Havering
LONDON BOROUGH

APPENDIX F

APPENDIX E

Statement of Accounts 2022/23

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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 helping the residents of our borough cope with these extremely difficult circumstances. This includes the rising cost of living and rate of inflation, the lingering economic and health impacts of the pandemic and the huge increase in local care needs.

I am confident that the Council, and its staff, continue to go above and beyond to respond to these difficult circumstances, and despite all this have carried on delivering your vital front line services.

This year, we have the challenge of presenting a balanced budget set against a backdrop of enormous financial pressures. In fact, it is probably one of the toughest budgets over many decades, particularly during this cost of living crisis and period of high inflation, which is making it even more expensive to deliver key services.

Due to the increase in older and younger people social care costs, our spending pressures are going up, so that for every pound that we spend as a Council, 70p of it goes on statutory services for adults and children. Furthermore, 80% of what we spend is funded from Council taxpayers.

Although the Council has approved a balanced budget, it has had to put forward considerable savings to do so. This will be through becoming more efficient, changing how we fund and provide services, increasing our income and reducing or stopping some services.

It is fair to say we have had a slightly better settlement from the Government with a 9% increase from last year, but this is unlikely to meet the rapid increase in our social care costs. We therefore have no choice but to put forward a 4.99% increase in Council Tax which will include 2.99% for the Council budget plus 2% social care precept which is part of the 9% increase in Government funding

We understand that this increase is unwelcome at a time when many are struggling with the general cost of living but this is the only way we are able to deliver a balanced budget, which we must do by law.

However, while this budget focuses on savings and steadying the ship, it also listens and responds to the priorities residents tell us matter most. Therefore, we will invest £6 million to improve roads and pavements across the borough. We will bring back the 30-minute on-street free parking in Hornchurch and Upminster town centres to support our local businesses. We will replace and upgrade old lampposts to be more energy efficient and to offer electric vehicle charging.

We know that feeling safe is important to our residents, so we will continue to fund the excellent Section 92 police officers, as well as upgrading CCTV in the borough.

There is money to improve school classrooms and buildings, disabled facilities in homes and for school cycling and scooter schemes.

We will also remove the North Street Roundabout at Romford and the underpass to improve safety and create a much more pleasant green space, and we will be delivering a large number of new homes.

So, despite the extreme financial pressures we find ourselves under, this Council has produced a balanced budget that maintains front line services, improves safety, the environment, our infrastructure and provides more homes.

This is all while making huge savings and looking to find more efficient ways to deliver our services to residents. Together, I hope we can make the borough - the Havering you want to be part of.

Andrew Blake-Herbert

Chief Executive, London Borough of Havering

2022/23: An Overview

Introduction

Dave McNamara, Section 151 Officer, London Borough of Havering

The Council's Statement of Accounts represent the financial performance of the past year and the overall financial position of the authority but it is not the whole story. It does not explain how we got here, where we want to go and how we plan to get there. It is also important to understand how service performance has driven income and expenditure and led to the end of year financial position. This narrative report will attempt to give you some insights into what it all means through linking financial facts to other data sources and our corporate objectives that are set by councillors.

In a report to Cabinet in September 2022, as we reflected on the 2021/22 outturn, the monitoring position for 2022/23 and the prognosis for the medium term I described the Council's financial position as acute. Whilst the challenges facing the Council were real and significant and have not gone away the administration's response and the ability of senior officers to curb in-year expenditure has improved the Council's overall financial outturn and positions it as vulnerable, but not threatened. Overall there is a real degree of optimism looking forward.

The fundamental issue with the Council's finances is not one of financial stewardship but that we simply do not receive enough Government support relative to the needs of the residents of Havering. Until that fundamental issue is addressed then it will remain a challenge to balance the Council's budget.

This is not necessarily the case across the Local Government community and indeed across London. Whilst the total balances of Local Government increases, Havering Council's balances have reduced. The Government's review of balances across local authorities will need to conclude that Government resources need to be directed to the areas that require it more, such as Havering; Levelling up starts with Outer London.

Specifically for Havering, we would look to move towards distribution formulae that reflects the 2021 census and an updated needs analysis for the distribution of Adult Social Care funds. Taken together this would yield £10m additional resources per year for residents of Havering. A far more fundamental review of Local Government finance would surely end the national subsidy for London Councils that have the lowest Council Tax values and the highest land values.

