530	64,530
45,026	45,026		56,613	56,613
50,394	50,394		76,018	76,018
27,768	27,768		54,124	54,124
225,136	225,136		296,071	296,071

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 2025 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 for investments outside the Council's group:

31 March 2024		Credit Rating	31 March 2025	
Long-term £000	Short-term £000		Long-term £000	Short-term £000
0	0	AAA	0	0
0	0	AA+	0	0
0	21,000	AA	0	37,000
0	0	AA-	0	0
0	0	A+	0	0
0	0	A	0	0
0	0	A-	0	0
0	50,000	Unrated local authorities & police	0	80,000
0	0	Unrated Corporate Bonds	0	0
0	71,000	Total Investments	0	117,000

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 2024/25 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 2024 £000		Gross balance of debtors £000	Average % default based on past experience %	Average % default based on current experience %	Credit risk exposure 31 March 2025 £000
0	Capital	2,839	0	0	0
8,808	Housing	14,195	63	80	11,376
1,322	Social Services	19,251	13	22	4,203
18,575	Parking	24,860	92	92	22,962
0	Other local authorities	2,531	0	0	0
0	Health authorities	6,725	0	0	0
5,321	Other sundry debtors	19,978	21	16	3,137
34,026	Total	90,379	41	46	41,678

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 2024 £000	Time to maturity (years)	31 March 2025 £000
138,100	Not over 1	297,029
4,029	Over 1 but not over 2	16,525
52,512	Over 2 but not over 5	52,512
82,624	Over 5 but not over 10	66,099
30,000	Over 10 but not over 20	30,000
165	Over 20 but not over 30	0
32,959	Over 30 but not over 40	32,960
105,000	Over 40	105,000
7,000	Uncertain date	7,472
452,389	Total	607,597

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:

	2024/25 £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 *	(25,386)

* 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 2024 £000				31 March 2025 £000		
Gross	Impairment Allowance	Net		Gross	Impairment Allowance	Net
			Collection Fund Debtors			
20,899	(13,703) *	7,196	Council Tax payers	23,376	(16,906) *	6,470
853	(569) *	284	Business Rate payers	1,267	(483) *	784
			Other Debtors			
10,914	0 *	10,914	Government departments	9,112	0 *	9,112
2,543	0	2,543	Capital	2,839	0	2,839
14,309	(8,808)	5,501	Housing	14,195	(11,376)	2,819
8,695	(7,439) *	1,256	Housing Benefit	8,920	(7,159) *	1,761
16,029	(1,322)	14,707	Social Services	19,251	(4,203)	15,048
20,102	(18,575)	1,527	Parking Enforcement	24,860	(22,962)	1,898
968	0	968	Other local authorities	2,531	0	2,531
531	0	531	Health authorities	6,725	0	6,725
4,607	0	4,607	Mercury Land Holdings	7,912	0	7,912
20,912	(6,270)	14,642	Other sundry debtors	19,978	(3,137)	16,841
121,362	(56,686)	64,676	Total Short-Term debtors	140,966	(66,226)	74,740

* 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 2024 £000	Age of Debtors	31 March 2025 £000
5,788	Less than 1 year	6,756
3,575	Between 1 and 2 years	4,111
2,740	Between 2 and 3 years	2,915
9,649	More than 3 years	10,861
21,752	Balance at end of the year	24,643

Long-Term Debtors

31 March 2024 £000		31 March 2025 £000
31,920	Mercury Land Holdings	30,254
20,655	Havering and Wates Regeneration LLP JV	18,157
13,768	Bridge Close LLP	16,050
43	Other	69
66,386	Total Long-Term Debtors	64,530

20. Cash and Cash Equivalents

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

31 March 2024 £000		31 March 2025 £000
(410)	Bank current accounts	4,726
21,000	Short-term deposits	42,000
7,178	Schools – under the LMS cheque book scheme	7,398
27,768	Total cash and cash equivalents	54,124

21. 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 2025 is £760,547 with estimated scheme liabilities at the same date of £735,937. 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.

22. Short-Term Creditors

31 March 2024 £000		31 March 2025 £000
	Collection Fund creditors	
7,370	Council Tax payers *	17,706
2,057	Business Rates payers *	3,544
10,467	Greater London Authority *	6,726
9,317	Central Government (NNDR)*	5,550
	Other Creditors	
3,994	Central Government *	8,667
5,054	HMRC *	4,799
24,163	Pension Fund *	16,163
1,463	Capital creditors	4,260
0	Right of Use Assets Liability	4,631
45,964	Other sundry creditors	47,386
9,930	Income in advance	7,413
119,779	Total	126,845

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

23. Provisions

2024/25	Self Insurance £000	Collection Fund £000	Water Rates Provision £000	Total £000
Balance at 31 March 2024	3,592	2,190	2,036	7,818
Additional provisions made in year	165	3	1,188	1,356
Balance at 31 March 2025	3,757	2,193	3,224	9,174

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 for 2024/25 were; public and employer's liability (£125,000), motor vehicles (£25,000) and property (£100,000; up to 30th June 2024 £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 2024 £000		31 March 2025 £000
10,113	General Fund balance	15,113
44,093	Earmarked Reserves	46,421
28,517	Housing Revenue Account balance	34,372
65,637	Capital Grants Unapplied	67,875
24,609	Capital Receipts Reserve	24,720
8,194	Major Repairs Reserve	8,175
181,163	Total usable reserves	196,676

25. Unusable Reserves

31 March 2024 £000		31 March 2025 £000
386,041	Revaluation Reserve	386,232
673,482	Capital Adjustment Account	630,446
(1,928)	Financial Instruments Adjustment Account	(2,253)
(92,844)	Pension Reserve	(26,228)
69	Deferred Capital Receipts Reserve	69
4,900	Collection Fund Adjustment Account	(2,213)
(15,296)	Dedicated School Grant Reserve (see note 34)	(34,722)
(3,983)	Accumulated Absences Account	(4,162)
950,441	Total unusable reserves	947,169

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 2024 £000		31 March 2025 £000
439,969	Balance at 1 April	386,041
(50,273)	Net gain/(deficit) on revaluation of fixed assets	2,884
(3,278)	Excess of Fair Value Depreciation over Historical costs depreciation	(2,660)
(377)	Removal of Revaluation balance upon sale	(33)
386,041	Balance at 31 March	386,232

b) 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.

2023/24 £000		2024/25 £000
694,264	Balance at 1 April	673,482
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(29,831)	Net charges for depreciation of non-current assets	(37,879)
(48,715)	Net charges for impairment of non-current assets	(37,488)
(56)	Amortisation of intangible assets	(56)
(7,609)	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	(6,672)
	Adjusting amounts written out of the Revaluation Reserve	
3,278	Excess of Fair Value Depreciation over Historical costs depreciation	2,660
377	Removal of Revaluation balance upon sale	33
(82,556)	Net written out amount of the cost of non-current assets consumed in the year	(79,402)
	Capital financing applied in the year:	
45,646	Use of the Capital Receipts Reserve to finance new capital expenditure	16,600
6,095	Use of the Major Repairs Reserve to finance new capital expenditure	10,673
24,731	use of Capital Grants and Contributions to finance new capital expenditure	26,382
6,177	Statutory provision for the repayment of debt	14,989
154	Use of receipts to repay debt	1,458
2,434	Capital expenditure charged against the General Fund and HRA balances	6,541
85,237	Capital financing applied in year	76,643
(5,160)	Revenue expenditure funded from capital under statute	(5,885)
(203)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,192)
0	Movements in the fair value of Financial Instruments	(2,800)
(18,100)	Capitalisation Direction	(30,400)
673,482	Balance at 31 March	630,446

c) 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.

2023/24 £000		2024/25 £000
(2,256)	Balance at 1 April	(1,926)
330	Gain from revaluation of group loans	(327)
(1,926)	Balance at 31 March	(2,253)

d) 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.

The actuarial report for 2024/25 showed the £92.8m pension deficit at March 2024 had turned into a £61m surplus, however this surplus is restricted by a £87.9m asset ceiling adjustment that results in a deficit of £26.2m being disclosed in the pension reserve. The asset ceiling calculation is to restrict the amount of net asset (relative to funding obligations) the Employer can disclose. Most of the reduction in the deficit in the year was due to a higher discount factor of 5.8% being used to calculate the NPV of liabilities.

2023/24 £000		2024/25 £000
(136,692)	Balance at 1 April	(92,844)
38,910	Actuarial gains or (losses) on pensions assets and liabilities	145,653
0	Actuarial asset ceiling adjustment	(87,986)
(29,548)	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	(26,822)
34,486	Employer's pensions contributions and direct payments to pensioners payable in the year	35,771
(92,844)	Balance at 31 March	(26,228)

e) 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.

2023/24 £000		2024/25 £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

f) 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.

2023/24 £000		2024/25 £000
2,419	Balance at 1 April	4,900
2,481	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	(7,113)
4,900	Balance at 31 March	(2,213)

g) 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.

2023/24 £000		2024/25 £000
(3,639)	Balance at 1 April	(3,983)
3,639	Settlement or cancellation of accrual made at the end of the preceding year	3,983
(3,983)	Amounts accrued at the end of the current year	(4,162)
(344)	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	(179)
(3,983)	Balance at 31 March	(4,162)

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2023/24 Authority £000	2023/24 Group £000		2024/25 Authority £000	2024/25 Group £000
78,546	78,546	Depreciation, impairment and downward revaluation	75,367	75,367
56	56	Amortisation	56	56
6,821	9,251	Movement in creditors	3,517	5,626
(43,848)	(43,848)	Movement in long-term creditors	0	0
4,764	4,827	Movement in debtors	(6,515)	(6,652)
(8,389)	(8,389)	Movement in long-term debtors	1,856	1,856
(44)	(44)	Movement in inventories	52	52
(4,938)	(4,938)	Movement in pension liability	(8,949)	(8,949)
525	(368)	Increase / (decrease) in provisions	1,356	1,356
0	0	Movement in Right of Use Assets and Lease Liability	(4,416)	(4,416)
7,609	7,408	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	6,672	6,672
23,945	25,015	Other non-cash items charged to the net surplus or deficit on the provision of services	(3,649)	285
65,047	67,516	Net cash flows from operating activities	65,347	71,253

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

2023/24 Authority £000	2023/24 Group £000		2024/25 Authority £000	2024/25 Group £000
(24,146)	(24,146)	Capital grants credited to the Consolidated Income and Expenditure Statement	(28,621)	(28,621)
(14,978)	(14,978)	Proceeds from sale of fixed assets	(18,125)	(18,125)
(39,124)	(39,124)	Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities	(46,746)	(46,746)

27. Cash Flow Statement – Investing Activities

2023/24 Authority £000	2023/24 Group £000		2024/25 Authority £000	2024/25 Group £000
(126,678)	(129,979)	Purchase of property, plant and equipment, investment property and intangible assets	(109,038)	(113,440)
(5,188,596)	(5,188,596)	Purchase of short-term and long-term investments	(9,361,351)	(9,361,351)
14,978	14,978	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	18,125	18,125
22,903	22,903	Capital grants received	26,003	26,003
5,171,585	5,171,585	Proceeds from short-term and long-term investments	9,326,504	9,326,504
(105,808)	(109,109)	Net cash flows from investing activities	(99,757)	(104,159)

28. Cash Flow Statement – Financing Activities

2023/24 Authority £000	2023/24 Group £000		2024/25 Authority £000	2024/25 Group £000
254,041	257,086	Cash receipts of short-term and long-term borrowing	583,936	588,046
(129,252)	(129,252)	Repayments of short-term and long-term borrowing	(428,112)	(428,112)
124,789	127,834	Net cash flows from financing activities	155,824	159,934

29. Trading Operations

2023/24 (Surplus)/ Deficit £000		2024/25 Income £000	2024/25 Expenditure £000	2024/25 (Surplus)/ Deficit £000
	a) Open Air Market			
98	The Authority operates an open air market three days a week	(138)	476	338
	b) Other Trading Accounts			
(66)	Schools/Welfare Catering	(9,335)	9,120	(215)

Open Air Market – The Market trading results have declined since 2023/24 as the market is only open for three days a week in 2024/25 rather than four days a week in 2023/24.

Schools/Welfare Catering - In 2024/25, the Borough Catering Service has a surplus of £361k before overheads. Once overheads are applied the surplus reduces to £215k.

The trading position improved significantly in 2024/25 due to the full year effect of Universal Free School Meals for Primary children that had been introduced in the 2023/24 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

2023/24 £000		2024/25 £000
	Funding	
1,371	Section 75 Joint Pooled Budget between London Borough of Havering and North East London Foundation Trust	1,149
607	Recharges (excluded from the Pooled Budget)	119
2,981	Non Pooled Budget codes	4,280
4,681	Total funding	5,015
4,959	Final outturn	5,548

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.

Expenditure in 2024/25 was as follows:

Section 75 Joint Pooled Budget between LBH and CCG/ICB	2023-24			2024-25		
	£000	£000	£000	£000	£000	£000
	CCG	LBH	Total	ICB	LBH	Total
Funding						
Capital						
Disability Facility Grant Allocation		2,236	2,236		2,552	2,552
Revenue						
Social Care/ iBCF		6,825	6,825		6,825	6,825
Minimum CCG/ICB Contribution	22,771		22,771	24,060		24,060
Additional Contribution	527	874	1,401		874	874
ASC Discharge Fund	1,731	957	2,688	3,728	1,595	5,323
Demand and Capacity	1,159		1,159			
Physical Capacity				736		736
Total	26,188	10,892	37,080	28,524	11,846	40,370
Expenditure						
Capital						
Disability Facility Grant Allocation		2,129	2,129		2,552	2,552
Revenue						
Social Care/ iBCF		6,825	6,825		6,825	6,825
Minimum CCG/ICB Contribution	13,633	9,139	22,771	14,434	9,626	24,060
Additional Contribution	527	874	1,401		874	874
Hospital Discharge	1,731	957	2,688	3,728	1,595	5,323
Demand and Capacity		1,159	1,159			
Physical Capacity					736	736
Total	15,891	21,082	36,973	18,162	21,472	40,370

31. Members' Allowances

Payments in year were £905,020 including expenses (£898,187 in 2023/24). Additionally, payments to co-opted members totalled £1,300 (£1,117 in 2023/24).

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:

			2023/24			2024/25		
Lower Band	Upper Band		Schools	Other	Total	Schools	Other	Total
£50,000	-	£55,000	96	125	221	143	150	293
£55,000	-	£60,000	38	105	143	93	114	207
£60,000	-	£65,000	17	67	84	14	71	85
£65,000	-	£70,000	15	29	44	27	30	57
£70,000	-	£75,000	11	15	26	7	20	27
£75,000	-	£80,000	10	11	21	10	15	25
£80,000	-	£85,000	10	15	25	8	16	24
£85,000	-	£90,000	6	4	10	10	1	11
£90,000	-	£95,000	6	4	10	6	8	14
£95,000	-	£100,000	2	9	11	5	5	10
£100,000	-	£105,000	3	2	5	3	5	8
£105,000	-	£110,000	0	3	3	1	4	5
£110,000	-	£115,000	2	2	4	3	3	6
£115,000	-	£120,000	0	2	2	1	1	2
£120,000	-	£125,000	1	0	1	1	1	2
£125,000	-	£130,000	0	1	1	0	1	1
£130,000	-	£135,000	0	1	1	1	0	1
£135,000	-	£140,000	0	1	1	0	3	3
£140,000	-	£145,000	0	1	1	0	1	1
£145,000	-	£150,000	0	0	0	0	0	0
£150,000+			0	3	3	0	6	6
			217	400	617	333	455	788

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

Senior Officers Remuneration

The following table sets out the remuneration disclosures for Senior Officers in accordance with regulation 7 of the Accounts and Audit (England) Regulations 2011. Under the revised regulations, the definitions of Senior Officers which are relevant to the Authority are:

- a) the designated head of paid service, a statutory chief officer or non-statutory chief officer of a relevant body as defined under the Local Government Act 1989; or
- b) any person having responsibility for the management of the relevant body, to the extent that the person has the power to direct or control the major activities of the body, in particular activities involving the expenditure of money whether solely or collectively with other persons.

This has been determined to mean the Authority's Chief Executive and Senior Leadership Team.

The relevant proportion of the Authority's contribution to the Local Government Pension Scheme which can be related to the Senior Officer is included in the table as required by the regulations.

Post Holder Information	Notes	Salary £	Other payments £	Total Remuneration excluding pension contributions 2024/25 £	Employer's pension contribution £	Total Remuneration including pension contributions 2024/25 £
Chief Executive - Andrew Blake-Herbert		201,672		201,672	41,392	243,064
Strategic Director of People - Barbara Nicholls		173,487		173,487	35,607	209,094
Strategic Director of Place - Neil Stubbings		173,487		173,487	0	173,487
Strategic Director of Resources - Kathy Freeman		173,487		173,487	35,607	209,094
Director of Ageing Well (Adults)	1	45,304	8,185	53,489	12,978	66,467
Director of Ageing Well (Adults)	2	96,058	7,839	103,897	16,989	120,886
Director of Living Well - Patrick Odling-Smee		150,006		150,006	30,798	180,804
Director of Starting Well (Children's) - Tara Geere		150,006		150,006	30,788	180,794
Director of Environment		135,912		135,912	27,895	163,807
Director of Exchequer & Transactional Services		144,162		144,162	29,597	173,759
Director of I.T., Digital & Customer Services	3	21,843		21,843	3,604	25,447
Director of Planning and Public Protection		135,912		135,912	27,895	163,807
Director of Customer Services	4	124,586	11,729	136,315	26,026	162,341
Deputy Director of Legal Services (Monitoring Officer)		104,205		104,205	21,387	125,592
Head of Communications and Engagement	5	29,312		29,312	4,836	34,148
Director of Public Health		135,912		135,912	22,942	158,854
Total		1,995,351	27,753	2,023,104	368,341	2,391,445

Note 1 The Director of Ageing Well (Adults) left on 31/07/2024

Note 2 The Director of Ageing Well (Adults) started on 01/08/2024

Note 3 The Director of I.T., Digital & Customer Services started on 01/02/2025

Note 4 The Director of Customer Services left on 31/03/2025

Note 5 Head of Communications and Engagement started on 10/12/2024.

The Director of Partnerships, Impact and Delivery is employed by Health authorities.

The comparative figures for 2023/24 are as follows:

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	-	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

33. External Audit Costs

Fees payable in relation to external audit for 2024/25:

2023/24 £000 Restated		2024/25 £000
522	Scale fees payable with regard to external audit services carried out by appointed auditor	452
17	Fees payable for the certification of grant claims and returns for the year	21
0	Fees payable in respect of other services provided during the year	0
539	Total for year	473

*the comparative figure has been restated

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 £19.426million has been transferred to a negative unusable reserve in 2024/25 to emphasise the balance is separate from Council general fund balances. The total negative unusable reserve balance carried forward is now £34.722 million.

Details of the deployment of DSG receivable for 2024/25 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure	Individual Schools Budget	Totals
	£000	£000	£000
Final DSG for 2024/25 before academy and high needs recoupment			318,512
Less academy and high needs figure recouped for 2024/25			(146,970)
Total DSG after academy and high needs recoupment for 2024/25			171,542
Plus: brought forward from 2023/24			0
Less: Carry-forward to 2025/26 agreed in advance			0
Agreed initial budgeted distribution for 2024/25	49,838	121,704	171,542
In year adjustments		277	277
Final budgeted distribution for 2024/25	49,838	121,980	171,818
Less: Actual central expenditure	(69,264)		(69,264)
Less: Actual ISB deployed to schools		(121,981)	(121,981)
Plus: Local authority contribution for 2024/25			0
In year carry forward to 2024/25 (negative DSG Reserve)	(19,426)	0	(19,426)
DSG unusable reserve at the end of 2023/24			(15,296)
Net position at the end of 2024/25			(34,722)

Comparative figures for 2023/24 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure	Individual Schools Budget	Totals
	£000	£000	£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	104,788	149,678
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 2023/24 (negative DSG Reserve)	(7,038)	0	(7,038)
DSG unusable reserve at the end of 2022/23			(8,258)
Net position at the end of 2023/24			(15,296)

35. Grants and Other Income

a) The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2024/25:

2023/24 £000		2024/25 £000
Credited to Taxation and Non Specific Grant Income		
1,899	Revenue Support Grant	2,025
30,033	Non ring-fenced Grants	35,147
24,146	Capital Grants	28,621
56,078	Total	65,793
Credited to Services		
30,659	Rent Allowances	24,008
22,630	Rent Rebates	22,514
12,303	Public Health Grant	13,059
149,236	Dedicated Schools Grant	170,868
9,666	Better Care Fund	9,626
1,613	Hospital Discharge Fees	3,838
5,499	Pupil Premium Grant	5,474
6,485	Universal Free School Meals	8,186
2,561	Other Children's and Education Funding	2,023
1,674	Unaccompanied Asylum Seeking Children Funding	1,149
3,286	Homelessness Prevention Grant	3,426
1,012	Teachers Pension and Pay Grants	3,978
1,102	Homes for Ukraine	2,905
1,366	Havering College Adult Education (HCAE)	1,419
30	Energy Rebate Scheme	0
4,003	Emergency Assistance Scheme	797
3,899	Other	8,257
	Other Contributions	
3,525	Contributions from Integrated Care Board (ICB)	5,425
6,271	Contributions from Other Local Authorities	4,265
266,818	Total	291,217

Current Liabilities

b) Capital Grants – receipts in advance:

2023/24 £000		2024/25 £000
14,958	Brought forward	14,715
758	Amounts received in year	1,086
(1,001)	Amounts applied to meet new capital investment	(1,704)
14,715	Carried forward	14,097

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 2024/25 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 to the Authority by the Organisation £000	Income Outstanding £000
Adecco UK Ltd	Councillor Viddy Persaud	-	-	45	-
BETRA	Councillor Paul McGeary	354	-	17	-
Broadford Primary School	Councillor Mandy Anderson Councillor Paul McGeary	-	-	9,655	-
East London Waste Authority	Councillor Barry Mugglestone	18,606	-	1	-
Havering Arts Council	Councillor Jason Frost	1	-	-	-
Havering Association for People with Disabilities	Councillor Christine Smith	86	-	3	-
Havering Citizen's Advice	Councillor Mandy Anderson Councillor Jane Keane	140	-	10	-
Integrated Care Board	Councillor Gillian Ford	-	-	5	-
Langtons Infant's School	Councillor Paul Middleton	1,757	-	1,452	-
Law Society	Councillor Keith Darvill	13	-	-	-
Local Government Association	Councillor Gillian Ford	4	-	-	-
Local Information Unit Ltd	Councillor Ray Morgon	20	-	-	-
London Borough of Barking and Dagenham	Councillor Robby Misir Councillor Patricia Brown	486	-	1,186	-
London Borough of Newham	Councillor Katharine Tumilty	2,463	-	2,112	-
London Councils	Councillor Ray Morgon Councillor Gillian Ford Councillor Graham Williamson Councillor Oscar Ford Councillor Barry Mugglestone	1,024	-	565	-
London Riverside (BID Ltd)	Councillor Graham Williamson Councillor Osman Dervish	527	-	27	-
London Youth Games Foundation	Councillor Gillian Ford	8	-	-	-
Mardyke Community Centre	Councillor Trevor McKeever	7	-	3	-
Mead Primary School	Councillor Mandy Anderson Councillor Paul McGeary	44	-	426	-
Metropolitan Police	Councillor Robby Misir	329	-	-	-
Notting Hill Genesis	Councillor James Glass	-	-	2	-
Ogilby Housing Association	Councillor Philippa Crowder Councillor John Crowder	-	-	3	-
Romford Town Management Partnership	Councillor Graham Williamson	614	-	28	-
The Havering Theatre Trust Ltd	Councillor Gillian Ford Councillor Trevor McKeever Councillor John Wood	230	-	31	-
The Learning Federation - Mead and Broadford Schools	Councillor Mandy Anderson Councillor Paul McGeary	12,955	-	6	-

Officers

The table below shows the material related party disclosures by officers.