There is a crisis of confidence with regard to the audit of Local Government accounts and there is currently a Parliamentary inquiry by the Public Accounts Committee on the Timeliness of Local Auditor Reporting. This is on the back of a large majority of accounts for 2021/22 not being audited and a proportion of 2020/21 audits not being completed either. LB Havering fall in to the latter category. We hope to resolve all of these issues and to complete the audit process for 2020/21 by the end of June.

The passage of time from the production of the 2020/21 accounts and the litany of Local authority failures has raised the bar with regard to independent audit and scrutiny. Essentially auditors are learning from the mistake of other authorities to understand if the same conditions may exist within Havering. Whilst I appreciate the concerns I do not believe that Havering Council has suffered from similar governance failures and am confident that the accounts produced represent a fair and balanced position of the Council's account as at 31st March 2023.

However, the Council does have two outstanding audits and it is appropriate to consider whether the Council should produce a further draft statement of accounts rather than ensure those accounts are signed off. Essentially there are two outstanding issues with regard to the 2020/21 accounts; In reaching my decision to publish the 2022/23 accounts I have considered the following:

The reporting on the Council's subsidiary accounts such as the joint venture companies that the Council is involved in, and Mercury Land Holdings; and

The accounting for grants as reported within the 2020/21 accounts.

In both instances I am content that should the Council be required to address the reporting of disclosures for its 2020/21 accounts, neither issue would have a material impact on the true and fair presentation of the Council's Statement of Accounts for 2022/23.

Incidental to the process of producing the Statement of Account is their substance and how these should be interpreted.

Whilst the Council set a balanced budget in March 2022, literally within weeks the budget was obsolete, as social care pressures including SEN travel costs exceeded the growth that had been set aside and high level inflation arrived as an early indicator of the cost of living crisis that enveloped all of last year and continues to impact as we enter 2023/24.

In September 2022 the forecast outturn was an adverse budget variance of £19m; at the end of 2022/23 the service overspend had been contained to £11.662m, variances within corporate budgets meant that the overall overspend was £7.788m.

At the beginning of 2022/23 the General Fund balance was £10.942m and whilst there were some contributions during the year, having to fund the overspend depleted the reserve to approximately £5m. This is not a sufficient level to enter in to 2023/24 and we have reviewed and made adjustments to specific ear-marked reserves such as the Insurance and Regeneration reserves to replenish the General Fund reserve to £8.16m. Even this figure is lower than I would like and further work is being done to ensure that the General Fund reserve can be set at £10m for 2023/24. Any adjustment relating to 2022/23 will be reported as a post Balance Sheet event and will be discussed with the Audit Committee and the external auditor. Over time, the MTFS provides for a General Fund reserve of £20m.

Given the scale of the Regeneration Programme it is important to monitor the capital health of the Council and to continue to review the costs of individual schemes, particularly given enhanced inflationary pressures on the building industry and increasing interest rates that has the capacity to flatten demand for new homes. All programmes are regularly reviewed and their impact on the revenue programme reflected in budget setting. For 2023/24 the proportion of the Council's net Budget spent on financing the Capital Programme is 6.72%. This proportion should be reviewed on a regular basis.

Whilst the current position is far from ideal I remain confident that the future for LB Havering is bright. The council has set a balanced budget for 2023/24 and addressed a number of the service areas where there has been significant and sustained cost pressures; we have a robust Medium Term Financial Strategy that sets deliverable challenges to services that should enable

The one caveat to that is that overall Government funding must match the demands in social care and other areas and further inflationary pressures whilst changes to distribution of funding can only be beneficial to Havering.

The Council adopted a new vision in November 2022. The Havering you want to be part of framed by three core principles:

1. People - Things that matter for residents.

2. Place - A great place to live, work and enjoy.

3. Resources - A well run Council that delivers for People and Place.

With secure funding in place, a revised target operating model and appropriate oversight and assurance the Council will be positioned to deliver on that vision.