Organisation	Officer	Payments to Organisations by the Authority £000	Balance Outstanding £000	Income £000	Income Outstanding £000
Centre for Engineering and Manufacturing Excellence Ltd (CEME)	Mr N Stubbings	342	-	-	-

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 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, leaving ICT, Exchequer & Transactional and Legal services under oneSource's management during 2024/25. Over the course of 2025/26 it is expected that ICT will return to each borough's sovereign control.

The oneSource net controllable expenditure for 2023/24 and 2024/25 is disclosed below indicating the share falling to each of the authorities. The LBH share is charged against the Consolidated Income and Expenditure Statement.

2023/24 £000	oneSource	2024/25 £000
	Net Expenditure	
5,065	Exchequer and Transactional Services	6,176
393	Transactional Reconciliations	0
3,717	Legal and Governance	4,336
13,631	ICT	14,272
22,806	Total Net Expenditure	24,784
	Cost Sharing:	
11,581	London Borough of Newham	12,519
11,225	London Borough of Havering	12,265

As at 31st March 2025, the Authority owed £1.951m to the London Borough of Newham in relation to the 2024/25 cost share.

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 Primary Statements and note 16, investments and note 19, debtors.

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
- Christopher Hobbs
- 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 2025, the share of the profit and loss account is a £6.5m loss. A 50% share of the assets and liabilities of the joint venture is shown within the group accounts, this is predominantly a £29.6m property development in progress. The Council's balance sheet includes the Council's loan to the LLP, £21.632m as at 31st March 2025 - provision has been made for a possible £2.8m impairment.

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 2025, Bridge Close had a small loss of £8k, £140k cumulatively. The balance sheet includes the Council's and nominee company's funding in the LLP, £35.2m as at 31st March 2025 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 along with a £140k loan to fund the 2024/25 buy-out of the scheme. In 2024/25 the Council acquired the other 50% share of the scheme. The negative goodwill in the buy-out of the scheme had no value at 31 March 2025.

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:

2023/24 £000	Capital Expenditure	2024/25 £000
113,017	Property, Plant and Equipment	106,737
17	Heritage	727
0	Intangible	1,275
5,160	Revenue expenditure funded from capital under statute	5,885
18,100	Capitalisation Direction	30,400
3,039	Long Term Investments	13,433
5,150	Long Term Loans	2,193
144,483	Total capital expenditure	160,650
	Less financed from	
(45,646)	Capital receipts	(16,600)
(6,095)	Major repairs	(10,673)
(2,434)	Revenue funds	(6,541)
(24,731)	Grants and contributions	(26,382)
65,577	Increase in need to borrow	100,454
(6,177)	Minimum Revenue Provision	(14,989)
(154)	Use of Receipts to repay Debt	(1,458)
59,246	Change in Capital Financing Requirement	84,007

38. 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 2024	6,500	157,206
Receipts	319	7,746
Payments	(319)	0
Balance at 31 March 2025	6,500	164,952

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.

39. Leases

Change in Accounting Policies for Leases – Council as Lessee

In 2024/25, the authority applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability) a right-of-use asset and a lease liability are to be brought into the Balance Sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code:

- lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the authority's incremental borrowing rate at that date.
- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics.
- the weighted average of the incremental borrowing rates used to discount liabilities was 5.44%.
- right-of-use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded.
- all leases were assessed as to whether they were onerous at 31 March 2024, so right-of-use assets have not been subject to an impairment review – carrying amounts have been reduced by any provisions for onerous contracts that were in the 31 March 2024 Balance Sheet.

This has resulted in the following additions to the balance sheet at transition on the 1st April 2024:

£14,782k Right of Use Assets (PPE)
£5,468k Current creditors (lease liabilities)
£9,314k Non-Current creditors (lease liabilities)

Council as Lessee

Right-of-use assets

As 2024/25 is the first year of new lease accounting arrangements, reliable comparative figures for 2023/24 are not available.

This table shows the change in the value of right-of-use assets held under leases by the Council:

	Land and Buildings	Vehicles, Plant and Equipment	Total
	£000s	£000s	£000s
Balance at 1 April 2024	14,603	179	14,782
Additions	125	374	499
Revaluations	0	0	0
Depreciation charge	(5,612)	(100)	(5,712)
Disposals	(1,051)	0	(1,051)
Balance at 31 March 2025	8,065	453	8,518

Lease transactions under leases

The following expenses and cash flows in relation to leases were incurred:

	2024/25 £000s
Comprehensive Income and Expenditure Statement	
Leases (within the scope of IFRS 16)	
Interest expense on lease liabilities	668
Principal element of lease payments that is applied to write down the lease liability	5,468
Leases (outside of the scope of IFRS 16)	
Expense relating to short-term liabilities	0
Expense relating to leases of low value items (excluding short term leases)	49
Cash flow Statement	
Total cash outflow for leases	6,185

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

Maturity analysis of lease liabilities	31st March 2024	31st March 2025
	£'000s	£'000s
Less than one year	5,468	4,631
One to five years	9,314	4,101
More than five years	0	0
Total undiscounted liabilities	14,782	8,732

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	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
£0 - £20,000	14	9	4	7	18	16	139,554	116,590
£20,001 - £40,000	3	1	4	4	7	5	215,628	120,757
£40,001 - £60,000	0	0	0	1	0	1	0	56,238
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
>£150,000	0	0	0	0	0	0	0	0
Total	17	10	8	12	25	22	355,182	293,585

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 2024/25 the Authority paid £12.1m (£9.2m 2023/24) to Teachers Pensions in respect of teachers' pension contributions. This represented a contribution rate of 28.68% (23.68% in 2023/24).

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 2024/25 the Authority paid £34,769 (£43,060 in 2023/24) to NHS Pensions in respect of public health pension contributions. This represented 16.88% of pensionable pay (16.88% in 2023/24).

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
 - Pooled Property Fund
3. Royal London Asset Management
4. UBS
5. Stafford Capital
6. JP Morgan
7. Churchill
8. Permira
9. 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 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:

Virgin Media Case

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 has now been upheld by the Court of Appeal. 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 to the liabilities or if it can be reliably estimated. As a result, the Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

2023/24		2024/25
£000		£000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
	Service Cost Comprising:	
23,185	Current service cost	22,278
133	Past service costs	401
	Financing and Investment Income and Expenditure	
6,230	Net interest expense	4,143
29,548	Total post-employment benefits charged to the surplus or deficit on the provision of services	26,822
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
(21,207)	Return on plan assets (excluding the amount included in the net interest expense)	(9,961)
(42,156)	Actuarial gains and losses arising on changes in financial assumptions	(55,958)
24,453	Other	(11,670)
(38,910)	Total post-employment Benefits charges to the Comprehensive Income and Expenditure Statement	(77,589)
	Movements in Reserves Statement	
(29,548)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(26,822)
	Actual amount charged against the General Fund Balance for pensions in the year:	
34,486	Employers' contributions payable to scheme	35,771
4,938	Net movement in Pensions Reserve	8,949

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:

2023/24 Restated £000		2024/25 £000
	Local Government Pension Scheme	
(958,061)	Present value of the defined benefit obligation	(836,291)
865,217	Fair value of plan assets	810,063
(92,844)	Net liability arising from defined benefit obligation	(26,228)

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

2023/24 Restated £000		2024/25 £000
	Local Government Pension Scheme	
808,296	Opening fair value of scheme assets	865,217
38,333	Interest income	41,531
	Re-measurement gain (loss):	
21,207	The return on plan assets, excluding the amount included in the net interest expense	(9,961)
34,486	Contributions from employer	35,771
7,459	Contributions from employees into the scheme	7,894
(44,564)	Benefits paid	(42,403)
0	Asset ceiling adjustment	(87,986)
865,217	Closing fair values of scheme assets	810,063

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

2023/24 £000		2024/25 £000
	Funded liabilities: Local Government Pension Scheme	
944,988	Opening balance at 1 April	958,061
23,185	Current service cost	22,278
44,563	Interest cost	45,674
7,459	Contributions from scheme participants	7,894
	Re-measurement (gains) and losses:	
(42,156)	Actuarial (gains)/ losses arising from changes in financial assumptions	(143,944)
24,453	Other	(11,670)
133	Past service cost (Including curtailments)	401
(44,564)	Benefits paid	(42,403)
958,061	Closing balance at 31 March	836,291

Local Government Pension Scheme assets comprised:								
2023/24			2024/25					
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 %
0		0	0.00	Debt Securities			0	2.00
21,259		21,259	3.00	Corporate bonds (investment grade)	41,885		41,885	
		0	0.00	UK Government			0	
				Other				
44,008		44,008	6.00	Real Estate			45,181	5.00
28,927		28,927	4.00	UK Property	27,848		27,848	3.00
				Overseas Property				
Investment Funds and Unit Trusts								
454,696		454,696	59.00	Equities	479,140		479,140	53.00
100,820		100,820	7.00	Bonds	105,650		105,650	12.00
98,279		98,279	9.00	Infrastructure	99,092		99,092	11.00
75,369		75,369	9.00	Other	67,835		67,835	9.00
(103)		(103)	0.00	Derivatives			2,694	0.00
79		79	0.00	Foreign Exchange	101		101	0.00
41,883		41,883	3.00	Cash and Cash Equivalents			27,897	5.00
865,217		865,217	100.00	Totals	897,322		897,322	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 2025

2023/24 £000		2024/25 £000
	Local Government Pension Scheme	
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.2 years	Men	21.2 years
23.8 years	Women	23.8 years
	Longevity at 65 for future pensioners:	
22.1 years	Men	22.0 years
25.3 years	Women	25.3 years
2.80%	Rate of inflation (CPI)	2.80%
3.50%	Rate of increase in salaries	3.50%
2.80%	Rate of increase in pensions	2.80%
4.80%	Rate for discounting scheme liabilities	5.80%

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 2025	Approximate % increase to Employer Liability	Approximate Monetary amount £000
0.1% increase in Real Discount Rate	2%	13,339
1 Year increase in life expectancy	4%	33,452
0.1% increase in the Salary Increase Rate	0%	516
0.1% increase in the Pension Increase Rate (CPI)	2%	13,189

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 paying £26.309m contributions to the scheme in 2025/26.

The weighted average duration of the defined benefit obligation for scheme members is 17 years as 31st March 2025 (17 years 31 March 2024).

Housing Revenue Account

**Housing Revenue Account
Income and Expenditure Statement 2024/25**

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.

2023/24 £000		Notes	2024/25 £000
	Income		
(54,303)	Dwelling rents		(61,948)
(463)	Non-dwelling rents		(496)
(13,830)	Charges for services and facilities		(11,945)
(5,740)	Contributions towards expenditure		(16,114)
(74,336)	Total Income		(90,503)
	Expenditure		
13,856	Repairs and maintenance		14,342
26,928	Supervision and management		27,334
490	Rents, rates, taxes and other charges		658
604	Increased provision for bad/doubtful debts		250
54,514	Depreciation and Impairment of tangible fixed assets		41,361
88	Debt management		-
96,480	Total Expenditure		83,945
22,144	Net expenditure or income of HRA services as included in the whole		(6,558)
212	HRA Services' share of Corporate and Democratic Core		229
22,356	Net Expenditure of HRA Services		(6,329)
	HRA Share of the Operating Income and Expenditure included in the		
(4,702)	Net gain on disposal of HRA assets		(6,243)
10,609	Interest payable and similar charges		13,866
(1,083)	Interest and investment income		(1,107)
(329)	Fair value gain/loss on Financial Instruments		3,126
26,851	Deficit/(Surplus) for the year on HRA Services		3,313

Movement on the Housing Revenue Account Balance during 2024/25

2023/24 £000		2024/25 £000
(24,819)	Housing Revenue Account balance brought forward	(28,515)
26,851	(Surplus)/deficit for the year on the HRA Income and Expenditure Account	3,313
(32,725)	Adjustments between accounting basis and funding basis under regulations	(9,170)
(30,693)	HRA balance before transfer to earmarked reserves	(34,372)
2,178	Transfers to earmarked reserves	0
(28,515)	Housing Revenue Account balance carried forward	(34,372)

Note to the Statement of Movement on the Housing Revenue Account Balance

2023/24 £000		2024/25 £000
Items included in the HRA Income and Expenditure but excluded from the movement in the HRA balance		
Adjustments to the Revenue Resources		
785	Pensions costs (transferred from the Pensions Reserve)	918
(14)	Holiday pay (transferred to the Accumulated Absences Reserve)	0
(61,330)	Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(50,558)
329	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	(326)
(60,230)	Total Adjustments to Revenue Resources	(49,966)
Adjustments between Revenue and Capital Resources		
11,433	Receipts Reserve	12,771
86	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(131)
10,426	Posting of HRA resources from revenue to the Major Repairs Reserve	10,655
-	- Voluntary provision for the repayment of debt.	2,800
500	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	500
-	- Deferred Capital Receipt	-
22,445	Total Adjustments between Revenue and Capital Resources	26,595
5,061	Total Adjustments to Capital Resources:	14,201
(32,724)	Adjustments between accounting basis and funding basis under regulations	(9,170)

Notes to the Housing Revenue Account

1. Information on Housing Fixed Assets

a) Number of Dwellings

2023/24 Number		2024/25 Number
	Flats	
2,747	1 bedroom	2,739
2,239	2 bedrooms	2,265
361	3 bedrooms	366
21	4 & 5 bedrooms	23
	Houses	
321	1 bedroom	320
1,076	2 bedrooms	1,074
2,308	3 bedrooms	2,307
186	4 & 5 bedrooms	188
9,259	Total Number of Dwellings	9,282

b) Balance Sheet Value of HRA Tangible Fixed Assets

2023/24 £000		2024/25 £000
	Operational	
689,261	Council Dwellings	704,653
13,762	Other Land & Buildings	13,989
0	Vehicles, Plant, Furniture & Equipment	187
560	Infrastructure	406
45,475	Assets Under Construction	59,584
749,058		778,819

c) Valuation of Council Dwellings at Year End

2023/24 £m		2024/25 £m
2,757	Vacant Possession Value	2,819
2,068	Excess of Vacant Possession over Balance Sheet Value	2,114
689	Balance Sheet value	705

The difference between the vacant possession value of HRA dwellings shown here and the balance sheet

2. Movement on Major Repairs Reserve

2023/24 £'000		2024/25 £'000
3,863	Balance brought forward at start of year	8,194
10,426 (6,095)	Total depreciation from Capital Adjustment Account less MRR used to fund Capital Expenditure on HRA Dwellings	10,654 (10,673)
8,194	Balance carried forward at end of year	8,175

3. a) Total Capital Expenditure and Funding

2023/24 £'000		2024/25 £'000
	Capital expenditure on HRA property and other assets:	
60,519	Dwellings	54,065
684	Other land buildings	722
13,795	Assets Under Construction	13,416
-	Vehicles, Plant, Furniture & Equipment	187
7,971	Investments	6,613
82,969	Total expenditure	75,003
	Financed from:	
6,095	Major Repairs Reserve	10,673
11,207	Grants and contributions	9,557
500	Revenue contributions	500
15,304	Capital receipts	16,600
49,863	Borrowing	37,673
82,969	Total funding	75,003

b) HRA Capital Receipts

2023/24 £'000		2024/25 £'000
4,586	Right to Buy sales	7,450
6,933	Other property sales	5,190
11,519	Total cash receipts	12,640
-	Transferred for Pooling	44
11,519	Total income	12,684

4. Depreciation and Impairment Charge

The depreciation charged to the HRA breaks down as follows:

2023/24 £'000		2024/25 £'000
10,231	Dwellings	10,365
139	Other buildings	136
0	Equipment	0
56	Infrastructure	154
10,426	Total HRA depreciation	10,655
44,088	Revaluation credit/debit	30,706
54,514	Total HRA depreciation and Revaluation charge	41,361

5. Rent Income, Arrears and Bad Debts

2023/24 £'000	Rent	2024/25 £'000
117.30	Average weekly rent (including services charges unpooled)	128.10

31 March 2024 £000	Arrears and Bad Debts	31 March 2025 £000
5,335	Rent arrears at 31 March	4,942
(4,966)	Bad debts provision at 31 March	(4,860)
369	Total	81

Collection Fund Account

Collection Fund 2024/25

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 2024/25

2023/24			2024/25	
Business Rates	Council Tax		Business Rates	Council Tax
£000	£000		£000	£000
		Income		
	(190,828)	Income from Council Tax		(203,881)
(71,314)		Income from Business Rates	(77,901)	
(6,301)		Transitional relief	(882)	
(2,117)		Income collectable from Business Rate Supplement	(2,048)	
		Previous Year Deficit recognised in the CI&ES		
(176)	(989)	London Borough of Havering		0
(193)		Central Government		
(217)	(228)	Greater London Authority		0
(80,318)	(192,045)	Total Income	(80,831)	(203,881)
		Expenditure		
		Previous Year Surplus recognised in the CI&ES		
		London Borough of Havering	4,336	
		Central Government	4,770	
		Greater London Authority	5,348	
		Precepts		
23,988	149,071	London Borough of Havering	25,124	158,023
26,386		Central Government	27,636	
29,585	39,128	Greater London Authority	30,986	42,897
		Charges to Collection Fund		
1,315	0	Write-offs	823	168
(710)	1,530	Increase/(decrease) in bad debt provision	(285)	4,030
(4,638)		Increase/(decrease) in provision for appeals	11	
265		Cost of collection	264	
		Interest paid	235	
		Business Rate supplement		
2,111		Payment to Greater London Authority	2,042	
6		Cost of Collection	6	
78,308	189,729	Total Expenditure	101,296	205,118
(2,011)	(2,316)	Movement in fund balance	20,465	1,237
(12,051)	1,450	Net deficit/(surplus) at start of year	(14,062)	(866)
(14,062)	(866)	Net deficit/(surplus) carried forward notes 3a & 3b)	6,403	371

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 2024/25 at £2,207.92 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	2
A	2,204
B	5,666
C	21,299
D	31,532
E	17,238
F	8,767
G	4,816
H	676
Allowance for losses in collection 1.30%	(1,200)
Tax Base	91,000

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 £222.3m at 31 March 2025 (£223.1m at 31 March 2024) multiplied by uniform rates for large and small businesses. In 2024/25 the rate was 54.6p for large businesses (51.2p in 2023/24) and 49.9p for small businesses (49.9p in 2023/24). 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

2023/24 £000		2024/25 £000
105,835	Gross NNDR due in year	112,082
(34,521)	Less: allowances and other adjustments	(34,181)
71,314	Net NNDR Yield	77,901

2b) Income collectable from Business Rate Supplement

2023/24 £000		2024/25 £000
2,419	Gross Supplement due in year	2,116
(302)	Less: allowances and other adjustments	(68)
2,117	Net Business Rate Surplus Yield	2,048

From 2024/25, Havering was 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.

3a) Council Tax

2023/24 £000		2024/25 £000
(681)	London Borough of Havering	292
(185)	Greater London Authority	79
(866)	(Surplus) / Deficit	371

3b) Business Rates

2023/24 £000		2024/25 £000
(4,219)	London Borough of Havering	1,921
(4,611)	Central Government	2,142
(5,232)	Greater London Authority	2,340
(14,062)	Deficit	6,403

Pension Fund Account

London Borough of Havering
Statement of Accounts 2025/26

2023/24 £000	FUND ACCOUNT	Notes	2024/25 £000
	Dealings with members, employers and others directly involved in the fund		
50,860	Contributions receivables	7	54,202
6,321	Transfers in from other pension funds		4,872
57,181			59,074
(44,696)	Benefits	8	(48,938)
(4,461)	Payments to and on account of leavers	9	(6,198)
(49,157)			(55,136)
8,024	Net additions from dealings with members		3,938
(6,130)	Management expenses	10	(5,943)
1,894	Net additions/(deductions) including fund management expenses		(2,005)
	Returns on investments		
18,327	Investment income	11	20,118
53,525	Profit and losses on disposal of investments and changes in the market value of investments	12a	20,829
71,852	Net returns on investments		40,947
73,746	Net increase in the net assets available for benefits during the year		38,942
895,752	Opening net assets of the Fund at start of year		969,498
969,498	Closing net assets of the Fund at end of year		1,008,440

2023/24 £000	NET ASSET STATEMENT	Notes	2024/25 £000
150	Long term investments - London CIV shareholding	12	150
946,100	Investment Assets	12	992,902
(449)	Investment Liabilities	12	(1,162)
945,801	Total net investments		991,890
24,707	Current Assets	20	17,306
(1,010)	Current Liabilities	21	(756)
969,498	Net assets of the Fund available to fund benefits at end of the reporting period		1,008,440

The financial statements summarise the transactions and the net assets of the London Borough of Havering Pension Fund ("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, are not included as they come within another national pension scheme.

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 administering 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 London Borough of Havering

There are 65 employer organisations with active members within the Havering Pension Fund including the administering authority.

The membership profile is detailed below:

31-Mar-24		31-Mar-25
59	Number of employers with active members	65
	Number of employees in scheme	
5,205	London Borough of Havering	5,271
2,523	Scheduled bodies	2,566
112	Admitted bodies	152
7,840	Total	7,989
	Number of pensioners and dependants	
6,437	London Borough of Havering	6,555
534	Scheduled bodies	608
38	Admitted bodies	39
7,009	Total	7,202
	Deferred pensioners	
5,564	London Borough of Havering	5,926
1,197	Scheduled bodies	1,475
39	Admitted bodies	42
6,800	Total	7,443
21,649	Total number of members in pension scheme	22,634

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 2025. Employer contributions are set based on triennial actuarial funding valuations as at 31 March 2022. 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 LGPS became a Career Average Revalued Earnings (CARE) scheme, whereby members accrue benefits based on their average salary over their entire career, with each year's pension revalued to account for inflation (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 – see link below.

<https://www.lgpsmember.org/>

2 Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2024/25 financial year and its position at year end, 31 March 2025. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 "(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 administering authorities the option to disclose this information in the net asset statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The 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 2024/25 have been prepared on a going concern basis as follows:

Investment returns were +3.64%% in 2024/25 and +2.38% over the three years to 31 March 2025. Invested asset values have increased by £38.9m 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.

Following the latest triennial actuarial valuation, the Fund was assessed as 80% funded. 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 £31.7m at the Balance Sheet date, equivalent to 3% of the fund assets. In addition, the Fund held £722m 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 arose. 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**
 - i) **Administrative Expenses**

All staff costs of the pensions' administration team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy and charged as expenses to the Fund.
 - ii) **Oversight and Governance Costs**
All costs associated with governance and oversight are separately identified and recharged to the Fund and charged as expenses to the Fund.
 - iii) **Investment Management Fees**
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 10a and grossed up to increase the change in value of investments.

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

The cost of obtaining investment advice from external consultants is included in investment management charges.

Officers' time spent on investment management functions are also charged to the fund.

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 member 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 12a.

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 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

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 assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value 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 retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised benefits by way of a note to the Net Asset Statement (Note 19).

n) Additional Voluntary Contributions

The fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in 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 Note 25.

4 Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The Pension 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 of 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 a risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount (£m)
Actuarial present value of promised retirement benefits (Note 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, 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 (CPI) could result in an increase of 2% 0.1% p.a increase in the Salary Increase Rate could result in a 0% increase 1 Year increase in member life expectancy could result in a 4% increase	15 15 1 37
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 £270m, which represents 27% of the total Fund value of £1,008m.	Sensitivity Analysis shows that the £270m valuation could decrease or increase within the range of £254m and £284m

6 Events after the Reporting Date

The Statement of Accounts is adjusted to reflect events after the balance sheet date, both favourable and unfavourable, that occur between the end of the reporting date and the date when the Statement of Accounts is authorised for issue. Adjustments are made that provide evidence of conditions that existed at the end of the reporting period unless deemed insignificant to the true and fair value of the Fund's assets and liabilities. Those events taking place after the date of authorisation for issue will not be reflected in the statement of accounts. There are no events after the reporting date that needs to be disclosed as part of the financial statement.

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7 Contributions Receivable

By category

2023/24 £000		2024/25 £000
	Employees' contributions	
	Normal:	
7,454	London Borough of Havering	7,907
2,003	Scheduled Bodies	2,280
146	Admitted Bodies	245
	Additional contributions:	
7	London Borough of Havering	7
-	Scheduled Bodies	1
9,610	Total Employees' Contribution	10,440
	Employers' contributions	
	Normal:	
20,088	London Borough of Havering	21,320
7,034	Scheduled bodies	7,812
616	Admitted bodies	968
	Secondary contributions:	
	Employer contribution to deficit	
12,821	London Borough of Havering *	13,033
269	Scheduled bodies	278
4	Admitted bodies	11
	Employer reduction to surplus **	
(39)	Scheduled bodies	(36)
(31)	Admitted bodies	(31)
	Augmentation	
488	London Borough of Havering	291
-	Scheduled bodies	116
41,250	Total Employers' Contributions	43,762
50,860	Total Contributions Receivable	54,202

* The London Borough of Havering deficit figure reflects additional contributions made by the Council to the Pension Fund. These consist £0m 24/25 (23/24 0.065m) 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

2023/24 £000		2024/25 £000
40,858	London Borough of Havering	29,525
9,267	Scheduled bodies	10,450
735	Admitted Bodies	1,193
50,860	Total Contributions Receivable	41,168

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8 Benefits Payable

By category

2023/24 £000		2024/25 £000
	Pensions	
36,105	London Borough of Havering	38,152
1,787	Scheduled Bodies	2,137
229	Admitted Bodies	251
38,121	Pensions Total	40,540
	Commutation and Lump Sum Retirements	
4,656	London Borough of Havering	5,347
895	Scheduled Bodies	1,253
10	Admitted Bodies	146
5,561	Commutation and Lump Sum Retirements Total	6,746
	Lump Sum Death Benefits	
787	London Borough of Havering	1,467
227	Scheduled Bodies	185
1,014	Lump Sum Death Benefits Total	1,652
44,696	Total Benefits Payable	48,938

By authority

2023/24 £000		2024/25 £000
41,548	London Borough of Havering	44,966
2,909	Scheduled Bodies	3,575
239	Admitted Bodies	397
44,696	Total Benefits Payable	48,938

9 Payments To and On Account of Leavers

2023/24 £000		2024/25 £000
42	Return of Contributions	90
4,294	Transfer Values Paid Out	5,918
125	Interest Paid on Short Term Borrowing	190
4,461	Payments to and on Account of Leavers	6,198

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10 Management Expenses

By category

2023/24 £000		2024/25 £000
821	Administrative Costs	1,004
4,584	Investment Management Expenses	4,264
628	Oversight and Governance Costs	552
90	Oversight and Governance - External Audit costs	114
7	Local Pension Board	9
6,130	Total Management Expenses	5,943

This analysis of the costs of managing the Fund during the period has been prepared in accordance with CIPFA guidance.

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (see Note 12a).

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

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10a Investment Management Expenses

2024/25	Management fees	Performance Related fees	Transaction cost	2024/25 Total
	£000	£000	£000	£000
Bonds	280	-	11	291
Infrastructure	862	-	-	862
Global Equity	1,512	-	123	1,635
Other Investments				
Pooled Property	378	32	145	555
Private Debt	536	-	318	854
Derivatives - Forward Currency Contracts	37	-	-	37
	3,605	32	597	*4,234
Custody fees				29
Performance Measurement fees				-
Investment Management Expenses				4,263

*Includes £1.546m charged for assets in the London CIV asset pool (£1.578m In 2023/24)

2023/24	Management fees	Performance Related fees	Transaction cost	2023/24 Total
	£000	£000	£000	£000
Bonds	191	0	1	192
Diversified Growth Funds	145	0	112	257
Infrastructure	873	72	0	945
Global Equity	1,556	0	122	1,678
Other Investments				
Pooled Property	525	128	126	779
Private Debt	670	0	0	670
Derivatives - Forward Currency Contracts	35	0	0	35
	3,995	200	361	*4,556
Custody fees				28
Performance Measurement fees				38
Investment Management Expenses				4,622

*Includes £1.578m charged for assets in the London CIV asset pool (£1.954m In 2023/24)

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11 Investment Income

By category

2023/24 £000		2024/25 £000
14,660	Pooled Investments - unit trusts and other managed funds	16,653
507	Bonds	249
173	Fixed income	-
1,453	Pooled Property Investments	1,540
-	- Income form Derivatives (Foreign Exchange Gains/(losses))	110
1,427	Interest on Cash Deposits	1,510
107	Other income*	56
18,327	Investment Income	20,118

* Fees and charges income

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12 Analysis of Investments

2023/24 £000		2024/25 £000
	Investment Assets	
150	LCIV Shareholding	150
150		150
	Bonds	
23,819	Index-Linked Securities	47,048
23,819		47,048
	Pooled Investment	
113,102	Fixed Interest Unit Trust	118,674
110,253	Infrastructure	111,308
509,812	Global Equity	538,059
733,167		768,041
	Other Investments	
81,318	Pooled Property	82,032
84,551	Private Debt	76,198
165,869		158,230
334	Derivatives - Forward Currency Contracts	3,317
22,822	Cash deposits Managers	15,281
	- Amounts receivable for sales	871
89	Investment income due	114
23,245		19,583
946,250	Total Investment Assets	993,052
	Investment Liabilities	
(449)	Derivatives - Forward Currency Contracts	(376)
	- Amounts payable for purchases	(786)
(449)	Total Investment Liabilities	(1,162)
945,801	Total Net Investments	991,890

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12a Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2024	In year purchases and derivative payments	In year sales and derivative receipts	Change in Market Value	Market Value at 31 March 2025
	£000	£000	£000	£000	£000
Index-linked Securities	23,819	88,869	(61,980)	(3,659)	47,049
Pooled Investment Vehicles	733,317	46,785	(31,765)	19,854	768,191
Other Investments	165,869	10,270	(17,197)	(712)	158,230
	923,005	145,924	(110,942)	15,483	973,470
Derivatives – forward currency contracts	(115)	8,831	(11,247)	5,472	2,941
	922,890	154,755	(122,189)	20,955	976,411
Other Investment Balances:					
Cash Deposits (fund managers)	22,822			(178)	15,281
Investment income due	89			52	985
Amounts payable for purchases	-			-	(786)
	945,801			20,829	991,891

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	Market Value at 31 March 2023	In year purchases and derivative payments	In year sales and derivative receipts	Change in Market Value	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)	55,934	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

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 the note 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 £0.597m (2023/24 £0.361m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

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12b. Investments analysed by Fund Manager

Value 31 March 2024		Manager	Mandate	Value 31 March 2025	
£000	%			£000	%
Investments managed by London CIV asset Pool:					
150	0.02	London CIV	Equities Unquoted	150	0.02
108,928	11.52	Ruffer	Pooled Absolute Return Fund	126,164	12.72
14,161	1.50	Foresight, Blackrock, Quinbrook & Stonepeak	Pooled Infrastructure Renewables	17,995	1.81
157,289	16.63	Baillie Gifford	Pooled Global Alpha Growth Paris Aligned Fund	133,802	13.49
55,522	5.87	State Street Global Advisors	Pooled Passive Equity Progressive Paris Aligned (PEPPA)	58,880	5.94
47,433	5.01	PIMCO	Global Bonds	47,854	4.82
383,483	40.55			384,845	38.80
PLUS Investments aligned with London CIV asset pool:					
188,073	19.89	Legal & General Investment Management (LGIM)	Passive Global Equities/ Emerging Markets/Future World	219,214	22.10
32,451	3.43	CBRE	Global Pooled Property	31,281	3.15
604,007	63.87	London CIV Total		635,340	64.05
Investments managed outside of the London CIV asset Pool:					
65,787	6.96	Royal London Multi Asset Credit	Fixed Interest Unit Trust	70,821	7.14
23,819	2.52	Royal London Index Linked Bonds	Investment Grade Bonds	47,489	4.79
48,866	5.17	UBS Property	Pooled Property	50,751	5.12
19,852	2.10	Stafford Capital SISF II	Overseas Pooled Infrastructure	17,664	1.78
25,435	2.69	Stafford Capital SISF IV	Overseas Pooled Infrastructure	26,117	2.63
50,808	5.37	JP Morgan	Overseas Pooled Infrastructure	49,725	5.01
17,449	1.84	Churchill II	Overseas Pooled Private Debt	12,224	1.23
17,123	1.81	Churchill IV	Overseas Pooled Private Debt	16,294	1.64
30,098	3.18	Permira PCS4	Overseas Pooled Private Debt	18,841	1.90
20,434	2.16	Permira PCS5	Overseas Pooled Private Debt	28,838	2.91
3,699	0.38	Russell Investments	Currency Management	3,926	0.40
18,424	1.95	Other	Other	13,860	1.40
341,794	36.13			356,550	35.95
945,801	100.00	Total Fund		991,890	100.00

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12c. Assets with greater than 5% holding

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

Market Value 31 March 2024 £000	% of Total Fund	Security	Market Value 31 March 2025 £000	% of Total Fund
157,289	16.63	London CIV Baillie Gifford Global Alpha Paris Aligned Fund	133,802	13.27
108,928	11.52	London CIV Ruffer Absolute Return Fund	126,164	12.52
107,757	11.39	LGIM Future World Fund	133,667	13.26
65,670	6.94	Royal London Multi Asset Credit Pooled Fund	70,821	7.03
55,522	5.87	London CIV Pooled Passive Equity Progressive Paris Aligned (PEPPA)	58,880	5.84
48,866	5.17	UBS Property	50,751	5.04
50,808	5.37	JP Morgan infrastructure	49,725	4.93
594,840	62.89	Total Fund	623,810	61.89

12d. 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 2025, the value of quoted equities on loan was £194.5m (31 March 2024 £163.4m) These equities continue to be recognised in the fund's financial statements.

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13 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 2025 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
One to six months	GBP	56,803	EUR	(67,793)	44	(219)
One to six months	GBP	68,136	USD	(86,982)	823	(80)
One to six months	GBP	5,126	AUD	(10,368)	117	(0)
One to six months	EUR	6,542	GBP	(5,497)	9	(6)
One to six months	USD	5,702	GBP	(4,453)	5	(40)
Up to one month	GBP	38,107	USD	(46,798)	1,847	-
Up to one month	GBP	2,809	AUD	(5,521)	143	-
Up to one month	GBP	24,309	EUR	(28,609)	329	-
Up to one month	USD	558	GBP	(453)	-	(20)
Up to one month	AUD	471	GBP	(236)	-	(9)
Up to one month	EUR	162	GBP	(136)	-	(0)
One to six months	AUD	363	GBP	(177)	-	(2)
Open forward currency contracts at 31 March 2025					3,317	(376)
Net forward currency contracts at 31 March 2025						2,941
Open forward currency contracts at 31 March 2024					334	(449)
Net forward currency contracts at 31 March 2024						(115)

14 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 investments	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 rental growth
Overseas Pooled instruments property funds (CBRE)	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	Estimated fair values are determined by the Advisor at valuation date and independently appraised and adjusted on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. The appropriateness of each approach depends on the type of asset or business being valued.	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 Infrastructure Funds (Stafford Capital)	Level 3	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled instruments Private Debt (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 (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 impact on the valuations. Timing difference between the date of the last reported valuation and the date of the Fund's financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Renewable Infrastructure	Level 3	Fair Values are calculated in whole or in part using techniques based on assumptions using Investment Association Statement of Recommended Practice (IA SORP)	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant impact on the valuations. Timing difference between the date of the last reported valuation and the date of the Fund's financial statements means that valuation may have increased or decreased by a significant amount.

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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 2025.

	Assessed valuation range (+/-)	Value at 31 March 2025	Value on increase	Value on decrease
	%	£000	£000	£000
Private Debt	4.70	76,198	79,779	72,616
Pooled Property	6.10	82,032	87,036	77,028
Infrastructure	6.00	111,308	117,986	104,629
Total		269,538	284,801	254,273

	Assessed valuation range (+/-)	Value at 31 March 2024	Value on increase	Value on decrease
	%	£000	£000	£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
Total		276,121	294,173	258,069

15a Fair Value Hierarchy

The following tables provides an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3, based on the level at which fair value is observable.

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Values at 31 March 2025				
Financial assets at fair value through profit and loss	63,314	659,825	269,538	992,676
Financial liabilities at fair value through profit and loss	(786)	-	-	(786)
Net Financial Assets	62,528	659,825	269,538	991,890

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Values at 31 March 2024				
Financial assets at fair value through profit and loss	259,541	410,254	276,121	945,916
Financial liabilities at fair value through profit and loss	-	(115)	-	(115)
Net Financial Assets	259,541	410,139	276,121	945,801

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

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15b Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2024	Purchases	Sales	2024/25 Total	Realised gains / losses	Market Value 31 March 2025
	£000	£000	£000	£000	£000	£000
Infrastructure	110,253	6,709	(4,152)	616	(2,118)	111,308
Pooled Property	81,318	0	0	0	715	82,033
Private Debt	84,551	10,270	(16,997)	68	(1,695)	76,197
Total	276,122	16,979	(21,149)	684	(3,098)	269,538

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.

Fair value through profit and loss	31 March 2024		Liabilities at amortised cost	Fair value through profit and loss	31 March 2025		Liabilities at amortised cost
	£000	Assets at amortised cost £000			£000	Assets at amortised cost £000	
150	-	-	Financial Assets				
23,819	-	-	Long Term Investments	150	-	-	-
334	-	-	Bonds - Index linked securities	47,048	-	-	-
733,167	-	-	Derivative contracts	3,317	-	-	-
84,551	-	-	Pooled investment Vehicles	768,041	-	-	-
81,318	-	-	Private Debt	76,198	-	-	-
-	47,099	-	Property	82,032	-	-	-
-	-	-	Cash	-	31,749	-	-
-	89	-	Other Investment Balances	-	985	-	-
-	99	-	Debtors	-	18	-	-
923,339	47,287	-	Financial Assets Total	976,786	32,752	-	-
-	-	-	Financial Liabilities				
(449)	-	-	Other Investment Balances	-	-	(786)	(786)
-	-	-	Derivative contracts	(376)	-	-	-
-	-	(1,008)	Creditors	-	-	(608)	(608)
(449)	0	(1,008)	Financial Liabilities Total	(376)	0	(1,394)	(1,394)
922,890	47,287	(1,008)	Grand total	976,410	32,752	(1,394)	(1,394)
	969,169				1,007,768		

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(b) **Net Gains and Losses on Financial Instruments**

2023/24 £000		2024/25 £000
53,525	Financial assets	20,829
53,525	Fair value through profit and (loss)	20,829

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 Fund 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. Policies are reviewed regularly to reflect changes in activity and in market conditions.

(a) Market Risk

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

The objective is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising investment return.

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

Other Price Risk

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

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

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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 2024/25, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2025	Potential market movements	Value on Increase	Value on Decrease
	£000	%	£000	£000
Pooled Equities	538,208	12.09	603,277	473,139
Fixed income	165,723	9.67	181,748	149,697
Infrastructure	111,308	6.03	118,020	104,596
Pooled Property	82,032	6.07	87,015	77,049
Private Debt	76,198	4.69	79,772	72,624
Cash	18,421	1.61	18,718	18,124
Total	991,890		1,088,550	895,229

Asset Type	Value as at 31 March 2024	Potential market movements	Value on Increase	Value on Decrease
	£000	%	£000	£000
Pooled Equities	687,758	12.49	773,659	601,857
Pooled Overseas Unit Trusts	130,110	6.99	139,205	121,015
Pooled Property	81,318	7.19	87,164	75,471
Total Bonds	23,819	5.65	25,164	22,473
Cash	22,796	0.85	22,990	22,602
Total	945,801		1,048,182	843,418

Interest Rate Risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

Interest Rate Risk Sensitivity Analysis

The analysis that follows assumes all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1%) change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to Interest Rate Risk

Assets exposed to interest rate risk	Asset Values as at 31 March 2025	Potential movement on 1% change in interest rates	Value on increase	Value on Decrease
	£000	£000	£000	£000
Bond Securities	47,143	471	47,615	46,672
Cash and Cash Equivalents	15,299	153	15,452	15,146
Cash Balances	16,163	162	16,325	16,001
Total Change in Asset Value	78,605	786	79,391	77,819

Assets exposed to interest rate risk	Asset Values as at 31 March 2024	Potential movement on 1% change in interest rates	Value on increase	Value on Decrease
	£000	£000	£000	£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	70,209

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 6.5% over a rolling 36 month period.

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

A 6.5% 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 2025	Potential Market movement	Value on increase	Value on Decrease
	£000	6.50%	£000	£000
Overseas Pooled	153,816	9,998	163,814	143,818
Overseas Cash	11,632	756	12,388	10,876
Total change in assets	165,448	10,754	176,202	154,694

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

(b) Credit Risk

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

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

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

Cash not needed to settle immediate financial obligations are invested by the administering authority in accordance with the Treasury Investment Strategy. The Treasury Investment Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk.

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The 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 2025 was £16.163m (31 March 2024 £24.163m). 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 2025 the value of liquid assets was £739m, which represented 73% of the total Fund (31 March 2024 £670m, which represented 72% of the total fund assets).

(d) Refinancing Risk

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

18 Funding Arrangements

Actuarial Statement for 2024/25

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 January 2024. In summary, the key funding objectives 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 minimise long-term cash contributions from employers and meet the regulatory requirement to members and their dependants
- 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.

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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:

Financial 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 FSS are available on request from the administering 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. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

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, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

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 is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

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19 Actuarial Present Value of Promised Retirements

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

31 March 2024	Year Ended	31 March 2025
£m		£m
(1,074)	Present Value of Promised Retirement Benefits	(936)
969	Fair Value of Scheme assets (bid Value)	1,008
(105)	Net Liability	72

The promised retirement's benefits at 31 March 2025 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 administering 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 2025 and 31 March 2024. It is estimated that the impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £168m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £2m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2024	Year Ended (% p.a)	31 March 2025
% p.a.		% p.a.
2.80	Pension Increase Rate (CPI)	2.80
3.50	Salary Increase Rate	3.50
4.80	Discount Rate	5.80

Demographic assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.1 years	23.8 years
Future Pensioners (assumed to be aged 45 at the latest valuation)	22.0 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 2025	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	15
1 year increase in member life expectancy	4%	37
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	15

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20 Current Assets

2023/24 £000		2024/25 £000
70	Contributions due - employers	199
261	Contributions due - employees	621
113	Pension Fund Bank Account Balances	305
24,163	Cash deposit with LB Havering	16,163
99	Receivables control account	18
24,706	Current Assets	17,306

21 Current Liabilities

2023/24 £000		2024/25 £000
(447)	Benefits Payable	(148)
(270)	Sundry Creditors	(330)
(293)	Holding Accounts	(278)
(1,010)	Current Liabilities	(756)

22 Additional Voluntary Contributions

Contributions Paid	Market Value	AVC Provider	Market Value	Contributions Paid
2023/24 £000	2023/24 £000		2024/25 £000	2024/25 £000
47	807	Prudential	784	32
-	97	Standard Life	86	-

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23 Agency Services

The Fund pays discretionary awards to the former employees of Havering. The amounts paid are not charged to the pension fund.

2023/24 £000		2024/25 £000
1,330	Payments on behalf of Havering Council	1,364

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 £1.216m (2023/24 £1.077m) 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 administering authority contributed in 2024/25 £34.644m (2023/24 £33.396m) to the Pension Fund in respect of employer's contributions. All amounts due to the Fund were settled within the 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 2025 cash holdings totalled £16.163m (2023/24 £24.163m), earning interest over the year of £1.025m (2023/24 £0.989m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.150m at 31 March 2025 (2023/24 £0.150m) included as long term investments in the net asset statement. London CIV manage a divers portfolio of pension fund investments, as detailed in Note 12b. During 2024/25 the Fund incurred costs of £1.546m were charged to the Fund by the London CIV in respect of investment management services (2023/24 £1.578m).

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 Pensions 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 Fund issues has undertaken any declarable material transactions with the Pension Fund.

The members of the Pensions Committee receive an attendance allowance for each meeting and these costs are included within Note 10.