Finally, I would like to give thanks to my officers and all of those who contributed to the production of the draft Statement of Accounts in line with the statutory deadline that is 2 months earlier than last year; a number of authorities for a number of reasons will not be able to produce their statement by the 31st May.

Review

The combined effects of the recovery from the COVID pandemic and the current economic crisis has placed pressure on the Council's finances. In March 2022 the Council set a balanced budget for 2022/23 but since then the combined effect of increased demand in Social Care, rising costs and inflation have caused the Council to overspend significantly.

The 2022/23 budget was set based on inflation and interest rates available in January 2022. The Government financial settlement for 2022/23 assumed similar inflation rates of around 2% in the external funding they provided. The global economic situation has caused increased costs across virtually all Council services. The Council continues to work hard to minimise the cost of services it procures but inevitably rising inflation put pressure on the Council's budget during the year and resulted in overspends.

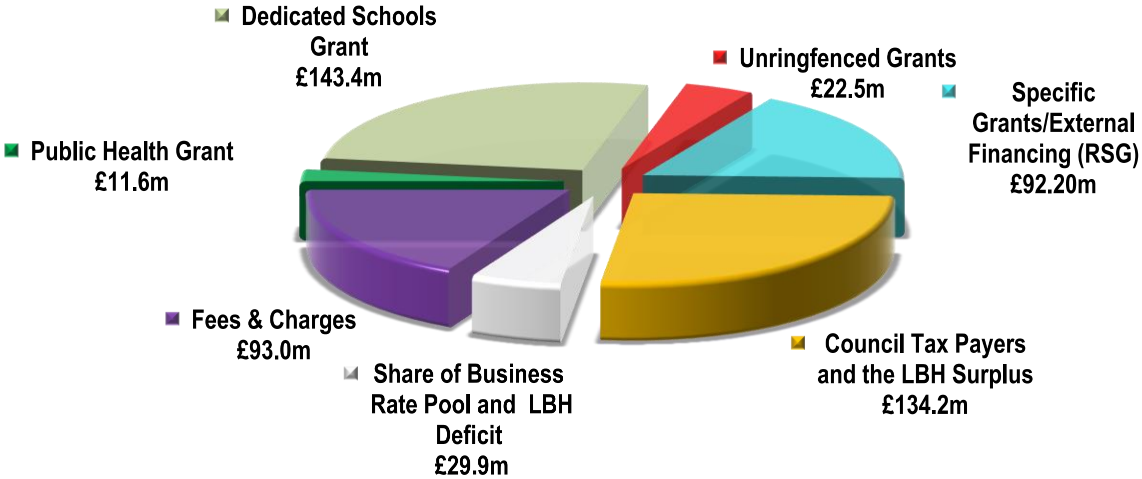
In the Period 3 monitoring report to cabinet in September 2022 the Council was projecting an overspend on revenue of £19.1m. The Council has taken decisive action since that report with all Departments closely scrutinising spend in order to contain costs. As a result, the Departmental Overspend has reduced from £18.1m to £11.7m. The biggest reductions were in Adults and Childrens where a series of actions were undertaken to review placements and contain demand.

The delays to the Capital programme together with higher interest rates meant the Council did not take any external borrowing until February. The high interest rates also improved yields on short term cash lending. These factors combined with the release of the £1m contingency improved the corporate position by £4.9m over the same period.

The robust action of the Council has reduced the overspend at year end to £7.8m from the previous project at period 3 of £19.1m. Much of the remaining overspend is due to underlying ongoing issues and to reflect this the Council provided £10m of growth in setting the 2023/24 budget. This growth will be carefully allocated to address these pressures to stabilise the budget

There are still risks moving forward as inflation is still at a high rate which if it were to continue through 2023/24 would cause further pressures. This will be monitored very closely through 2023/24

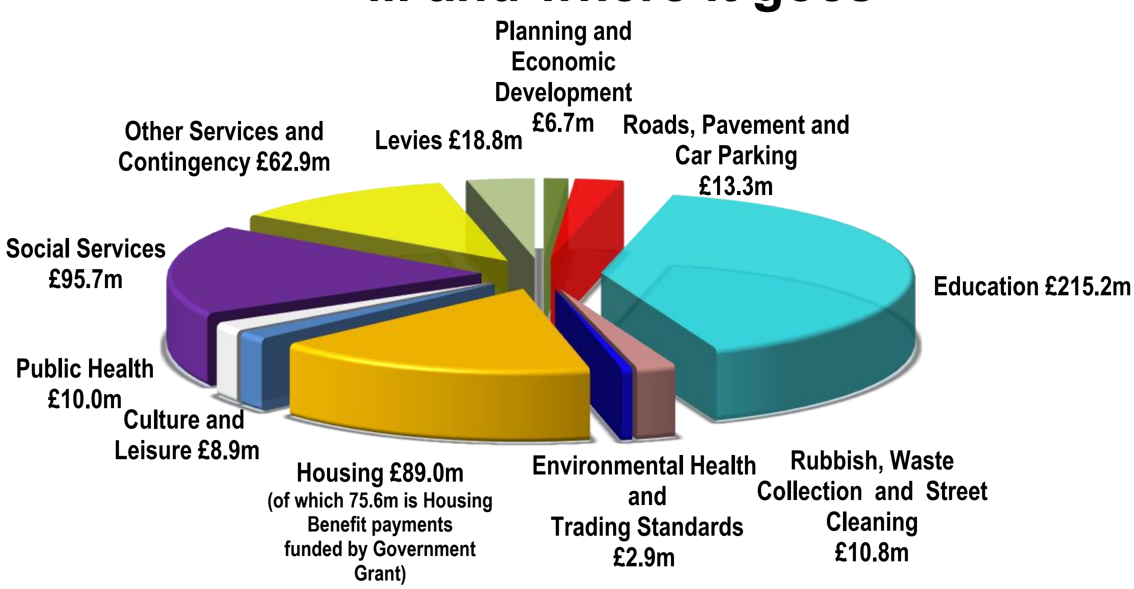
Where the money comes from ...



Cash In and Cash Out

Understanding the financial picture requires an understanding of where we receive our income and how we spend it. Approximately half of the monies such as Dedicated Schools Grant (£143.4m) are tied to a specific purpose; in this instance education, with the vast majority being passported to schools directly. These grants must only be spent on specific activities. The services for which there are no specific grants, such as highways and a lot of social care spends, is funded by the council tax, non-ring-fenced grants, fees and charges and business rates income. General Fund income totals nearly £534m but demand is continually rising, particularly in adult social care and children's services. Living longer is obviously a good thing but social care and health spend is rising inexorably and this is why Havering is always searching for new ways to generate resources to pay for services that residents demand. The chart below shows where Havering's funding was allocated in 2022/23.

... and where it goes



Medium Term Financial Strategy 2023-27

The Council prides itself on its record of creating balanced budgets, delivering challenging savings programmes and carefully managing its finances within each financial year. It is this track record which has helped to build the foundations enabling the budget to be set for 2022/23.

In March 2023 Full Council agreed a balanced budget for 2023/24. In setting the 2023/24 budget the Council has developed its medium term financial strategy for future years. The plan makes assumptions about future pressures such as demographic growth, inflation and future government funding as well as including the full year effect of saving proposals already developed.

The March budget report included a snapshot of the medium term financial strategy but the plan is in reality a live document which is continually updated as new information becomes available. The Council has an annual process which commences during the spring and summer using the medium term financial strategy to establish the extent of savings and efficiencies that will be needed to balance the following year's budget.

The table below shows the medium term financial strategy set out in the March 2023 budget report to Council