The members of the Local Pension Board receive an attendance allowance for each meeting and these costs are included within Note 10.

24a 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 members 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 2025 were £36.63m (31 March 2024 £50.24m). 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 £0.402m (2023/24 £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.

Five 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 £2.587m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

One admitted body, awaiting entry into the Fund, is subject to a pending legal agreement, they will hold a bond or guarantee totalling £0.010m.

The administering authority, in conjunction with the other shareholders in the London CIV, has entered into an exit payment agreement with the London CIV, acting as 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 of the costs. The exact amount would only be determined at the time of cessation.

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.

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Kathy Freeman
Strategic Director of Resources

Resources

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Date XX February 2026

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 consolidated and parent Authority financial statements of London Borough of Havering (“the Group and Authority”) for the year ended 31 March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or ‘present fairly, in all material respects,’) the Group and Authority financial position of London Borough of Havering as of 31 March 2025 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and parent Authority in accordance with the CIPFA LASAAC Code of

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Practice on Local Authority Accounting in the United Kingdom 2024/25¹, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The material accounting policy information adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.
4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 for the Group and for the Authority that are free from material misstatement, whether due to fraud or error.²
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule Appendix 1, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole.³ We have not corrected these differences because they are judgmental differences, based on estimates and are not material.⁴
6. We confirm the Group and Authority does not have securities (debt or equity) listed on a recognised exchange.

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

1. We acknowledge that we are responsible to determine that the Group and Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.⁵
3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Authority financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Group or Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
 - Involving financial improprieties
 - Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Authority financial statements
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority financial statements, but compliance with which may be fundamental to the operations of the Group and

¹ ISA (UK) 580.10 and ISA (Ireland) 580.10; ISA (UK) 210.6(b)(i) and ISA (Ireland) 210.6(b)(i)

² ISA (UK) 210.6(b)(ii) and ISA (Ireland) 210.6(b)(ii)

³ ISA (UK) 450.14 and ISA (Ireland) 450.14

⁴ ISA (UK) 450.A29-1 and ISA(Ireland) 450.A24-1

⁵ ISA (UK) 240.40(a) (Revised May 2021) **Page 282**

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Authority'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. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect on the consolidated and parent Authority financial statement.

3. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Authority financial statements⁶

4. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the date of this letter.

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

6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.⁷

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

8. From the date of our last management representation through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorised access to our

⁶ ISA (UK) 580.11(b)

⁷ ISA (UK) 540.37 (Revised))

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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 unauthorised access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

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

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 41 to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.⁸
4. No other claims in connection with litigation have been or are expected to be received.

E. Going Concern

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

F. Subsequent Events

1. Other than described in Note 46 to the consolidated and parent Authority financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the Annual Governance Statement for 2024/25 is a true reflection, in all

⁸ ISA (UK) 501.12

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material respects, of the governance arrangements and the effectiveness of those arrangements in 2024/25 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

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

I. Climate-related matters

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

J. Ownership of Assets

1. Except for assets recognised as right-of use assets in accordance with IFRS 16 Leases, the Group and Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Group and Authority's assets, nor has any asset been pledged as collateral. All assets to which the Group and Authority 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 consolidated and parent Authority 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.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the value of the Group and Authority's share of the pension fund assets and liabilities and the value of Authority and Group's land and buildings and investment properties and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and parent Authority 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.

L. Estimates

- Pensions Liability
 - Property, Plant and Equipment and Investment Properties – valuations, impairments and depreciation
 - Provision for Impairment of Receivables
 - Stock valuations
1. We confirm that the significant judgments made in making the fair value of Property, Plant and Equipment, Investment Properties, provisions, stock valuations and pension fund asset and liabilities have taken into account all relevant information of which we are aware.

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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 above estimates.
3. We confirm that the significant assumptions used in making the above estimates appropriately reflect our intent and ability to carry out our statutory services on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and parent Authority financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
5. We confirm that appropriate specialised skills or expertise has been applied in making the above accounting estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent Authority financial statements.

Yours faithfully,

(Chief Financial Officer)

(Chairman of the Audit Committee)

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Appendix 1

Uncorrected misstatements	Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
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		Prior period Debit/(Credit)	Non taxable
(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		
Judgmental misstatements:										
Investment Property - M&S valuation misstatement										
Financing and Investment Income and Expenditure									2,604,900	
Investment Properties		(2,604,900)								
Prior year uncorrected misstatement - Other Sundry Debtors Bad Debt Provision - provision provided was based on the 22/23 levels instead of the current year calculations										
OSD BDP										
Bad Debts Expense									(2,466,100)	
Factual misstatements:										
Prior year uncorrected misstatement - Council Tax Bad Debt Provision - Incorrect calculation. Impact on the collection fund as a whole										
BDP									385,362	
Council Tax BDP										
Prior year uncorrected misstatement - The closing provision on the Council's Balance Sheet is inconsistent with the figures calculated by the external specialist.										
NDR Appeals									839,533	
Provision										
Total of uncorrected misstatements	0	(2,604,900)	0	0	0	0	0	2,604,900	(1,241,185)	

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Kathy Freeman
Strategic Director of Resources

Resources

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Date XX February 2026

www.havering.gov.uk

Hassan Rohimun

Ernst & Young
2 St Peter's Square,
Manchester,
M2 3EY

Dear Hassan,

2024/25 Havering Pension Fund

This letter of representations is provided in connection with your audit of the financial statements of Havering Pension Fund ("the Scheme") and examination of the Scheme's summary of contributions for the year ended 31 March 2025. 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 (or 'present fairly, in all material respects') the financial transactions of the Scheme during the year ended 31 March 2025, 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and contain the information specified in Regulation 3A of the Audited Accounts Regulations and making a statement about contributions.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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2. We confirm that the Scheme is a Registered Pension Scheme. We are not aware of any reason why the tax status of the Scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements 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 Scheme in accordance with applicable law the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, 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 Scheme 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 2024/25 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 Appendix 1, 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 private market funds are issued quarterly in arrears; therefore, the valuations as at 31 March are not available before the closure of accounts deadline. The Custodian reflects these updated market values in the following quarter. These timing differences will continue to give rise to potential valuation variances each year for as long as the Fund holds these assets.

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

1. We acknowledge that we are responsible to determine that the Scheme'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 Scheme year or subsequently concerning matters of non-compliance 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 Scheme (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

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- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Scheme'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 Scheme'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 Scheme rules.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect on the financial statements
5. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members and of the management of the Fund held through the *[period]* to the most recent meeting on the following date: *[list date]*.
6. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Scheme'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.
7. We confirm the completeness of information provided regarding annuities held in the name of the members of management of the Fund.
8. 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 2024/25.

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9. 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.
10. No transactions have been made which are not in the interests of the Scheme members or the Scheme during the year or subsequently.
11. 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) unauthorised 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 unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
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 the 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 annual report, 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 Scheme's financial statements and schedule of contributions/payment schedule.

H. Independence

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

I. Derivative Financial Instruments

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

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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 2025 and dated [\[date of report\]](#) 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 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 are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
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 estimates and disclosures in the financial statements,

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.

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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 Scheme's ability to continue as a going concern. We do not intend to wind up the Scheme. 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 Scheme'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 in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of International Reporting Standards aligned with any statements we have made in the other information or other public communications made by us.

Yours faithfully,

Chief Financial Officer

Chair of Audit Committee

Date

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Appendix 1

London Borough of Havering Pension Fund

Period Ended: 31-Mar-2025

Currency: GBP (£)

Uncorrected misstatements Account (Note 1)	Analysis of misstatements Debit/(Credit)						Income statement effect of the current period		Income statement effect of the prior period	
	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Timing difference associated with the availability of Level 3 asset valuation statements										
Investment Assets		3,479,145								
Change in Market Value							(3,479,145)		(1,413,785)	

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Havering Annual Governance Statement 2024/25

ANNUAL GOVERNANCE STATEMENT 2024/25

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 Executive Leadership Team (ELT).

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 due for review, and this will take place in 2025. www.havering.gov.uk/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. Amendments to the scheme of delegations and main constitutional articles were presented to governance committee in February 2025 and thereafter approved by Full Council in March 2025.

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.

Executive Leadership (ELT and ELG)

ELT (formerly SLT, Senior Leadership Team) is Executive Leadership Team and members are the CE, Strategic Directors & Directors.

ELG (formerly CLT, Corporate Leadership Team) is Executive Leadership Group and members are ELT and Assistant Directors / Business Partners.

ELT meetings generally take place weekly, running on a rolling basis by theme (People, Place, Resources & Performance). The Themed Board for each theme then follows two weeks after the ELT meeting. ELG meetings happen every 6 weeks.

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 coordinated 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 2024/25 the Board met on 4 June 2024, 17 September 2024, 3 December 2024 and a meeting scheduled for 4 March 2025. An Annual General Meeting is yet to be arranged. 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 5th November 2024.

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.

Head of Assurance Opinion 2024/25

The Head of Internal Audit (Head of Assurance) provides an annual opinion to the Audit Committee on the Council's governance, risk management, and control framework. The opinion is based on a risk-focused audit plan, adjusted throughout the year to reflect changing risks. From April 2025, the Global Internal Audit Standards (GIAS) replace the Public Sector Internal Audit Standards (PSIAS).

For 2023/24, Reasonable assurance was given overall. Procurement and contract management were highlighted as significant risks. Significant work has been undertaken by the Council to mitigate this risk during 2024/25 and continue into 2025/26.

The internal audit programme of work for 2024/25 identified four areas where only limited assurance could be provided on the control environment. These issues are isolated and not indicative of systemic failure. Management actions are in place and monitored. Therefore, based on the work undertaken and finalised reports at the end of the 2024/25 financial year, reasonable assurance could be provided that there is generally a sound system of internal control across the Council.

However, instances of potentially fraudulent activity identified in the final quarter of 2024/25 and a control failure in the Temporary Accommodation service do highlight a weakness in the management of budgets across the Council, that covers the 2024/25 period and, in some cases, prior to this year. Although the fraud cases are still being investigated and details cannot be provided in this report, these incidents highlight common issues regarding the robustness of management oversight of expenditure in each of the respective services. Given that these fraud cases have all occurred in distinct business areas, this gives rise to concern that budgets are not being monitored effectively and increases the risk that the Council is incurring unnecessary expenditure.

Given the issues identified, but not yet reported to Audit Committee fully, in the latter half of 2024/25, the Head of Audit can only provide **limited assurance** on the overall effectiveness on the control environment, specifically the management and oversight of departmental budgets and expenditure. This opinion is also based on the impact that such losses and errors will have on the limited resources the Council has available to discharge its duties.

Risk Management

The strategic risks to the achievement of the Authority's objectives are captured within a strategic risk register which is overseen by ELT and progress reported to the Audit Committee. Work has continued during 2024/25 to review risk registers, fully embed the process and to ensure that the strategic risk register continues to reflect 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 is required to publish its draft statement of Accounts for 2024/25 by 30 June 2025. The audit opinion and completion certificates for the 2020/21, 2021/22 and 2022/23 accounts were issued on 10 December 2024. The audit opinion for the 2023/24 accounts was received on 26 February 2025. The Council and Group financial statements for 2021/22, 2022/23 and 2023/24 received disclaimed opinions; this was as a direct result of the Government's introduction of statutory backstop dates for local audit. 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 2024/25, 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:

- 95 data breaches reported between 1st April 2024 and 31st January 2025
- 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 85% 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.

Complaints

In 2024, following the transformation programme initiated in 2023, it became clear that modifications were necessary. While our services have continued and a corporate system has been successfully implemented, certain areas were identified as needing restructuring. Measures were put in place, and an informal structure was implemented in mid-2024. As a result, we have seen improvements in service delivery. Although ongoing efforts are required to keep the service on track, the Senior Management Team is rolling out plans for 2025 to further enhance the service experience. Below are some of the areas that have been improved and are planned for further improvement:

1. **Team Structure:** The team has remained centralized and has been divided into three areas focusing on specialist knowledge and skills. Officers have received training to ensure as much as possible, that they are equipped to handle complaints and are knowledgeable about service areas. This training will continue throughout 2025.
2. **Policy:** The new consolidated Policy was implemented on December 1, 2023. An annual review was scheduled for November 2024. A new draft has been completed, aligning the Policy with the Housing Ombudsman Compliance Code for handling complaints, effective since April 2024. Additionally, it will align with the Local Government Social Care Ombudsman Compliance Code, due in April 2026, and the Social Housing Regulator. The new Policy is expected to be approved and published in the first quarter of 2025.
3. **Reporting:** Following the centralization of all teams into one corporate team, we have seen improvements in timely responses, particularly for Stage Two and Ombudsman cases. Power BI reporting was implemented in 2024 to provide instant live data reporting from the corporate system and to enhance learning from complaints. Power BI will be further enhanced in 2025 to publish our learnings on the website for stakeholders to view.
4. **Improvements:** Improvements initiated in 2024 include reviewing the corporate system to ensure effective data use and compliance in complaints handling. Annual reports have been completed centrally to meet compliance with legislation and governance.

Complaint handling feedback surveys are being designed to be sent with every complaint to ensure continuous learning and improvement. Further improvements are planned for 2025.

Overall, the service faced challenges in the first two quarters of 2024, but significant improvements were implemented and observed in the last two quarters. We will continue to drive enhancements to provide a robust, fair, and transparent service to our customers.

Ombudsman

All Council Services with the exclusion of Housing (except Housing Demand) falls under the jurisdiction of the Local Government and Social Care Ombudsman (LGSCO). In the year 2024/25, a total of 63 Ombudsman cases were received from the LGSCO.

- Adult Social Care Services: Seven cases were received, with the LGSCO reaching a determination on three cases. One case was closed after initial enquiries, and two cases were upheld.
- Children's Social Care Services: Thirteen cases were received, with the LGSCO reaching a determination on four cases. Two cases were closed after initial enquiries, one case was declined as outside of LGSCO jurisdiction, and one case was upheld.
- Other Areas (including parking, homelessness, and education): Forty-three cases were received, with the LGSCO reaching a determination on twenty-three cases. Nineteen cases were not upheld, and four cases found failures in the services.

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 2024/25 annual statement was published in July 2024 following approval at Governance board. The statement outlines the risks identified in relation to modern slavery and planned steps to ensure the importance of Modern Slavery is being considered more widely across the whole organisation. This was our second annual transparency statement and work is already underway reviewing and updating this for 2025/26, which will be published by July 2025 in line with legal requirements of within 6 months of our financial year-end.

Progress of significant governance issues raised in the 2023/24 AGS

The issues identified in the 2023/24 Annual Governance Statement have been monitored by management and the Executive Leadership Team (ELT) throughout the year with review periodically to challenge actions and progress. Whilst progress has been made during 2024/25 in each of the areas identified in the 2023/24 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 three Significant Governance Issues.

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

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 Council 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 2024/25

- Monthly reports provided to the Executive 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 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.

- 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 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.
- 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 delivering
 - 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
 - Robust baselining of all budgets including metrics
 - Accurate monitoring of the cost drivers linked to financial pressures 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 MHCLG to raise awareness of the Councils continued financial position
 - Reports to MHCLG as required to meet all requirements of the Capitalisation Directives
 - Forward planning of the 25/26 position including dialogue with MHCLG 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.

Status as of 31st March 2025

The Council set its budget for 2024/25 including a Capitalisation Directive of £32.5m. The budget process leading up to the tax setting process had identified at an early stage that additional support would be needed despite £15.3m of savings proposals and a 4.99% Council Tax increase. The Government provisionally approved the Capitalisation directive subject to the development of a transformation plan and an independent review of the Council's finances.

In June 2024 CIPFA we commissioned to undertake a 6 week review of the Councils finances. This review was completed and the results were eventually released by the Government in

February 2025. The Council will be proactively actioning the recommendations of the report over the next year. The Council submitted a transformation plan to full Council in July 2024

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 of £32.5m. The Council has actioned spending controls and continually reviewed efficiency measures but despite this the monitoring position forecast throughout the year has projected spend at or around the worst case figure of £32.5m. The final outturn position was £30.4m overspent which is the extent of the capitalisation directive utilised.

The pressures are all caused by underlying cost issues across Social Care and Homelessness and as these are all ongoing the Council has prudently fully included them in the development of the 2025/26 budget. The Council has taken every measure it can to contain spend in 2024/25 including the set up of recovery boards and recruitment panels to monitor all staffing including agency. A number of actions listed above will continue into the 2025/26 financial year.

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 2024/25

- 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
- 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 ELG.
- Creation of fit-for-purpose Records of Processing Activity (RoPA) and Information Risk management processes agreed with Directorates.

Status as of 31st March 2025

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 2024/25 (to be addressed in 2025/26)

1. Delivery of a balanced budget 2025/26: The Council was only able to set a balanced budget for 25/26 with exceptional financial support, through the form of a capitalisation direction. MHCLG approved a capitalisation direction of a maximum of £88m, which was on a worst-case basis. On a mid-case basis, the Council will need to spend an additional £70.2m in addition to the net budget requirement of £205m. This represents borrowing of c35% on our annual revenue expenditure. The position includes over £10m of savings agreed for 25/26. Heads of service, assistant directors and directors will be asked to sign off a budget assurance statement, confirming they will do everything in their control to manage their budgets within the existing financial envelope allocated to them. It has been made that budgets will be allocated within the mid-case scenario, so not to increase the Council's structural budget deficit. Managers will also be asked to develop their commissioning/procurement pipeline on the Corporate Contracts register, seeking better value in re-procurement exercises.

The Council's unit costs have increased compared to where we were in previous years to bring our costs more in line with other boroughs, however, compared to the national average, Havering's unit costs are still lower.

More work is needed to embed the financial management culture throughout the Council. Managers will be asked to continually deep dive into overspending areas and Finance recovery boards will continue to hold directors to account on delivery of savings, actions and actions being taken to reduce their expenditure and increase income.

Actions taken during 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 MHCLG to raise awareness of the Council's continued financial position
- Reports to MHCLG as required to meet all requirements of the Capitalisation Directives
- Forward planning of the 25/26 position including dialogue with MHCLG 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

Planned actions for 2025/26

- Continue to lobby the Government and proactively contribute to the forthcoming Local Government Finance reforms
- Recruitment panels in place to control all new staff placements
- Continuation of recovery boards to closely monitor and control all council spend
- Star Chamber process to systematically review all services to identify efficiencies and savings moving forward
- Robust procurement to maximise benefit of new and existing contracts
- Delivery of the Capital programme to create longer term Housing solutions to mitigate the Council's temporary accommodation pressures
- Joint work with Health to achieve common aims and priorities whilst ensuring a fair distribution of funding

- Robust baselining of all budgets including metrics
- Accurate monitoring of the cost drivers linked to financial pressures to fully understand emerging budget pressures
- Action plans set up where necessary to ensure delivery of the savings included in the 25/26 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
- Debt Board to operate to review debt collection methods and processes
- Review of all reserves and balances to both test adequacy but also to allow any surplus funds to be released to support the overall revenue position
- Budget sign offs of 2025/26 budgets by managers to ensure full ownership of both monitoring and savings delivery
- Savings delivery to be reviewed through the year and reported to Overview and Scrutiny

Lead Officer: Strategic Director, Resources

2. Council's ability to successfully end the existing onsource IT shared service with LBN by 31st December 2025. This includes both the required technical disaggregation and return of staff.

Actions taken during 2024/25

- Established Havering specific programme governance to review progress and programme/project related risks.
- Joint split programme board with LB Newham to monitor progress as a whole.
- Sign off of Havering target operating model for Digital and IT sovereign service.
- Consultation started.
- Havering technology roadmap agreed to deliver both technical disaggregation work from LB Newham and to also modernisation activities.
- Award of Havering specific MS License agreement.

Planned actions for 2025/26

- Continued delivery of Havering technology roadmap – progress monitored via continued Havering specific and joint split programme governance
- People change activities for staff returning to the borough

Lead Officer: Strategic Director, Resources

<p>3. Procurement: Weaknesses in the governance arrangements for procuring goods and services may be compounded by resourcing issues, effective link in with commissioning, and changes to the scheme of delegation and new regulations during 2024.</p>
<p>Actions taken during 2024/25</p> <ul style="list-style-type: none"> • 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, provide 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 Director approval early 24/25. • 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.
<p>Planned actions for 2025/26</p> <ul style="list-style-type: none"> • Centralisation of social value will be adopted underpinned by the new social value policy to enable clear understanding of the commitments made, the ability to track and record outputs and finally to enable accurate reporting. • Implementation of a new e-procurement tool that will look end to end in the procurement and contract management cycle to enhance visibility in the process and governance. • Complete the re-draft of the Contract Procedure Rules (CPR's) to include new legislative requirements under the Care Act 2022 and the Procurement Act 23.
<p>Lead Officer: Strategic Director, Resources</p>

<p>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 – resulting in the corresponding Children's Services Improvement Plan which will continue until full LACS inspection, likely to be in 2025-26.</p> <p>Ongoing monitoring by Ofsted and DfE. Ofsted monitoring visit reports will be published from April 2025. An Area SEND Inspection is also due alongside the ILACS framework.</p>
<p>Actions taken during 2024/25</p> <ul style="list-style-type: none"> • 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 Starting Well reorganisation to deliver improvements by 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.
<p>Planned actions for 2025/26</p> <ul style="list-style-type: none"> • Completion of Phase Two of the Starting Well reorganisation to deliver improvements within the Early help services by end of May 2025 • Following the review of Case recording System in 2024-2025, corresponding remedial work by December 2025 • Development of AI apps to support managers and staff to improve • Improvement programme in line with improvement plan delivered with overview from the practice improvement board and practice Improvement oversight board • Further corporate investment of £7.7m
<p>Lead Officer: Director of Starting Well</p>

<p>5. A number of control failures have been identified towards the end of 2024/25 across three service areas. Reviews undertaken of these incidences have highlighted a combination of inconsistent application of the financial framework and poor management oversight in a limited number of areas. These issues have led to financial inefficiencies, potentially resulting in a misallocation of resources, which may have impacted on service delivery within the areas affected, ultimately resulting in financial loss to the Council. In all incidences, both the first (service delivery and day-to-day management of risks) and second (support, advisory and monitoring responsibilities) line of defence were ineffective.</p>
<p>Actions taken during 2024/25</p>
<ul style="list-style-type: none"> • Initial internal audit reviews have taken place and, where applicable, fraud investigations remain underway. • A summary of the issues, causes and actions provided to Audit Committee with members requesting a follow up within 6 weeks. • Work underway by finance
<p>Planned actions for 2025/26</p>
<ul style="list-style-type: none"> • Follow up to be provided to Audit Committee in June 2025 • Additional reviews added to the Internal Audit Plan 2025/26
<p>Lead Officer: Strategic Director, Resources</p>

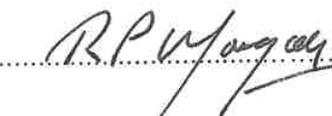
We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as 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 31st July 2025

Chief Executive



Date 31st July 2025

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Audit Committee

	24 February 2026
Subject Heading:	Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy 2026/27
ELT Lead:	Kathy Freeman Strategic Director of Resources
Report Author and contact details:	Mark White Capital Strategy Manager Tony Piggott Treasury 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 24 th February 2026.
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
Resource – 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

For the reasons set out in the report and its annexes, Audit Committee is asked to:

1. Consider and comment on this report.

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 2026/27

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 MUFG Corporate Markets, assist the Authority with determining its view on interest rates. The PWLB 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

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

- 3.1.2 A combination of tepid growth (02.%q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.2%), and a November budget that will place more pressure on the majority of households income, has provided an opportunity for the Bank of England’s Monetary Policy Committee (MPC) to further reduce the Bank Rate from 4.0% to 3.75% on the 18 December 2025 .
- 3.1.3 Looking forward further cuts in the Bank rate are forecast during 2026/27.
- 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 MUFG Corporate Market’s forecast, in table 1 above as inflation continues to fall in 2026.