	2023/24	2024/25	2025/26	2026/27	4 Year Plan
	£m	£m	£m	£m	£m
Waste Collection and Disposal	1.583	3.437	2.535	1.654	**9.209**
Concessionary Travel increased costs	1.074	1.600	1.300	0.300	**4.274**
Capital Financing Costs	2.287	3.957	1.403	2.098	**9.745**
Other Corporate Pressures/reductions	0.135	2.088	-1.000	0.000	**1.223**
Homelessness Pressure	0.500	0.000	0.000	0.000	**0.500**
Childrens inflation and Demographics	8.162	1.000	1.000	1.000	**11.162**
Adults Inflation and Demographics	9.486	3.472	3.472	3.472	**19.902**
Public Health Future Burdens	0.000	0.000	0.000	0.867	**0.867**
Other Inflation including Pay and Energy	7.145	5.535	5.035	5.035	**22.750**
Futute cost of Care over assumed Govt Funding	0.000	0.000	1.000	3.000	**4.000**
Savings agreed in 2022 budget	-1.850	-1.773	-1.600	-1.600	**-6.823**
TOTAL PRESSURES	**28.522**	**19.316**	**13.145**	**15.826**	**76.809**
Government Settlement Funding	-13.811	-3.991	6.015	0.000	**-11.787**
New Savings proposals (Appendix A)	-9.626	-3.735	-3.092	-2.980	**-19.433**
Future year indicative savings	0.000	-1.450	-4.364	-3.600	**-9.414**
Provision for non delivered savings	2.000	0.000	0.000	0.000	**2.000**
GAP Before Council Tax Decisions	**7.085**	**10.140**	**11.704**	**9.246**	**38.175**
Adult Social Care Precept 2%	-2.840	0.000	0.000	0.000	**-2.840**
General Council Tax 2.99%	-4.245	0.000	0.000	0.000	**-4.245**
FINANCIAL POSITION	**0.000**	**10.140**	**11.704**	**9.246**	**31.090**

The 2023/24 budget included a package of £9.6m of new savings which had been developed and reviewed throughout the budget process. The Council will closely monitor the progress on these savings and indeed any pressures that may emerge as part of the monthly revenue monitoring process in 2022/23. The budget also included a full appendix setting out the proposed fees and charges for the year.

The Council's financial position has changed in a way nobody could have imagined over the last few years firstly due to the pandemic then the increased cost of living driven by rising inflation levels. The Government have provided additional grant to help authorities address Social Care pressures but Councils are still faced with sharply rising costs and increases in demand. There are also opportunities and the Council as part of its recovery plan is reviewing the way it provides all services to ensure a continued high quality service, efficiency and changed delivery methods where appropriate. It is expected this review will identify efficiency possibilities particularly through the Council's digital offer and the new target operating model being developed.

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

- Demographic Pressures

The Council continues to experience demographic pressures particularly across social care but also across other services as the population increases each year. The Government has provided funding to help combat these pressures and has allowed the use of an ASC precept to raise further income

- Inflation

Staff pay awards are negotiated nationally and so the Council needs to plan assuming rises will be agreed. The Council also plans for contractual inflation on our main contracts and social care providers. Inflation has been at over 10% for much of the last year which has resulted in pressures to the 2022/23 financial position. Growth has been built into the 2023/24 budget to help combat these increases. The Council has also set aside funds to recognise the current increases in energy prices. This will be monitored very closely given the current volatility in this area.

- Government funding

The Government is expected to announce a further one year settlement in December 2023 for the financial year 2024/25. It is unclear at this stage whether this will be impacted by the Governments initiatives to deliver the Levelling Up agenda. The MTFS also plans for the impact of the fair funding review which is now not expected until the 2025/26 settlement at the earliest. There is also potential re-distribution of funds if the data is updated to reflect the 202021 Census. Havering has a disproportionately large population increase particularly in under 15's and so would potentially benefit if and when the new data is used

- The revenue cost of the capital programme

The Capital programme will bring long term financial benefits particularly through the successful completion of the Council's ambitious regeneration programme. The IT programme will also upgrade the Council's digital offer and enable efficiencies in the medium term. In the short term however there are borrowing and repayment costs which are fully factored into the Council's medium term financial planning. The Capital programme is reviewed quarterly as part of the Council's monitoring process each year.

The Council will only use general balances and earmarked reserves as a last resort to finance in year overspends. In setting the 2023/24 budget and medium term financial strategy the Council has included planned contributions to contribute towards the target of £20m in general balances the Council is aiming to reach. The Council will continue to review all expenditure and income streams to improve the financial position and will engage with central government at every available opportunity to demonstrate the need for further funding, particularly as a result of current demographic demand

and inflation levels.

Earmarked reserves, as detailed in Note 10 of the accounts, have been established to meet planned projects. These Earmarked Reserves are being reviewed to ascertain what can be made available to mitigate any revenue overspend in 2022/23.