Table 2: PWLB Rates on 9 January 2026

Duration	Standard Rate %	Certainty Rate %	HRA Rate %
1 year	4.56	4.36	3.96
2 years	4.66	4.46	4.06
5 years	4.96	4.76	4.36
10 years	5.52	5.32	4.92
25 years	6.09	5.89	5.49
50 years	5.87	5.67	5.27

- 3.1.5 Officers reviewed other economic forecasts and found there is a consensus that rates are trending down. Officers agree that long term borrowing should be on shorter durations (1-5 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 2025 the Authority had cash balances of £117.0m, this had reduced to £18.4m by 31 December 2025. 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. It should be noted that cash balances were particularly low on the 31st December due to an early salary payment date and the effects of the holiday period. Cash levels have increased immediately after the holiday period and currently are a little above the liquidity buffer of £40m.
- 3.2.3 The Capital programme spend 2025/26 through to 2028/29 is £1.05bn of which £650m is HRA and £245m is Regeneration. This will change if new government capital grants are announced.
- 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, based on 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 has set its external borrowing below the 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 2026/27 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	•	•
Overdraft		•
Negotiable Bonds	•	•
Internal reserves & balances	•	•
Finance leases	•	•

3.2.10 The preferred strategy, as agreed with MUFUG Corporate Markets 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 who 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 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. Treasury officers and MFUG Corporate Markets 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.
- 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 as at 31/12/25

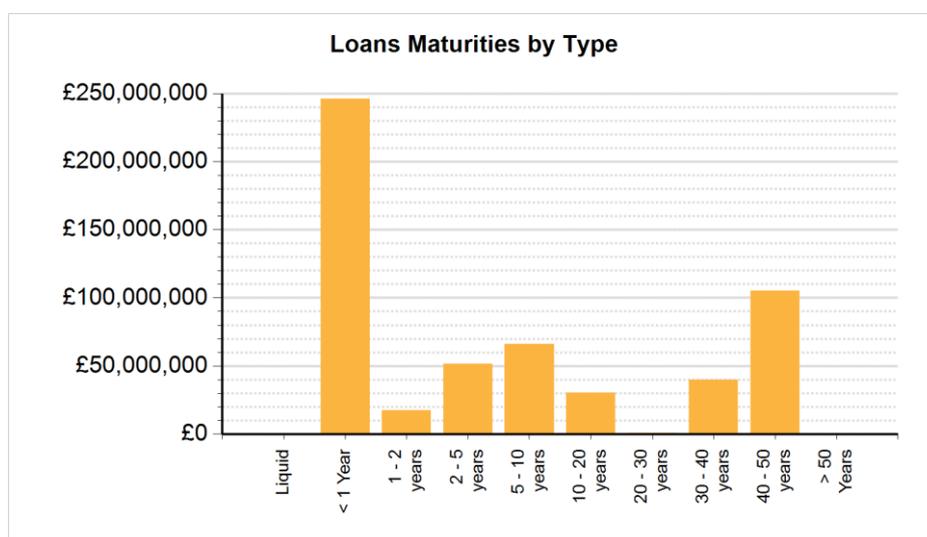


Table 3: debt maturity profile as at 31/12/25

Duration	Amount £'000	% of total %	Average rate %
< 1 year	256.0	45.2	4.51
1 to 2 years	17.5	3.1	3.11
2 to 5 years	51.5	9.1	3.24
5 to 10 years	66.1	11.7	3.32
10 to 20 years	30.2	5.3	3.48
20 to 30 years	0.6	0.1	0.38
30 to 40 years	40.0	7.0	4.78
40 to 50 years	105.0	18.5	1.53
Total	566.9	100	3.62

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 CIPFA Prudential Code

- 3.3.1 The CIPFA Prudential Code sets out a statutory framework designed to ensure that capital investment plans are affordable, prudent and sustainable, and that treasury management decisions are aligned with an authority's long-term financial position.

- 3.3.2 The Prudential Code requires authorities to demonstrate:

- Affordability – capital investments and borrowing plans must be affordable in both the short and long term, with particular emphasis on the revenue implications of borrowing (i.e. interest and MRP) and their impact on the revenue budget.
- Prudence – borrowing must not exceed the Authority's Capital Financing Requirement (CFR) except in the short-term and must not be undertaken for revenue purposes unless exceptional financial support has been granted.
- Sustainability – external debt levels and the associated ongoing revenue costs must be sustainable over the life of the capital plans and beyond
- Risk Management – authorities must consider the risk associated with interest rates, cash flow, refinancing, exposure to commercial risk and long-term liabilities
- Transparency and decision making – indicators must be approved by Council, monitored regularly and clearly reported

- 3.3.3 The Authority is required to set and monitor a suite of prudential indicators, most of which are contained in Appendix 2. These indicators provide assurance to Members that the capital plans and treasury strategies meet the code requirements. A review of the Authority's forecasts against each of the key indicators confirms that the proposed capital programme is compliant with the requirements of the CIPFA prudential code with the assessment summarised later in this section.

- 3.3.4 Whilst the capital programme can be demonstrated as fully compliant with the Prudential Code, what does not meet the affordability and sustainability requirements of the code is the projected borrowing as a result of the exceptional financial support. Projected borrowing as a direct result of the increase in CFR from the EFS leads to further compounding of capital financing costs leading to an even higher borrowing requirement.
- 3.3.5 With no solution to the revenue pressures which is further compounded by the additional financing costs associated with the borrowing for the EFS, unless borrowing specifically for the EFS can be provided with no additional cost to revenue, then the financial situation is simply not affordable nor sustainable. This would be in full breach of the Prudential Code but not as a result of the capital programme which is set to try and ease revenue pressures through the large regeneration projects and invest to save initiatives which support the revenue budgets.
- 3.3.6 The non-compliance with the code is clearly shown in the EFS Prudential Indicators, a key requirement of the code, where the GF borrowing requirement rises from the current figure of £30m for EFS, up to £346m in just 4 years (Appendix 2, table 4).
- 3.3.7 The increase in the statutory charge to revenue as a result of the forced increased borrowing to fund the EFS means an increase from the 24/25 figure of £760k to a staggering £28.6m in 2028/29, a time period of just 4 years. With further compounding of interest and borrowing repayments to follow, the financial situation is clearly not in the least affordable or sustainable and therefore non-compliant with prudential code.
- 3.3.8 There is no better indication of the impact this will have on residents than to show the financing costs from EFS as a ratio of income from Council Tax (Appendix 2, table 9). Currently the ratio was just 0.5% in 2024/25 but based on the current forced borrowing required as part of the EFS, this increases to almost 15%. Effectively meaning 15% of a residents Council Tax bill is going towards the financing costs due to the Council being underfunded rather than helping support front line services.
- 3.3.9 Setting aside the impact of the EFS on Authority's finances which have been shown to be non-compliant with the Prudential Code, the remaining GF and HRA capital programmes can be demonstrated as fully compliant with the code, though not without risks.
- 3.3.10 **Affordability and Sustainability Indicators** – These indicators consider the extent to which revenue consequences of capital investment place pressure on the Authorities finances and are driven by the capital financing requirement or underlying need to borrow (Appendix 2, table 4). Borrowing as a result of service spending over the 4 year period prescribed by the code only increases from £156m in 2024/25 to £197m in 2028/29, less than £10m per year. Regeneration borrowing climbs higher rising from £90m to £246m over the same time period however this supports a large programme of regeneration which, whilst not being the primary objective, generates significant revenue income to offset the financing costs.

- 3.3.11 This is demonstrated by showing percentage of financing costs to Council Tax yield (Appendix 2, table 9) where borrowing as a result of service capital spend increase by just 1% in 4 years rising from 8.2% to 9.2% in 2028/29. The same increase relating to regeneration capital spending is under 5%. The growing cost of servicing the additional service and regeneration borrowing is carefully managed and built into the MTFs often offset by additional income streams as a result of the capital spend.
- 3.3.5 **HRA Affordability Indicators** – the HRA CFR is forecast to rise from £430.9m to £729.1m by the 31st of March 2029 (set out in appendix 2, table 4). While the code permits no MRP charge within the HRA, the revenue impact is borne through higher interest costs. With financing costs approaching 50% of rental income, there is an affordability constraint that may limit future investment capacity but is not considered to be unaffordable.
- 3.3.6 Given the growing size of the HRA borrowing requirement, Long-term HRA borrowing will only be undertaken when rates are favourable to ensure financing costs remain stable.
- 3.3.7 Whilst these affordability and sustainability indicators show compliance with the code, they do highlight significant affordability pressures, and the need for continuous monitoring and mitigation.
- 3.3.8 **Borrowing and the Capital Financing Requirement** – The Prudential Code requires that gross external borrowing does not exceed the CFR over the medium term. Table 7 in appendix 2 shows that forecast gross external debt over the medium term is within the CFR forecasts and thus demonstrating that the Authority is maintaining a prudent level of internal borrowing and continues to comply with the Code's requirement not to borrow above need.
- 3.3.9 **Operational Boundary and the Authorised Limit** – The Authority's external debt forecasts over the MTFs period remain within both the Operational boundary and the Authorised Limit, as set out in tables 5 and 6 of Appendix 2. These limits reflect the maximum prudent and legal borrowing levels. This confirms compliance with the statutory borrowing controls under the local Government Act 2003 and the Prudential Code.
- 3.3.10 **Risk Management** – While the Authority faces significant risks arising from the increasing levels of debt, the revenue impact of servicing that debt, and exposure to movements in interest rates, a comprehensive suite of mitigation actions is already in place. These measures ensure that the Authority remains compliant with the Prudential Code through the combination of:
- Disciplined treasury management
 - Strengthened cash flow control
 - Integration with the MTFs
 - Enhanced governance
 - Robust oversight of regeneration and HRA business plan through the respective boards

- 3.3.11 HRA and regeneration business plan updates all include detailed stress-testing of rent levels, inflation assumptions and other key data inputs to ensure risk management is maintained at a high level.
- 3.3.12 The authority has a clear, credible and proactive approach to mitigating the key risks arising from its debt profile and capital plans. These measures support continued compliance with the Prudential Code and help ensure the long-term risk management of the Authority's financial strategy.
- 3.3.12 **Transparency and Decision Making** – to ensure transparency and compliance with the Prudential Code the reporting of treasury to Cabinet and Members is set out in section 3.5.1 below and meets regulatory requirements. In addition to the statutory reporting, the treasury position is reported monthly to the lead Member for Finance with additional supplementary reports submitted to Audit Committee which meets on a quarterly basis.
- 3.3.13 Any material deviation from the approved indicators (e.g. CFR changes, rising finance costs, or liquidity risks) will be reported promptly to Cabinet, Audit Committee and the S151 officer.
- 3.3.14 the above approach ensures that Members maintain a clear line of sight over emerging risks relating to the treasury and capital functions and can take timely corrective action ensuring that the Prudential Code is adhered to.
- 3.3.15 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.
- 3.3.16 The purpose of these is 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.
- 3.3.17 Overall Conclusion – Based on the indicators set out in Appendix 2 the Authority meets the requirements of the CIPFA Prudential Code and remains compliant with all statutory borrowing limits so far as the setting of the capital programme is concerned. However, the forecasts do demonstrate that the Authority is entering a period of significant financial risk driven by:
- Rapidly rising CFR and debt servicing costs for both the GF and HRA
 - Increased reliance on short-term borrowing
 - Higher exposure to interest rate and refinancing risk
 - Growing pressure on both the GF and HRA revenue budgets

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). Non Treasury investments are covered in the capital strategy report.

- 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 to managing risk and, its minimum credit criteria is set out in Appendix 5. The Authority's investment strategy has not changed from the 2025/26 TMSS which was approved by full Council as part of the 2025/26 budget setting process.
- 3.4.5 Investments will refer 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 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 at any time. 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 Treasury Management Regulation

3.5.1 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 the Audit Committee.

3.5.4 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

3.5.5 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.

3.5.6 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.

3.5.7 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.
- 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.

3.5.8 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

3.5.9 The Authority uses MUFG Corporate Markets as its external treasury management adviser; the contract was procured through a framework and commenced on 1 July 2024 and is due to expire on 30 June 2029.

- 3.5.10 The Authority recognises that responsibility for treasury management decisions always remains with the organisation 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.
- 3.5.11 It also recognises that there is value in employing external providers of treasury management services 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.
- 3.5.12 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 should approve a Treasury Management Strategy Statement, and the Prudential Indicators.

Alternative Options Considered

The MHCLG 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, 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
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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 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 >5y loans once longer term 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 taxpayers to act in good faith in the interests of those taxpayers 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 from of this Report.

Human Resource Implications and Risks

There are no direct Human Resources implications arising because 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.
- (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 socioeconomics and health 20 determinants. There are no direct implications to the Authority's workforce and resident's health and wellbeing because 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

Appendix 2: Prudential indicators & capital expenditure

Appendix 3: Treasury limits

Appendix 4: Policy on borrowing in advance of need

Appendix 5: The Authority's counterparty credit policy, minimum credit ratings criteria

Appendix 6: Specified and non-specified investments

CURRENT TREASURY POSITION

As at 31 March 2025 and 31st December 2025, Investments and borrowings are set out in table 1 below.

Table 1: Treasury Portfolio Position

	Actual 31/03/25		Actual 31/12/25	
	£m	%	£m	%
Treasury Investments				
Government & Local Authorities	117.0	100	18.4	100
Banks & Other Financial Institutions	0.0	0	0.0	0
Total Treasury Investments	117.0	100	18.4	100
Treasury Borrowing				
PWLB	600.1	98.8	549.1	96.9
Bank Loans (LOBO)	7.0	1.1	7.0	1.2
Local Authorities	0.0	0.0	10.0	1.8
Other loans	0.5	0.1	0.8	0.1
Total External Borrowing	607.6	100	566.9	100
Net Treasury Investments/(Borrowing)	(490.6)		(548.5)	

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 2025/26 - 2028/29

Capital Expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund (excluding regen)	32.7	51.7	87.8	42.9	10.2
Regeneration	22.5	30.2	62.8	49.8	55.6
Exceptional financial Support (EFS)	30.4	60.0	77.0	93.0	93.0
Total General fund	85.6	141.9	227.6	185.7	158.8
HRA	75.0	161.5	141.0	128.8	127.7
Total	160.6	303.4	368.6	314.5	286.5

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 2025/26 - 2028/29

Financing of capital expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	Total
Capital Receipts	16.6	60.8	9.9	13.5	5.4	106.2
Capital Grants	26.4	44.8	144.1	36.1	25.4	276.8
Revenue & Reserves	17.2	12.3	15.7	13.4	14.1	72.7
Net financing need for the year (borrowing)	100.4	185.5	198.9	251.6	241.6	978.0

The net financing need for regeneration programme activities included in the above table against expenditure is shown below:

Table 3: Regeneration Programme forecast 2025/26 - 2028/29

Financing of capital expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Capital Expenditure	22.5	30.2	62.8	49.8	55.6
Other Sources of Financing	0.2	0.5	19.1	7.5	0.0
Regen Net financing need for the year (borrowing)	22.3	29.7	43.7	42.3	55.6
Total Net Financing need for the year	100.4	185.5	198.9	251.6	241.6
Regeneration Percentage of total net financing need	22.2%	16.0%	21.9%	16.8%	23.0%

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 asset's 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 is asked to approve the CFR projections below:

Table 4: Capital financing requirement forecast 2025/26 - 2028/29

£m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund Service Spending	156.3	170.2	190.7	195.3	197.3
Regeneration	90.6	117.9	158.0	195.6	245.8
Exceptional Financial support	30.4	88.9	161.4	246.0	326.0
Right of Use Assets (IFRS16)	8.7	3.3	0.0	0.0	0.0
Housing	430.9	500.5	550.2	651.0	729.1
Total CFR	716.9	880.8	1,060.3	1,287.9	1,498.2

Movement in CFR		163.9	179.5	227.6	210.3
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Movement in CFR represented by					
Net financing need for the year (Table 2 above)		185.5	198.9	251.6	241.6
Less: MRP		(14.2)	(17.0)	(20.4)	(25.8)
Less Receipts set aside		(7.4)	(2.5)	(3.5)	(5.5)
Movement in CFR		163.9	179.4	227.7	210.3

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 2025/26 - 2028/29

Operational Boundary £m	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Debt	920.8	1,100.2	1,327.9	1,538.2
Other long-term liabilities	30.0	30.0	30.0	30.0
Total	950.8	1,130.2	1,357.9	1,568.2

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 2025/26 - 2028/29

Authorised Limit £m	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Debt	970.8	1,150.2	1,377.9	1,588.2
Other long-term liabilities	50.0	50.0	50.0	50.0
Total	1,020.8	1,200.2	1,427.9	1,638.2

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	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
External Debt					
Debt at 1 April	452.4	607.6	662.0	860.9	1,112.5
Actual/Forecast borrowing in year	155.2	54.4	198.9	251.6	241.7
Actual gross debt at 31 March cumulative	607.6	662.0	860.9	1,112.5	1,354.2
The Capital Financing Requirement	716.9	880.8	1,060.3	1,287.9	1,498.2
Under / (over) borrowing	109.3	218.8	199.3	175.4	144.0
Prior Year Equivalent CFR estimates	716.2	992.8	1,323.4	1,585.9	-

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 2025/26 - 2028/29

Housing Revenue Account	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
HRA Rental Income	59.0	61.2	65.4	67.8	71.1
Capital Financing Cost	20.7	23.3	26.3	30.0	34.5
Ratio of Financing Costs to HRA Rental Income	35.1%	38.1%	40.1%	44.3%	48.6%
Prior Year Equivalent Ratio	28.5%	32.9%	38.2%	42.5%	-

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 council tax yield (income).

Table 9: Ratio of the General Fund capital financing costs to Council Tax Yield 2025/26 – 2028/29

Service Spending (excluding Regeneration)	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Council Tax Yield	158.0	164.0	174.0	184.0	195.0
Capital Financing Cost	13.0	13.4	15.2	17.6	18.0
Ratio of Financing Costs to Net Revenue Stream	8.2%	8.2%	8.7%	9.6%	9.2%
Prior Year Equivalent Ratio	8.4%	9.3%	10.0%	9.7%	-

Regeneration	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Council Tax Yield	158.0	164.0	174.0	184.0	195.0
Capital Financing Cost	5.4	7.2	9.9	12.8	15.6
Ratio of Financing Costs to Net Revenue Stream	3.4%	4.4%	5.7%	7.0%	8.0%
Prior Year Equivalent Ratio	3.3%	4.6%	7.4%	9.8%	-

Exceptional Financial Support	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Council Tax Yield	158.0	164.0	174.0	184.0	195.0
Capital Financing Cost	0.8	4.5	10.8	18.5	27.3
Ratio of Financing Costs to Net Revenue Stream	0.5%	2.7%	6.2%	10.1%	14.0%
Prior Year Equivalent Ratio	0.5%	3.3%	8.8%	15.8%	-

Total GF	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Council Tax Yield	158.0	164.0	174.0	184.0	195.0
Capital Financing Cost	19.2	25.1	35.9	49.0	61.0
Ratio of Financing Costs to Net Revenue Stream	12.1%	15.3%	20.6%	26.6%	31.3%
Prior Year Equivalent Ratio	12.2%	17.2%	26.3%	35.3%	-

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 the 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.

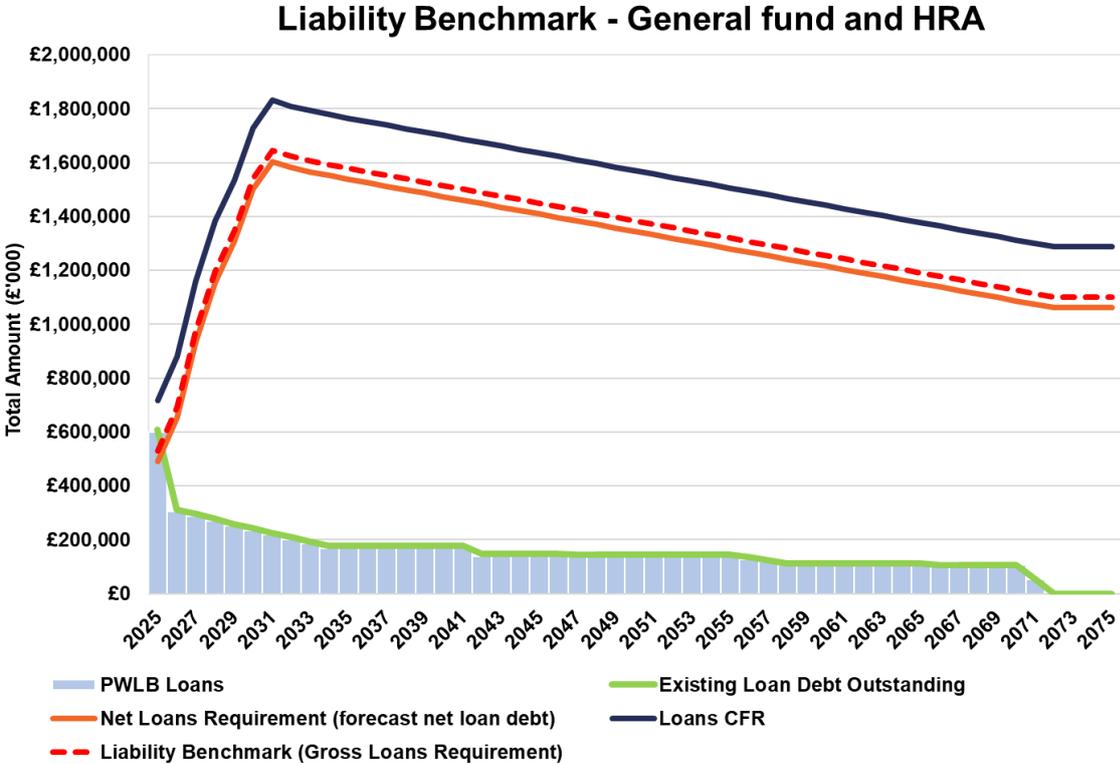
There are four components to the LB:

- 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.

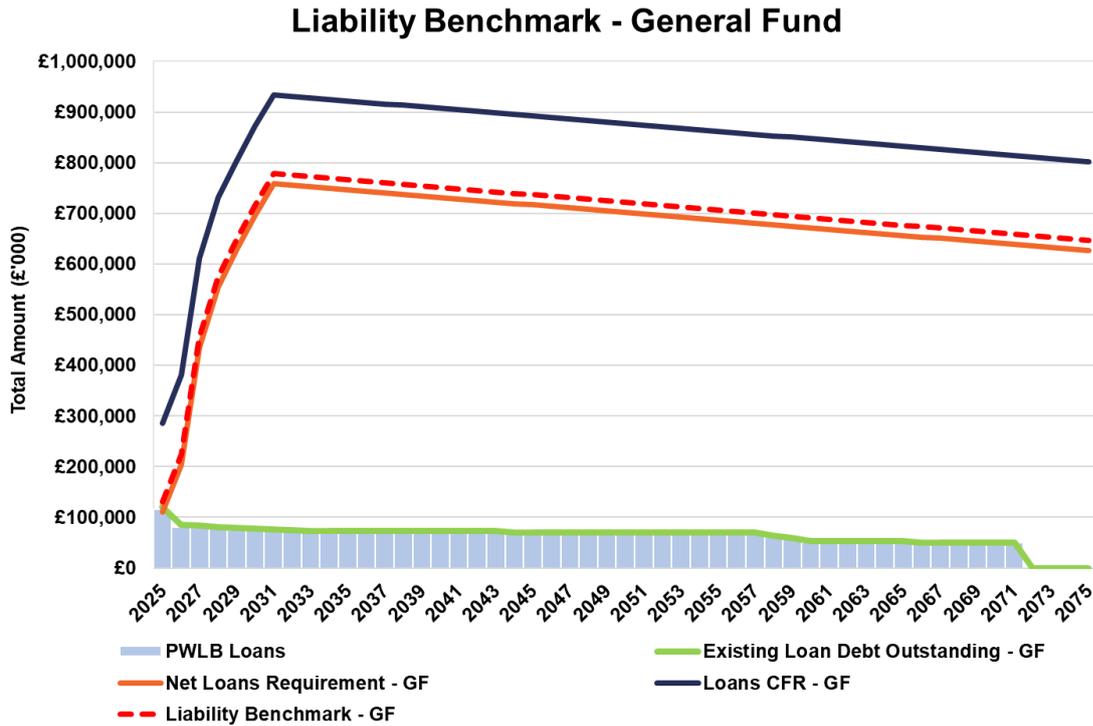
The years where actual loans (Green line) are less than the benchmark (red dotted line) indicate a future borrowing requirement that the Authority will need to fund from external borrowing. Were actual loans outstanding to exceed the benchmark this would represent an over borrowed position, resulting 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.

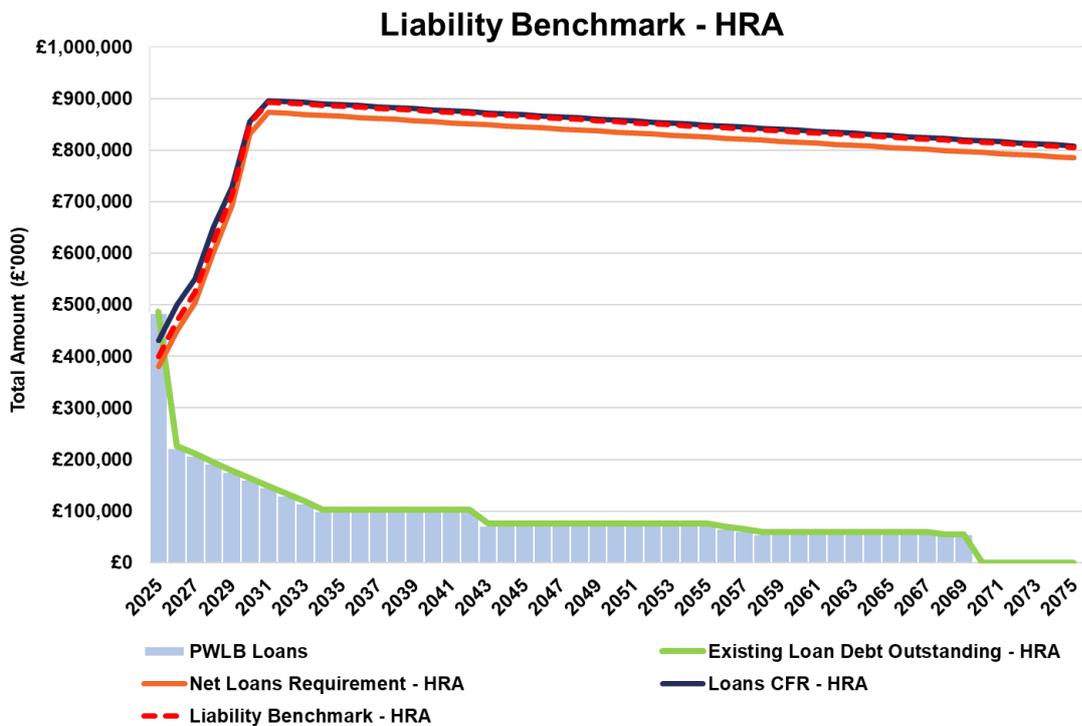
The purpose of the LB is to encourage authorities to use their internal cash reserves to fund growth in their CFR rather than use external debt which is generally more expensive. Moreover, it reduces risk as it reduces the need to externally invest the Authority’s excess cash reserves over long periods 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 2026/27 to 2028/29 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	2026/27	2027/28	2028/29
Principal sums invested for longer than 365 days	£25m	£10m	£10m
Current investments as at 31.12.25 in excess of 1 year maturing in each year	£0m	£0m	£0m

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. 2025/26, plus the estimates of any additional CFR for the year 2026/27 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

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 considered.

Within the parameters set out below the Authority uses the MUFG Corporate Markets (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 2026/27 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 2 years	£15m 3 years	n/a	£5m 3 years	£10m 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

Specified and Non Specified Investments

Specified investments:

The MHCLG 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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AUDIT COMMITTEE 24 February 2026

Subject Heading:

Head of Assurance Progress Report
2025/26

ELT 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 – 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 report in appendix 1 summarises the cumulative outcomes of audit and counter fraud work (1st April to 31st January), 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 2

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 Internal Audit Plan is designed as a dynamic, risk-based framework that remains adaptable throughout the year. Its flexibility ensures that emerging risks and changing priorities are addressed promptly. As a result, higher risk areas may be prioritised for immediate review, which can lead to the deferral of lower risk

audits to subsequent years. This approach enables Internal Audit to focus resources where they deliver the greatest value and assurance.

Appendices:

Appendix 1 – Internal Audit Progress report January 2026

Appendix 2 – Limited Assurance Report Summaries

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications or risks arising directly from this report which is for information only. It is noted that Internal Audit supports the Council in the identification and management of risks and ultimately good governance. Insufficient or ineffective controls may lead to poor service delivery and financial loss. When managers accept audit recommendations, implementation needs to be within approved budgets.

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

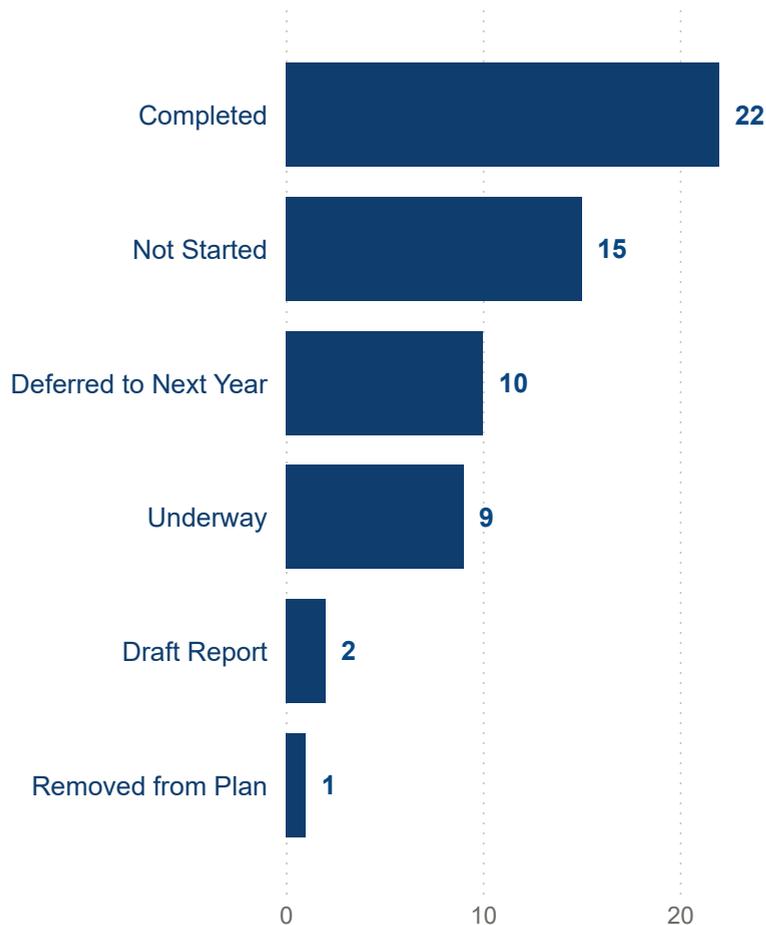
2025/26 Audit Plan Status (January 2026)

Appendix 1

Several audits have been deferred to the 2026/27 Internal Audit Plan. This is largely due to emerging high-risk issues identified during the year that required in-depth review. These have been discussed with the Audit Committee throughout the year.

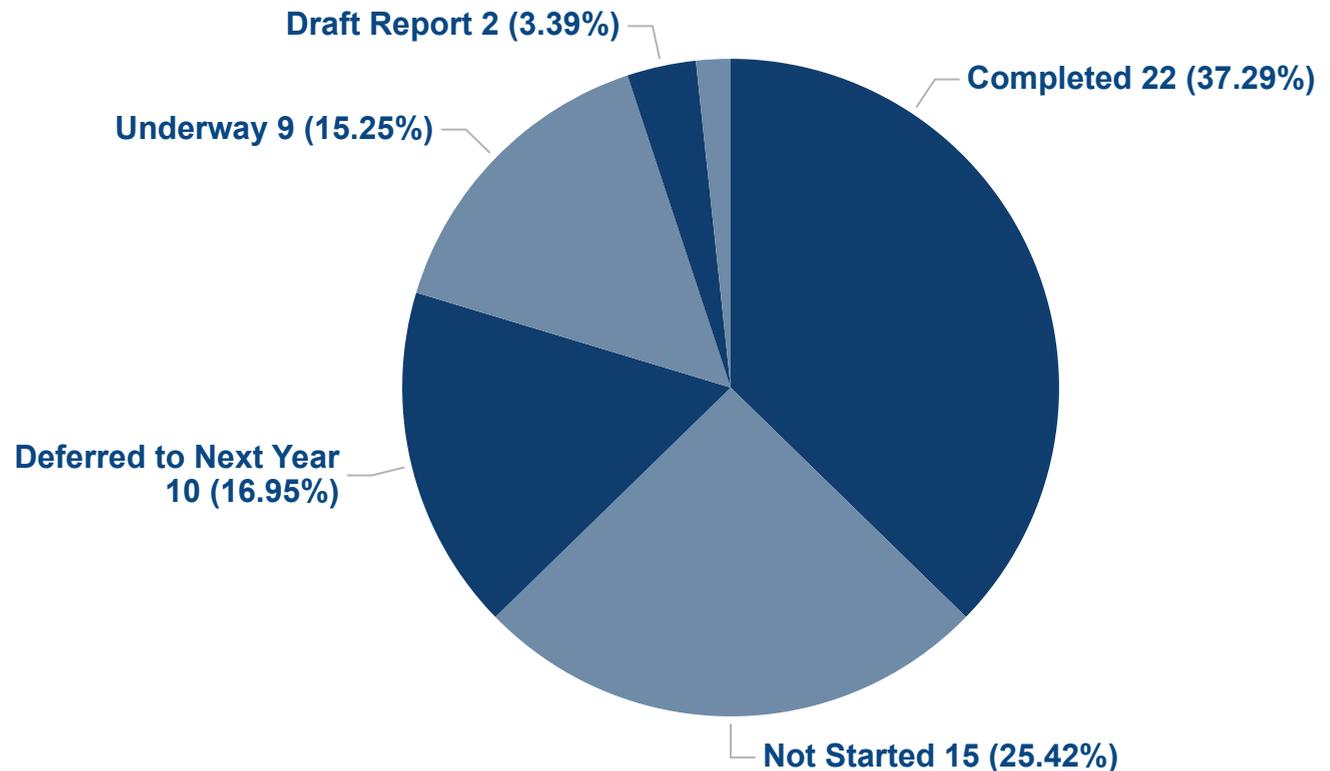
Details of audits proposed for deferral, together with the rationale for each, are outlined on the following page. Where audits have been deferred to release capacity for higher-risk work, this decision has been informed by a risk-based assessment, discussions with the relevant service areas, or consideration of recent reviews within those areas.

Audits by Status



Audits by Status (as a percentage of the plan)

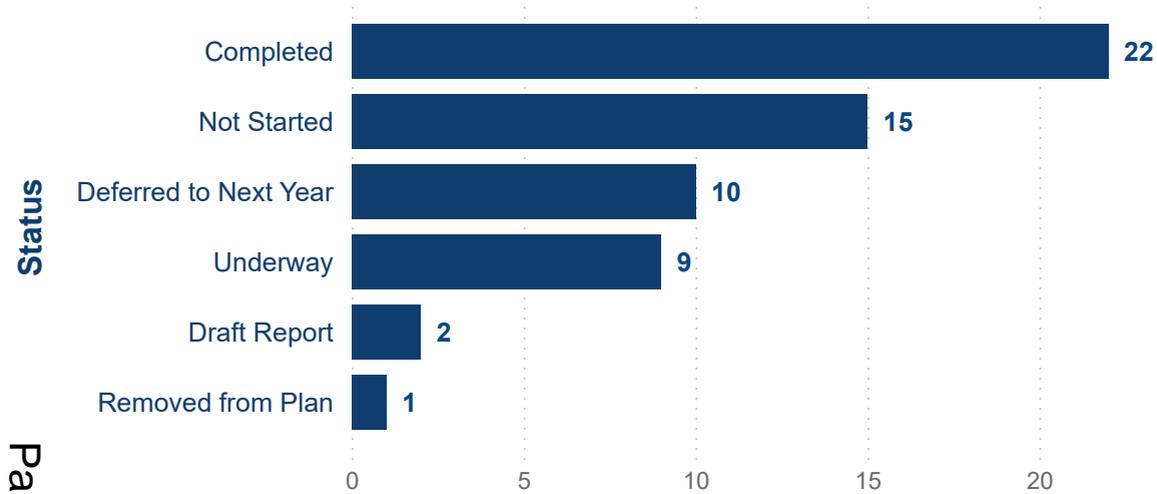
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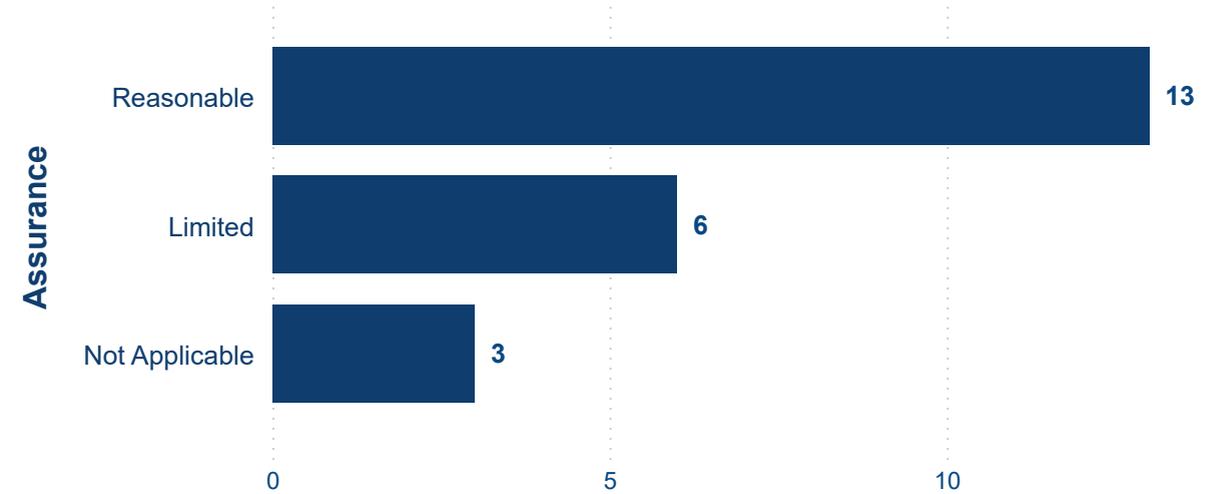
2025/2026 Audit Plan Monitoring_ Deferred and Removed Audits

Title	Status	Reason
Asset Management - Corporate Landlord	Deferred to Next Year	This was an additional audit added in year. Due to capacity, this is being deferred to 26/27 for completion.
Contracts	Deferred to Next Year	This audit is being deferred to 26/27. This audit was scheduled in the 2025/26 plan to make time available to audit any high risk contract issues arising in year.
Crownfield Infants (TR)	Deferred to Next Year	This audit is being deferred to allow the school time to recruit to the School Business Manager post.
Housing Benefits	Deferred to Next Year	This was an additional audit added in year. Due to capacity, this is being deferred to 26/27 for completion.
Hylands Primary (TR)	Deferred to Next Year	School requested that the audit is deferred to 2026/27 due to the pilot for the migration of the MIS that is currently in progress.
Private Sector Leasing	Deferred to Next Year	This audit has been deferred to 26/27 to allow the service time to embed the recommendations arising from the Temporary Accommodation audit.
Special Guardianship payments	Deferred to Next Year	This was an additional audit added in year. Due to capacity, this is being deferred to 26/27 for completion.
Squirrels Heath Primary (TR)	Deferred to Next Year	An audit of Squirrels Heath Junior School was originally scheduled for 2025/26. However, following the amalgamation and the significant issues identified, it has been agreed to defer the audit until 2026/27. This will allow time for the amalgamation process to be completed and for current issues to be addressed. At that point, the audit will cover Squirrels Heath Primary School as a whole.
Starting Well	Deferred to Next Year	This audit is being deferred to 26/27 given the work currently underway within the service in response to the Ofsted report recommendations.
Starting Well/ Aging Well - High Cost Placements	Deferred to Next Year	This audit is being deferred to 26/27 Quarter 1 - given the move during 2025/26 from Commissioning into Procurement
Health and Safety	Removed from Plan	This audit has been removed from the 25/26 Internal Audit Plan as the Health & Safety Team are currently undertaking their own audit.

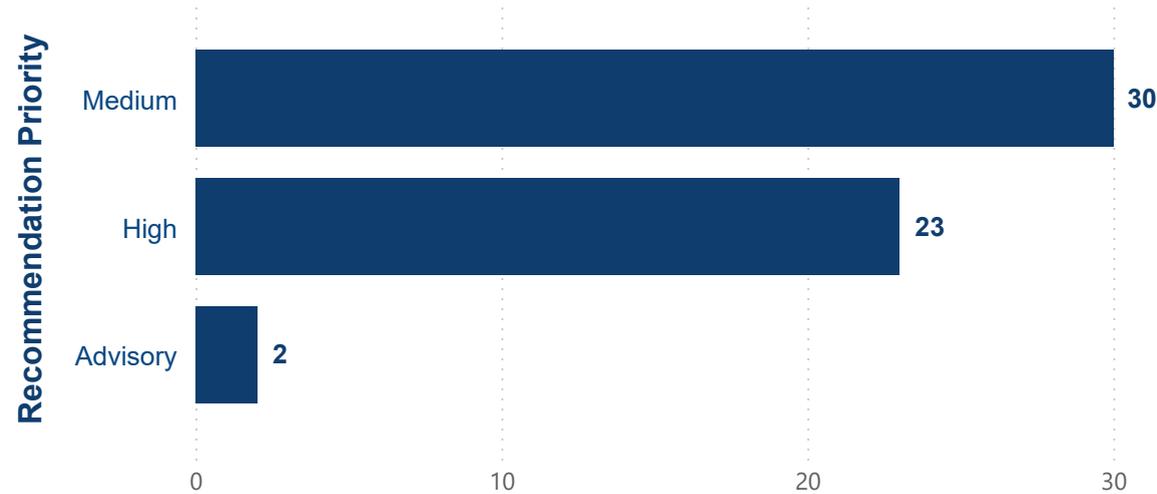
Audits by Status



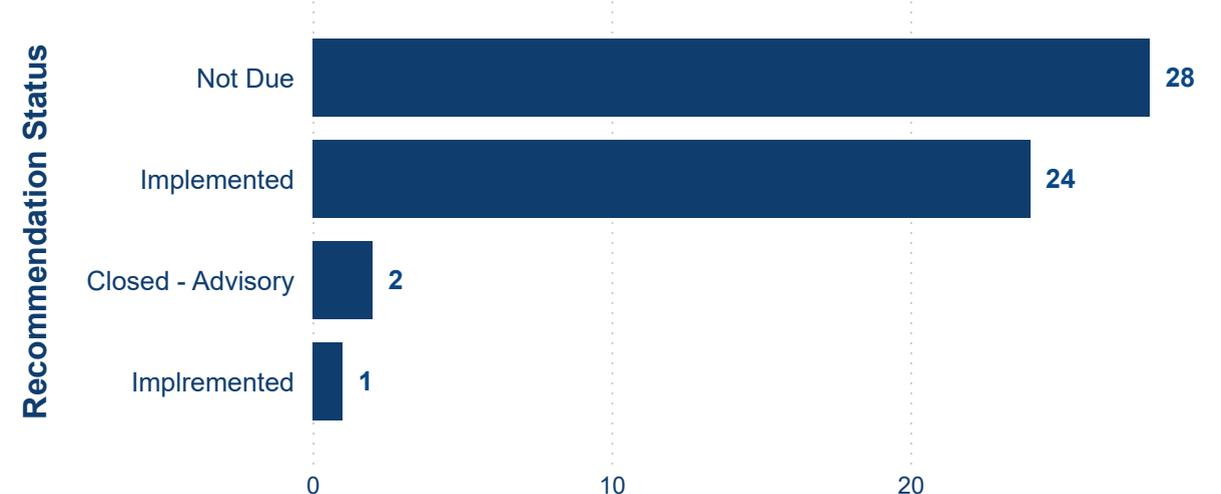
Audits by Assurance



Recommendations by Priority

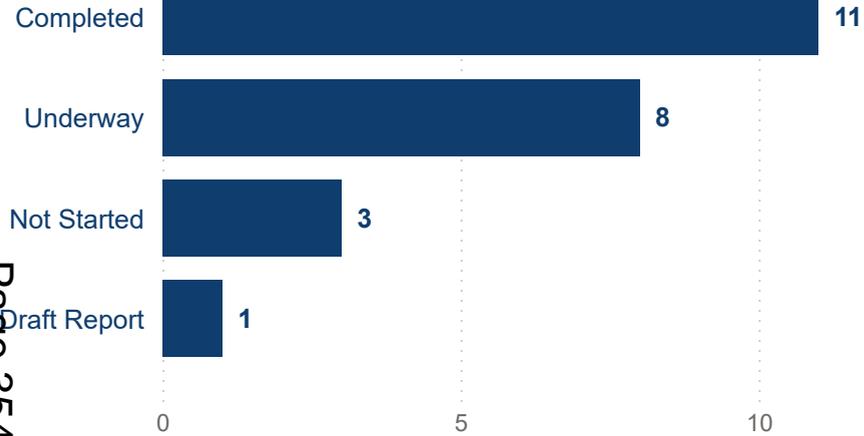


Recommendations by Status



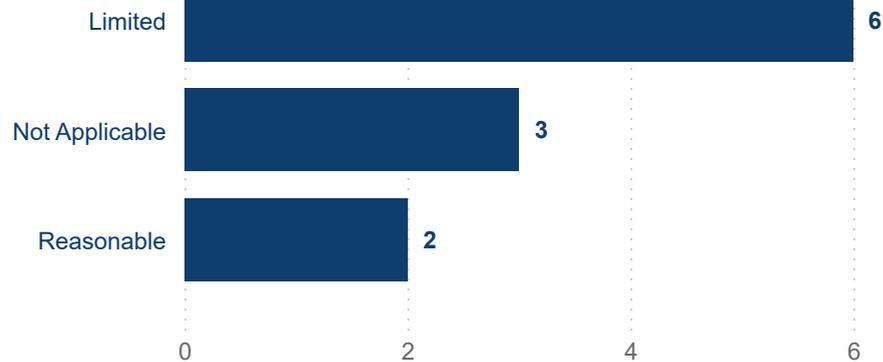
2025/2026 Audit Plan Monitoring - Systems

Audits by Status



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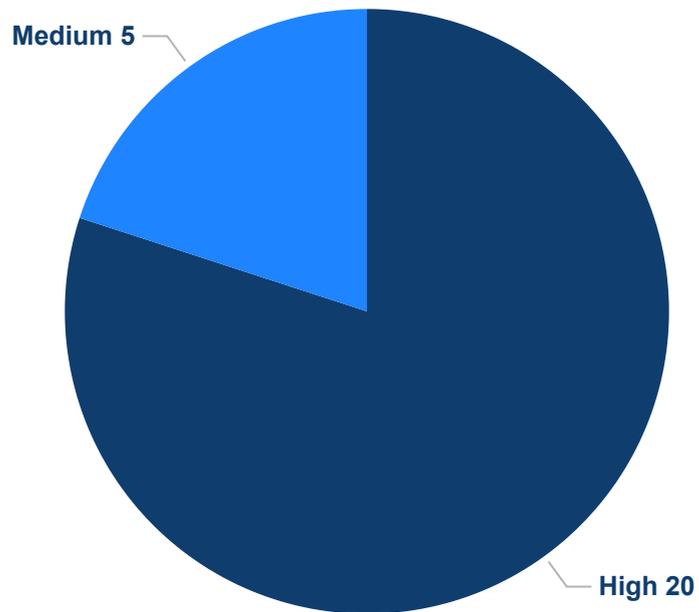
Audits by Assurance



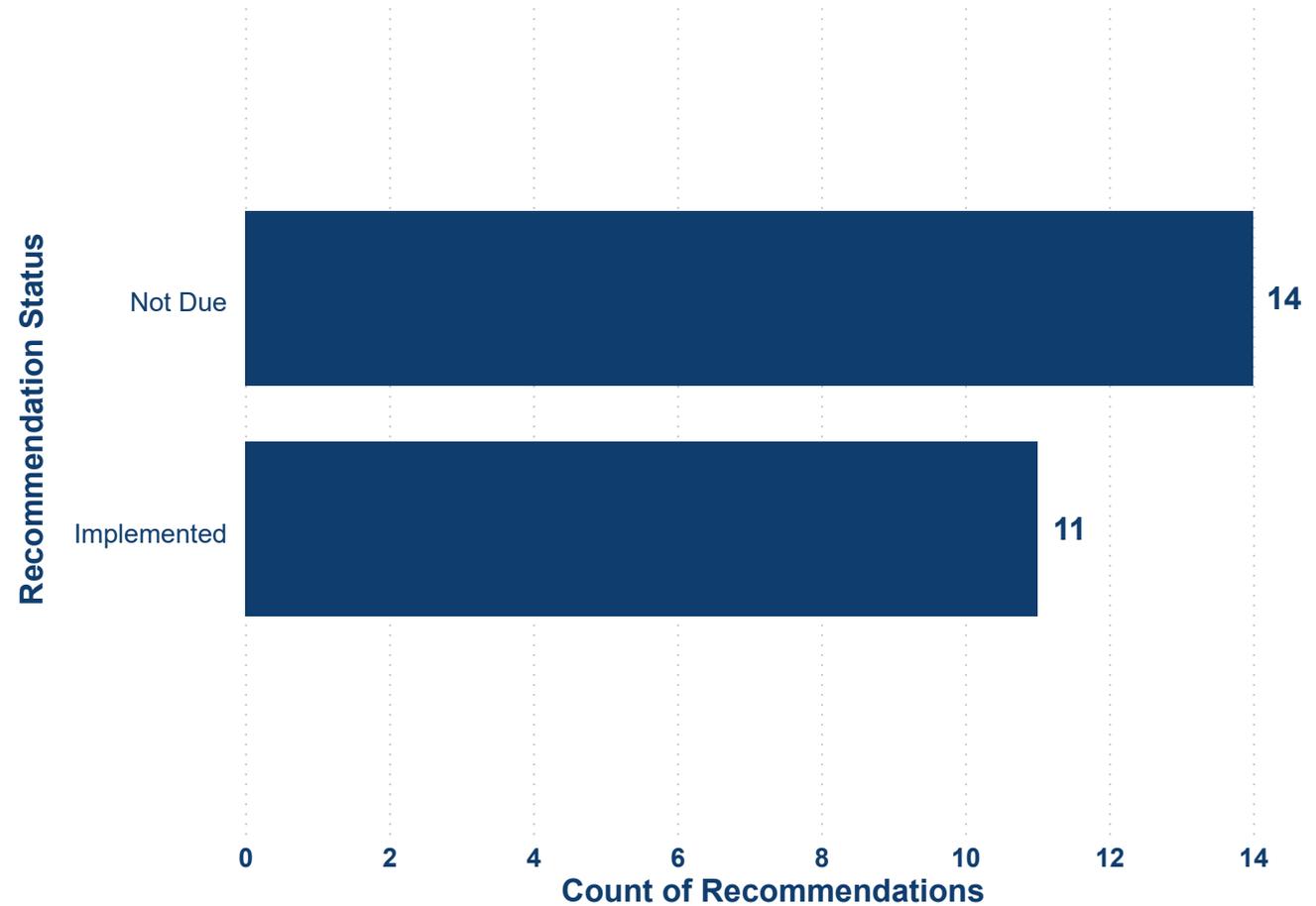
Title	Status	Assurance
Budget Management (Parking)	Completed	Limited
Community Leasing (Bretons)	Completed	Limited
Court of Protection: Deputyship and Appointeeships Follow Up	Completed	Reasonable
Early Years - End of Year Output Report	Completed	Not Applicable
Garage Allocations	Completed	Limited
Marketplace Management	Completed	Not Applicable
Mayors Charity Fund	Completed	Not Applicable
Procurement Processes Follow Up	Completed	Limited
Temporary Accomodation (Additional Overspend) - Follow Up	Completed	Limited
Tenant Management Organisations Follow Up (Beta and Delta)	Completed	Reasonable
Tenant Management Organisations Follow Up (Petra)	Completed	Limited
Asset Data	Draft Report	
Budget Management Parking (Follow Up)	Not Started	
Contract Management - Waste	Not Started	
Tree Maintenance	Not Started	
Budgetary Control	Underway	
Cipfa FM Code	Underway	
Complaints	Underway	
Council Tax (Empty Property Charges)	Underway	
Financial Assessment and Benefits	Underway	
Highways	Underway	
Mercury Land Holdings	Underway	
Voids (Tenant Rechargeable Repairs) (24/25)	Underway	

Internal Audit maintains a structured programme of follow-up work to ensure that agreed recommendations arising from audit findings are implemented in a timely manner. Each auditor is responsible for monitoring the progress of recommendation identified in their audit reports, with follow-ups scheduled according to the implementation deadlines. For audits where limited assurance was provided, a formal follow-up review is conducted to verify that recommendations have been effectively implemented.

Recommendations Raised in 2025/26 by Priority

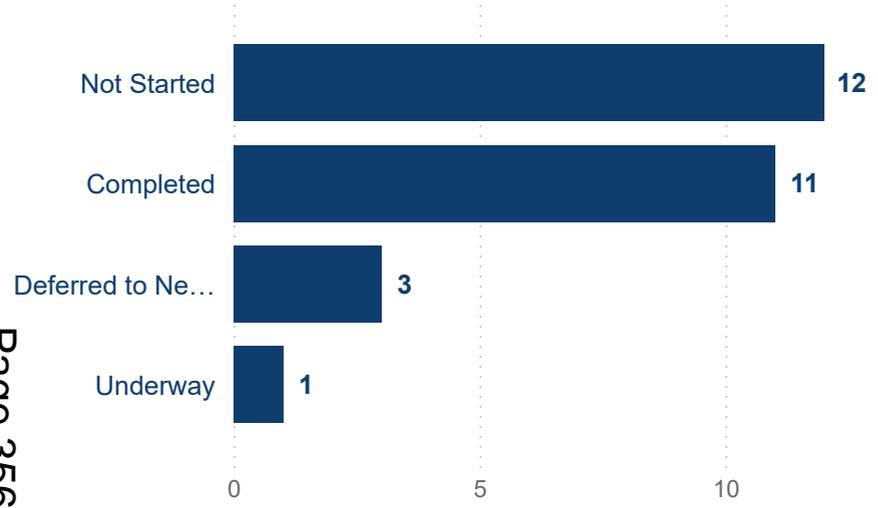


Recommendations by Status



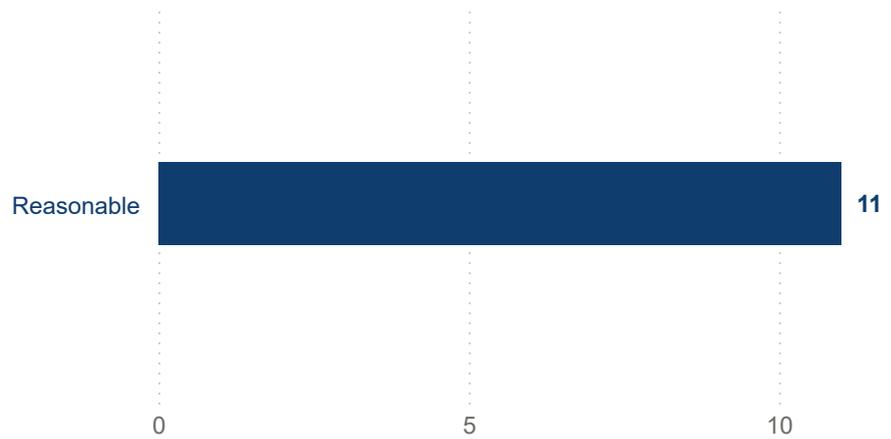
2025/2026 Audit Plan Monitoring - Schools

Audits by Status



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Audits by Assurance

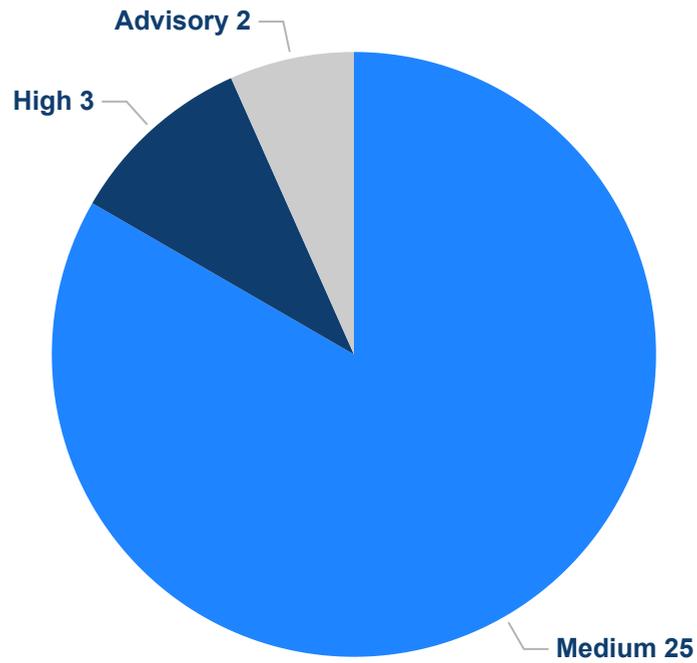


Title	Status	Assurance
Corbets Tey Primary 2425 HC	Completed	Reasonable
Engayne (HC)	Completed	Reasonable
Hilldene Primary (HC)	Completed	Reasonable
James Oglethorpe (HC)	Completed	Reasonable
La Salette 2425 (HC)	Completed	Reasonable
Nelmes Primary (TR)	Completed	Reasonable
Parsonage Farm (TR)	Completed	Reasonable
Scotts Primary (TR)	Completed	Reasonable
Shaw Academy (HC)	Completed	Reasonable
Squirrels Heath Infant School (TR)	Completed	Reasonable
St Peters Catholic Primary 2425 (TR)	Completed	Reasonable
Crownfield Infants (TR)	Deferred to Next Year	
Hylands Primary (TR)	Deferred to Next Year	
Squirrels Heath Primary (TR)	Deferred to Next Year	
Branfil Primary (TR)	Not Started	
Clockhouse Primary (TR)	Not Started	
Corbets Tey Primary (TR)	Not Started	
La Salette (TR)	Not Started	
Rainham Village (TR)	Not Started	
St Edwards Primary (TR)	Not Started	
St Josephs Catholic Primary (TR)	Not Started	
St Patricks (HC)	Not Started	
St Ursulas Primary (TR)	Not Started	
The Aspire Federation (TR)	Not Started	
The Learning & Achieving Federation (TR)	Not Started	
Towers Federation (HC)	Not Started	
Emerson Park Academy (HC)	Underway	

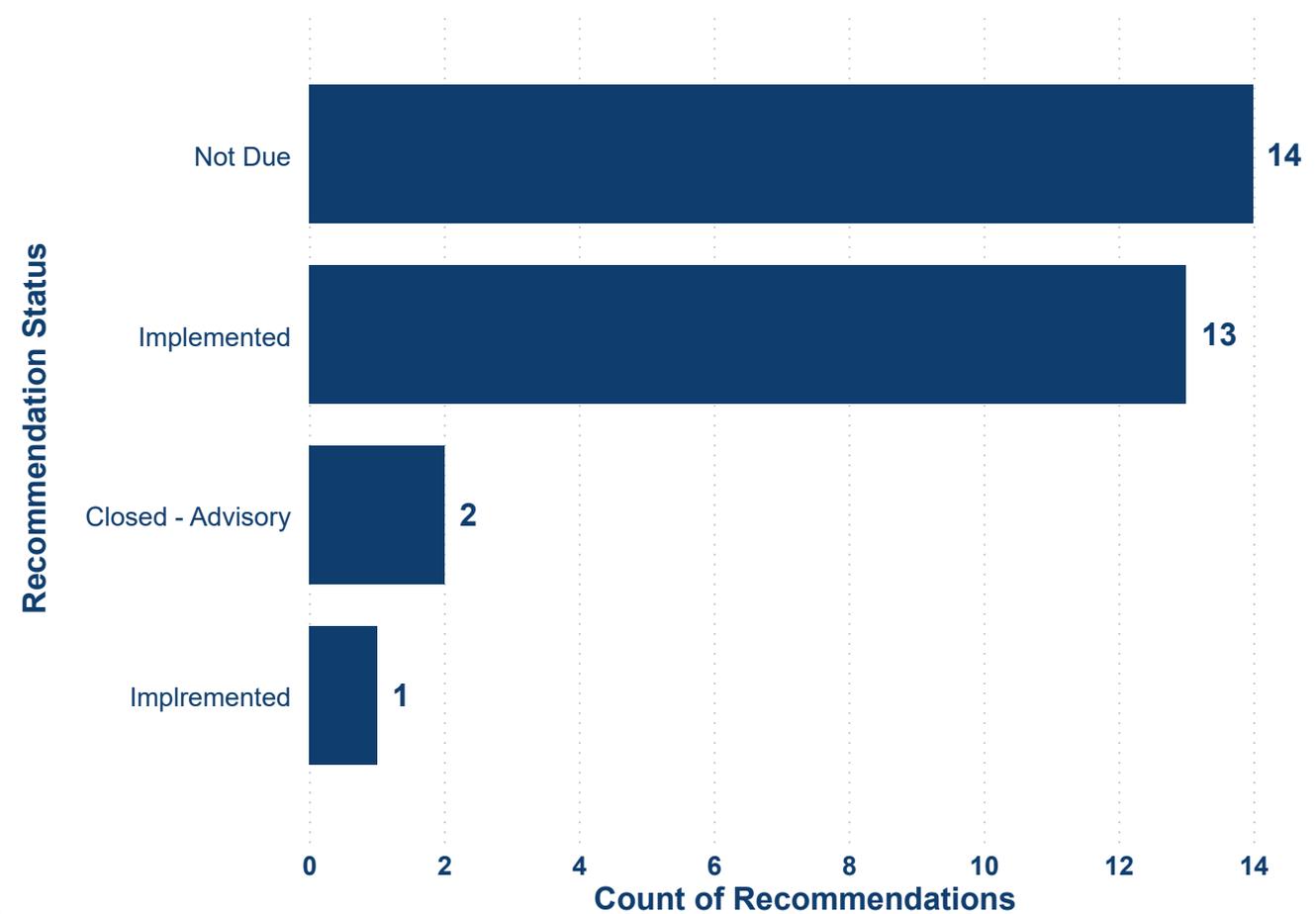
2025/2026 Audit Recommendations - Schools

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 2025/26 by Priority



Recommendations by Status



2025/2026 Counter Fraud Audit Work

Appendix 1

The counter fraud service is continuing to follow up, fraud referrals from a number of sources, desk-based intelligence checks and investigations with doorstep visits and Interviews under Caution where necessary. The Council take a zero tolerance approach to all fraud.

Proactive Counter Fraud Investigations

Proactive work undertaken between 01/04/2025 and 31/01/2026

Type ▲	Detail	No. Received
Advice to Other Local Authorities	All Data Protection Act requests via Local Authorities, Police etc.	33
National Fraud Initiative	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.	Matches have been released and are being investigated.

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Reactive Cases Reviewed

Reactive work undertaken between 01/04/2025 and 31/01/2026

Type ▼	Detail
Reactive Investigation Cases	As at 31/01/2026 there are ten non housing referrals of which information was provided by Whistle-blowers. All ten cases have been investigated and concluded.
Mutual Exchanges and Successions Reviewed	Housing Services refer Mutual Exchanges and Succession to the Counter Fraud Team to review. A total of 33 Mutual Exchanges and 21 Successions have been referred and reviewed. Two Mutual Exchange and six Successions were denied.
Corporate / Non Housing Referrals	As at 31/01/2026 a total of 53 referrals being investigated by other Council services. This may include Corporate, Procurement, Blue Badge, Licensing etc.

2025/2026 Counter Fraud Audit Work

Housing Cases

The following table illustrates the work undertaken in relation to housing fraud and right to buy (RTB) applications 01/04/2025 and 31/01/2026

Year	Number of referrals for investigation	Properties recovered	Notional Saving *	RTB referred and reviewed	RTB stopped	Notional Saving	Total Notional Saving
2023/24	127	14	588000	94	3	383820	971820
2024/25	110	7	294000	333	50	6820000	7114000
2025/26	128	8	336000	21	1	38000	374000

* Notional saving recommended method uses a standard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of £42,000

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From the 21/11/2024 the maximum RTB discount dropped from £136,400 to £38,000 this originally resulted in the large increase in applications submitted and reviewed. Since the reduction in discount the number of applications submitted has therefore reduced.

Open Cases Status (including previous years)	Total
Total Number of Cases	88
Pending bailiff action / Eviction	3
Passed to Police	1
Passed to Legal Services for Criminal / Civil Proceedings	6
Passed to Housing	1
Open Investigations	74
Notice To Quit (NTQ) issued	1
Awaiting Notice to be Served	1
Awaiting Court Hearing	1

Closed Cases (including previous years)	Total
Total Number of completed / closed investigations	32
RTB stopped **	1
Properties Recovered	8
NFA / No Offence	22
Mutual Exchange Cancelled	1

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Limited Assurance Reports Introduction

This report provides the Audit Committee with an overview of the limited assurance internal audit reviews that have been completed since the Committee last met. It summarises the key findings, the assurance ratings provided, and the management actions that have been agreed to strengthen the control environment. The purpose of this report is to support the Committee in its oversight responsibilities by highlighting areas where improvement is required and ensuring that progress is monitored.

A summary of the limited assurance audit reports issued during this period are set out below. Further detail on each audit is provided in the sections that follow.

<p>Garage Allocations</p>
<p>Serious weaknesses in garage allocation procedures were identified by the service during the absence of the Garage Officer, including missing records, non-compliant allocations and uncollected income. Significant inconsistencies across systems were identified during the audit. Non-compliance with established processes resulted in financial loss, data integrity issues, and operational risks, leading to a Limited assurance rating. Most affected cases have now been rectified, with income recovery underway and locks changed where needed. Management has introduced improved controls, reconciliations, and oversight processes, although these require verification through follow-up. Strategic data-integrity and system-alignment issues remain subject to separate corporate workstreams.</p>
<p>Temporary Accommodation Additional Overspend Follow Up</p>
<p>The follow-up confirmed that although some progress has been made, most notably through the introduction of the ARA system and improvements to data quality and role clarity, key weaknesses remain, particularly in data management, forecasting, and supplier arrangements. Reporting functions, end-to-end procedures, and formal agreements for nightly lets are still incomplete, meaning the overall assurance rating remains Limited. Whilst three of the twelve high-risk recommendations have been fully implemented, most recommendations remain in progress and are not expected to be completed until mid-2026. Significant work is still required to finalise service budgeting processes, clarify Finance and service responsibilities, and formalise supplier documentation, before risks can be fully mitigated.</p>
<p>Tenant Management Organisations (TMO) Follow Up</p>
<p>The follow-up confirmed that no progress had been made by Petra TMO in implementing any of the original recommendations, with sustained non-engagement and widespread weaknesses across governance, financial management, bank controls, documentation, and compliance. Significant risks remained unmanaged and the control environment continued to present major concerns. Due to the continued lack of progress, the Council has decided to bring Petra TMO back in-house. All original recommendations have been replaced by a single high-risk recommendation to manage the transition. A three-month wind-down period is underway, after which a further follow-up will assess the effectiveness to manage the risks identified, under Council control.</p>

Final Internal Audit Report – Garage Allocations

Background

In July 2025, Internal Audit was advised of concerns regarding the allocation of several garages by the Garage Officer without supporting documentation or corresponding entries in the housing management system. The issue was identified by service managers during the Garage Officer's absence through sickness. The service's initial review found that no formal records of allocations or tenant details had been maintained, no accounts had been created in Open Housing, and no rental charges were being applied.

Internal Audit subsequently undertook a process-mapping exercise to understand the existing garage allocation process and determine what controls were in place. This report sets out the findings from that review.

Analysis of the Garage Allocations spreadsheet identified 137 garage allocations made between April 2024 and March 2025. A comparison against the Open Housing system and Photobook confirmed the following:

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- Six cases involved existing tenants who were temporarily moved to alternative garages while refurbishments were carried out; in these instances, charges continued to be applied.
 - 19 garages had been demolished and could not have been let.
 - Seven garages had never existed and therefore could not have been let.
 - 87 garages had not been let.
 - One garage had been allocated to an internal Council team.
 - Three garages had been correctly let and set up on the system, with direct debits in place.
 - 14 garages had been let to tenants who had no corresponding records in the system and no rental payments set up.

Of these 14 cases involving unknown tenants, nine individuals have now contacted the Council, been formally signed up, and have either settled their charges or have agreed payment plans. In the remaining five cases, the tenants have not made contact, and action to recover possession of the garages is underway.

The total rental income incurred on the 14 garages at the point of confirmation of use or identification of tenants was £15,442. As at 5th January 2026, £2,974 had been collected, £5,290 remained outstanding from the identified tenants, and £7,177 was owed by individuals who have not yet contacted the Council. Locks have been changed, and steps have been initiated to regain possession where necessary.

Overall, the audit provides limited assurance that the control framework is adequate to manage the risks associated with the recording, management, and allocation of garage assets.

Summary Key Findings

Weaknesses in Compliance, Oversight, and Record Management Within Garage Allocation Procedures

The garage allocation process transitioned from a manual system to digital management via Photobook in April 2024. However, during the Garage Officer's absence in July 2025, significant issues were uncovered, including missing formal records, absence of accounts in Open Housing and Photobook, and uncollected rental charges. Customer emails into the service inbox also highlighted unresolved repairs and confusion over lack of payment collection.

The Garage Officer only began using Photobook in October 2024 and completed 21 licence agreements, through the expected process. A number of allocations were only recorded on an excel spreadsheet, outside official systems, and without any identifying tenant information, suggesting the non-compliance was not due to a lack of training or procedural awareness.

There was no management oversight, with no verification of reported allocations or reconciliation of direct debit setups. Whilst the Housing Rents/Income Team's may have picked up a discrepancy between the number of monthly allocations reported against the number of requests for direct debit set up, their attendance at the monthly meeting only began after the issue was identified.

Incomplete documentation and system records hindered verification of garage allocations and tenant checks, exposing the service to reputational risk and financial loss.

Concerns also emerged regarding the garage waiting list, with no evidence that individuals from the 2019 list were transferred to the current system, raising risks of exclusion, complaints, and lack of transparency.

At the time of writing, the service informed Internal Audit that, during its investigation, two garages were discovered to have been let, without charge by a Tenant Management Organisation acting beyond its authority. The service is currently addressing this issue and charges are now being paid.

Summary Key Findings

Lack of Control and Consistency in Garage Asset Data Across Council Systems

Garage assets are currently recorded across three systems: Open Housing (tenancy and charges), Keystone (physical asset management), and Earthlight (mapping and location data). These systems differ in structure and usage, with Open Housing recording individual garages and Keystone/Earthlight recording garage blocks.

Data integrity issues are widely recognised. Garages have reportedly disappeared from Open Housing after long-term inactivity, and Keystone data was shared with caveats about its accuracy. Refurbishment projects have also led to incorrect numbering and duplicate records.

Internal Audit identified numerous discrepancies across the systems, including missing or mismatched garage records and inconsistent use of Unique Property Reference Numbers (UPRNs). Earthlight uses national UPRNs, while Keystone and Open Housing use LBH-assigned ones. A manual workaround exists to reconcile UPRNs, but it relies heavily on officer awareness and familiarity with system limitations.

No formal controls were found to ensure consistent updates across systems, increasing the risk of outdated or conflicting data. This misalignment could lead to underutilisation, missed revenue, and inaccurate insurance reporting.

The ongoing replacement of Open Housing and Keystone with a single integrated system presents a key opportunity to resolve these issues through structured data migration and validation.

The Council faces significant financial and insurance risks due to poor data integrity. Inaccurate reconciliation of garage assets across systems undermines the reliability of data provided to insurers, posing material risks to insurance coverage and financial reporting, and raising concerns about the accuracy of asset data across the wider property portfolio. These risks and expected outcomes have been outlined in a separate report.

Failure to Enforce Published Garage Rental and Charging Policies

Despite the Council's website stating that garage rent must be paid in advance and that charges apply for lost keys and lock changes, these controls are not being enforced in practice. There is no established process to ensure charges are consistently applied to tenant accounts, and tenants are not reliably paying in advance. This undermines financial controls and may result in lost revenue, reputational risk, and inefficiencies in debt recovery.

Gaps in Photobook Workflow for Communicating Garage Licence Conditions

Tenants are not provided with the full garage licence conditions at the point of sign-up. While general terms are included in Photobook, the specific conditions are expected to be sent separately in hardcopy form by the Garage Officer after the tenant has signed the agreement and received the keys. However, there is no confirmation process to ensure these conditions are consistently issued, creating uncertainty around tenant awareness and acceptance. This increases the risk of disputes, non-compliance, and challenges in enforcing the agreement.

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Garage Allocations - Improvement Action Plan			
	Recommendations	Management Response	Planned Completion Date
1	High: Garage allocations follow documented procedures and are consistently recorded within approved systems.	Garage Officer is using photobook to record all new garage sign ups, this is visible via the photobook dashboard. Reports can be downloaded to verify.	Complete – Will be verified by Internal Audit as part of the follow up
2	High: Garage asset and tenant records are reconciled and maintained to support transparency, service continuity and data integrity.	The garage officer has completed a full physical check, we have ascertained that Havering have 81 garage sites which contain 997 individual garages, these have been checked via earthlight and any discrepancies with open housing have been addressed.	Complete – Will be verified by Internal Audit as part of the follow up
3	Med: Robust handover and contingency arrangements are in place to ensure service continuity during staff absences.	Estate Services Manager and admin will manage garage inbox, admin will call back customers during holidays and sickness.	Complete – Will be verified by Internal Audit as part of the follow up
4	High: Management oversight and regular checks ensure compliance, data accuracy, and income recovery.	Estate Service Manager is checking 20% of all monthly garage signups, information is taken from photobook and checked via open housing to make sure garage accounts have been set up ready for rents to be collected. Screen shots are taken throughout the process to witness this procedure.	Complete – Will be verified by Internal Audit as part of the follow up
5	Med: Waiting lists are accurate, auditable, and managed through clear processes for updates and transfers.	The garage waiting list has been checked and verified as correct using the garage application emails. The garage applications are stored in folders within the garage inbox. Estates Admin member is taking the information from the application form and updating the waiting list daily.	Complete – Will be verified by Internal Audit as part of the follow up
	Med: System integration streamlines asset management, tenancy tracking, and rent charging, reducing manual workarounds.	This recommendation, along with the findings have been included in a separate report as they relate to issues identified during the audit that require input from teams outside the main scope of the original report. To keep the initial report focused and avoid sharing its detailed content unnecessarily, these findings and recommendations have been set out in a standalone document.	Not Applicable

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	Recommendations	Management Response	Planned Completion Date
	High: Accurate and complete garage asset data across all systems, supports property valuation, usage reporting, and insurance coverage, ensuring compliance with statutory requirements.	This recommendation, along with the findings have been included in a separate report as they relate to issues identified during the audit that require input from teams outside the main scope of the original report. To keep the initial report focused and avoid sharing its detailed content unnecessarily, these findings and recommendations have been set out in a standalone document.	Not Applicable
6	Med: Website content and internal practices are aligned to reflect current procedures and improve customer understanding.	The website has been reviewed and work is underway for the necessary changes to be made.	March 2026
7	Med: Income processes ensure timely rent collection, accurate reporting, and alignment with published policies.	Establish a formal process to notify the Housing Rents/Income Team of applicable charges, ensuring they are correctly applied to tenant accounts. This action is completed via photobook, rents team are sent the DD forms as part of the sign up process using multimap within the form.	Complete – Not verified by Internal Audit
8	Med: Tenants have clear visibility of the garage licence terms and conditions prior to confirming acceptance.	The garage terms and conditions have been reviewed. The garage Officer will provide a copy of the terms and conditions during the sign up process.	Complete – Will be verified by Internal Audit as part of the follow up

Final Internal Audit Follow Up Report – Temporary Accommodation Additional Overspend

Background

In May 2025, Internal Audit issued a memo outlining the key findings relating to the overspend within the 2024/25 Temporary Accommodation budget. The review identified significant weaknesses across three core areas:

- Data Management and Data Protection
- Budgeting and Forecasting
- Suppliers, Contracts and Rates

To address the issues and associated risks highlighted in that review, a formal Improvement Action Plan was developed. This plan sets out the required actions for both the service and the Finance Team to strengthen controls, enhance oversight, and improve overall governance.

This follow-up report provides an update on the progress made to date in implementing the agreed actions and highlights any areas where further work remains outstanding. At this stage, the overall audit opinion remains Limited. While some progress has been made, a significant amount of work is still required to fully deliver the expected improvements and ensure that the key risks identified are effectively mitigated.

Temporary Accommodation Improvement Action Plan

Recommendations	Progress Update
1.1 Review the data from the Temporary Accommodation spreadsheet for accuracy before transfer to ARA	Data from the Temporary Accommodation spreadsheet has been entered into the Jigsaw Accommodation module (ARA) and checked for accuracy and completeness. A full reconciliation of individuals and addresses was undertaken to ensure accuracy and remove duplication, and rates have been verified. Planned Completion Date: Complete
1.2 Implement the Housing Management system ARA	The Jigsaw Accommodation module ARA went live in October 2025. Planned Completion Date: Complete
1.3 Populate ARA with accommodation and people data	Accommodation and people data has been entered into ARA, and procedures supporting data entry have been developed and approved. Planned Completion Date: Complete

Appendix 2 – Limited Assurance Reports

Recommendations		Progress Update
1.4	Decommission the Temporary Accommodation spreadsheet	<p>The spreadsheet remains in use as a compensating control until assurance is obtained that all data has been accurately migrated to the new system and validation checks confirm compliance with documented procedures. While the service is keen to decommission the spreadsheet at the earliest opportunity, Finance has indicated a preference to retain it until they are satisfied that these assurances have been fully met.</p> <p>The spreadsheet remains available; however, it is retained solely as a parallel control during the transition to the new system. It is not utilised by the service for the management of people or property. On this basis, the action is assessed as complete and is now considered closed.</p> <p>Planned Completion Date: Complete</p>
1.5	Finalise the Housing Benefit interface	<p>MRI is the supplier of the Jigsaw system. Phase 1 testing has been completed. During testing, it was identified that the automated interface did not include the 'number of bedrooms' field. In response, MRI implemented an alternative interface solution, and a single manual intervention step has been introduced to address this gap.</p> <p>A project request has been raised to automate the full process, and a procedure guide has been produced and approved. Phase 2 testing, intended to achieve full automation, remains dependent on MRI and internal IT resource availability. Current timelines indicate that this phase is expected to be completed by April 2026.</p> <p>Planned Completion Date: Partially complete –April 2026</p>
2.1	Assess and define the management information necessary for effective strategic and operational control	<p>The transition from the Temporary Accommodation spreadsheet to ARA has enabled system-generated reporting. Although completion has been delayed due to system implementation, reporting training is complete and work continues to build and refine reports for business needs.</p> <p>A breakdown of management information expectations, detailing the required categories and associated data fields, has now been documented and agreed. Planned Completion Date: Complete</p>
2.2	Evaluate ARA's reporting functionality to ensure it aligns with the necessary management information needs	<p>Although the expectations for management information requirements have been fully defined, further work is needed to identify, build, and configure the reports within ARA to generate this information in the required format. This includes ongoing development activity to ensure reporting outputs meet the agreed categories and detailed information specifications.</p> <p>In the interim, reporting is underway and the service are exploring the use of tools to enable management information in ARA to interface with Power BI, which will further strengthen access to reliable service-delivery information and enhance the overall quality, accessibility, and consistency of performance reporting. Planned Completion Date: June 2026</p>

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Recommendations		Progress Update
2.3	Define roles and responsibilities for reporting functions	A document has been produced that clearly defines the roles and responsibilities across the Temporary Accommodation service, including Rents, Placements, and related functions. This ensures staff understand their operational duties and where accountability sits within the service. Planned Completion Date: Complete
3.1	Define roles and responsibilities: - Data Management - Financial Management - Property Management - People Management	This is addressed in section 2.3 above. Planned Completion Date: Complete
4.1	Develop comprehensive set of procedures to address all aspects of the process including the transition of cases from ARA to Open Housing	Procedures covering key system activities such as updating the accommodation database and setting up rent accounts within ARA, have been documented and approved. However, these procedures primarily focus on system-based tasks and do not yet provide full coverage of end-to-end processes, including activities that take place outside the system. As the service has transitioned away from off-system working practices, system-based procedures have been developed as a priority. Work will continue to review and update off-system procedures to ensure alignment and to identify any gaps requiring further procedural development. Planned Completion Date: June 2026
4.2	Agree acceptable placement standards for inclusion to documented procedures.	Work is underway to ensure the Placement policy guidance adequate reflects acceptable standards for placements. Planned Completion Date: March 2026
5.1	Robust use and monitoring of the existing spreadsheet (until decommissioned)	The original spreadsheet remains in place as a compensating control during the transition to ARA, pending assurance that all data has been accurately migrated and validated against documented procedures. While Finance has requested its retention until these assurances are met, the spreadsheet is no longer used by the service for managing people or property and serves only as a parallel control. Planned Completion Date: Complete
5.2	Staff training on the use of the Housing Management system ARA.	Training completed by staff in July 2025 for data entry into the system. Reporting training was completed by MRI and system user guides have been provided to support staff. Jigsaw also offers help guide videos. Planned Completion Date: Complete

Recommendations		Progress Update
6.1	Assess and define the management information necessary for effective budget management	This is addressed in section 2.1 above. Planned Completion Date: Complete
6.2	Look for an effective tool to assist Budget Managers in managing the budget. <ul style="list-style-type: none"> - Smartview excel add in from PBCS - Actuals and Budget report - Management budget dashboard 	ARA is fully functioning and can support budget management via PBCS. Work is now underway to develop the management information and this will also feed into the budget management and forecasting process. Couple this with the work that will be done by Finance (Council wide) after the Finance restructure is complete. Planned Completion Date: July 2026
6.3	Updated and reconcile forecasts using the new system	<p>Forecasts are currently prepared by the Finance Business Partner using data provided by the service, applying forecast assumptions and trend analysis. These forecasts are ultimately approved by the Assistant Director of Housing Demand.</p> <p>This is a complex service area that involves analysing large volumes of data through formulae, spreadsheets, and reconciliations. To improve understanding of the factors driving forecasts, the service needs to play a more active role in their production. Moving forward, the service and the Finance Business Partner will continue to work collaboratively, leveraging newly available system data to enhance the forecasting process and increase the service’s involvement. The Service Level Agreement to be implemented post Finance Review will also confirm responsibilities for budget management processes. Planned Completion Date: Complete</p>
6.4	Training for Budget Managers (including generating reports)	ARA is fully operational and supports budget management through PBCS. Work is progressing on improved management information to strengthen budgeting and forecasting. Organisation-wide training will be delivered after the Finance restructure, with interim support offered by the Finance team and experienced system users. Planned Completion Date: July 2026
6.5	Build dedicated time into work schedules to support proactive budget monitoring and control.	The Finance Business Partner assigned to this service spends a significant proportion of their part-time hours each month supporting budget management and retains full responsibility for forecasting. Although the cycle is monthly, the work involved is substantial and already forms a core part of their role. Planned Completion Date: Complete

Recommendations		Progress Update
7.1	<p>Define and document the scope of responsibilities and accountabilities of both services and Finance in relation to budget management in a self-service model including:</p> <ul style="list-style-type: none"> - Reconciliation of the system (ARA and Open Housing) against the general ledger; and - Failure to promote forecasts within PBCS. 	<p>Service Level Agreement to be implemented post Finance Review. Planned Completion Date: July 2026</p>
7.2	<p>Integrate the documented roles into relevant procedures, policies or service level agreements – This is reliant on wholesale programme for the Finance Offer and Budget Holder Responsibility Definition.</p>	<p>Service Level Agreement to be implemented post Finance Review. Planned Completion Date: July 2026</p>
7.3	<p>For high complex budgets review the capacity of resources available to meet sharp deadlines</p>	<p>Action has been taken to understand the needs of the service and temporary resource identified for Housing Demand, however this will be addressed across the wider organisation as part of the Finance Review. Planned Completion Date: July 2026</p>
8.1	<p>Review the intranet guidance and procedures to ensure it is up to date, accurate and accessible</p>	<p>A review has been undertaken, and improvements have been identified. Action will be taken to strengthen the guidance and procedures once the Finance Review has been completed. Planned Completion Date: July 2026</p>

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Recommendations		Progress Update
9.1	Include budget management (including but separate to PBCS) as part of essential training requirements for all existing staff and as part of the on boarding of new starters	The Council is currently planning to deliver a program of training across the organisation This will be delivered following a Finance restructure. Staff who have immediate needs are offered support by finance and experienced system user colleagues. Planned Completion Date: July 2026
9.2	Provision of comprehensive, mandatory and ongoing training	The Council is currently planning to deliver a program of training across the organisation This will be delivered following a Finance restructure. Staff who have immediate needs are offered support by finance and experienced system user colleagues. Planned Completion Date: July 2026
9.3	Issue a formal reminder to staff that comprehensive training materials and guidance on budget management and use of PBCS is available via Fusion. Encourage all relevant personnel to review these resources to ensure consistency, accuracy, and compliance in budgeting practices.	An email was issued to all PBCS budget holders which included links to materials. Finance have partnered to deliver PO training courses. Planned Completion Date: Complete
10.1	Review of existing rates within the Temporary Accommodation spreadsheet to ensure accuracy	All rates have now been reviewed and verified (see 1.1 above). Planned Completion Date: Complete
10.2	Record all negotiations with suppliers and formalise agreements	<p>A PIN Form in Teams is used to record details of nightly rates, which the Placements Team then enters into ARA. However, there is no formal document outlining the agreed Terms and Conditions for the use of nightly lets. This gap exposes the Council to potential liability risks.</p> <p>As part of implementing this action, the service should review the current arrangements for nightly lets, considering the Council's risk exposure in the absence of agreed Terms and Conditions.</p> <p>Planned Completion Date: March 2026</p>

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Recommendations		Progress Update
10.3	Robust recording and monitoring of all rates within the system	Work is underway to audit and upload relevant documents and agreements into the accommodation section of the system. An audit monitoring period is in place to ensure data is clean and accurate, and this will continue until sufficient assurance is achieved to confirm compliance with expectations. Reports generated from ARA are being used to support the monitoring of data accuracy. Planned Completion Date: April 2026
11.1	Develop a comprehensive set of procedures to address all aspects of service delivery including the recording and formalising negotiation practices	See 4.1 above. Planned Completion Date: June 2026
11.2	Produce a pro forma to ensure all necessary information is being collected and recorded consistently	See 10.2 above. Planned Completion Date: Complete
12.1	Staff to be robustly trained in on boarding properties and their rates	Staff have completed negotiation testing, and step-by-step guidance has been developed to ensure clarity of expectations. Planned Completion Date: Complete

Internal Audit Follow Up Report – Petra Tenant Management Organisations (TMO)

Background

There are three Tenant Management Organisations (TMOs) in operation within Havering, they provide management services to relevant estates (Beta, Delta, Petra). The management of the estates should be carried out in accordance with Modular Management Agreements (MMA) between each TMO and Havering.

A review of the management of the TMOs was undertaken in 2024/2025 which highlighted weaknesses in the control environment across all three of the TMOs resulting in a limited assurance report being issued. Following the completion of that audit an action plan was put in place for each of the TMOs, with progress against implementing the proposed recommendations being monitored by the Local Authority.

During the follow-up review, it was noted that Petra’s engagement with the Council continued to be limited, and steps were being taken to escalate this matter. Due to the differing circumstances between Petra and the remaining two TMOs, progress on the recommendations for Beta and Delta has been addressed in greater detail within a separate follow-up report.

All recommendations related to Petra TMO from the original report remained outstanding. While this report was being finalised, the decision was made to bring Petra back in-house. A new high-risk recommendation has been raised to reflect this, superseding previous recommendations but with an expectation that these risks are acknowledged and managed during the transition period.

The original limited assurance rating will remain in place to allow for a further follow-up within three months to assess progress on the transition of Petra back in-house.

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Petra Tenant Management Organisations (TMO) Improvement Action Plan

Recommendation	Management Response	Planned Completion Date
1 High Service to produce and implement an action plan to bring Petra back in-house, ensuring the original risks highlighted in the detailed action plan provided to the service, are adequately addressed.	Agreed	April 2026