Earmarked Reserves Position

	Balance as at 31 3 2021	Movement In-Year	Balance as at 31 3 2022	Movement In-Year	Balance as at 31 3 2023
	£000	**£000**	**£000**	**£000**	**£000**
General Fund Earmarked Reserves	71,791	(9,137)	62,654	(18,344)	44,310
Schools Balances	6,811	(468)	6,343	(819)	5,524
Total Earmarked Reserves[1]	**78,602**	**(9,605)**	**68,997**	**(16,163)**	**49,834**

[1] In line with the Council's financial strategy, a considerable degree of professional judgement has gone into determining the level of reserves required to be held by the Council and how reserves are utilised. Amongst the earmarked reserves are specific ones put aside to manage known major contractual and legal liabilities in the medium term. In 2022/23 the level of earmarked reserves has reduced by £16.1m, this is mainly due to the increasing pressures of rising costs and inflation.

Against the Council's challenging financial background, it will be crucial that reserves, both general and earmarked, continue to be managed in the medium term in a way that gives due regard to the need to set a legally balanced budget.

Havering's Balance Sheet

As can be seen below, Havering has a strong balance sheet with a debt to equity ratio consistently below 50%. Nonetheless, only by careful management is it able to undertake carefully considered capital investments across the Borough by increasing the level of borrowing and it still needs to take into account the cost of that borrowing and the payback period.

	31/03/2021	31/03/2022	31/03/2023
	£'000s	£'000s	£'000s
Long-term assets	1,565,506	1,662,531	1,692,679
Current assets	185,583	224,765	108,279
Current liabilities	(123,570)	(154,959)	(130,156)
Long-term liabilities	(828,984)	(812,562)	(473,719)
Net Assets	**798,535**	**919,775**	**1,197,083**
funded by:			
Usable reserves	208,998	216,673	209,329
Unusable reserves	589,537	703,102	987,754
Total Reserves	**798,535**	**919,775**	**1,197,083**
Borrowing	276,366	314,123	314,776
Debt to Equity Ratio	34.6%	34.1%	26.3%

Before we get into the detail of the financial performance, here is just a brief look back at past year achievements and highlights, linked to the core priorities for 2022/23:

Communities

In 2022/23 building projects delivered an additional 40 places for pupils with special education needs and disability in purpose built units at our mainstream schools.

2022/23 saw a continued improvement in Ofsted outcomes for schools with 100% of our primary, secondary and special schools graded as 'Good' or better by the end of the financial year. 96% of our early years registered providers inspected during the year were judged by Ofsted to be 'Good' or better.

Children's services last received a full Ofsted inspection in 2018 and are currently rated 'Good' overall. The most recent local area SEND inspection (also in 2018) did not result in any 'written statements of action.' The most recent focussed Ofsted visit of Children's Social Care in May 2021 recognised our continued progress and did not recommend any 'areas for priority action'. In August 2022 Havering's Youth Justice Service received an overall rating of "Good" following an inspection by HM Inspectorate of Probation.

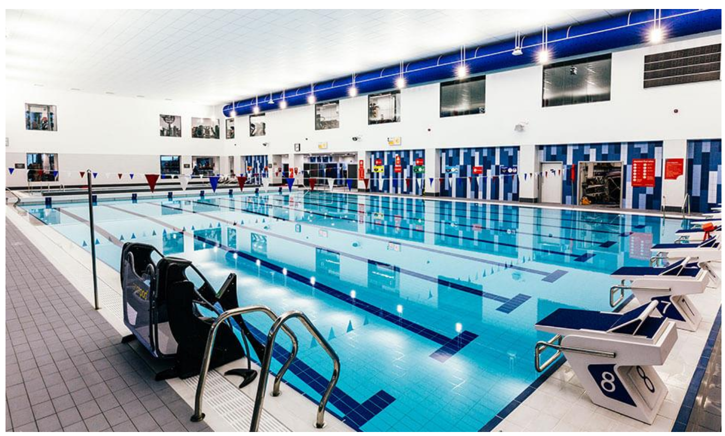
Places

In 2022 we have successfully retained them each year our number of Green flags at 16.

Our results in the prestigious 2022 London in Bloom competition were also outstanding with Havering achieving Gold award status along with twelve other gold awards for individual parks and four category winners.

We have once again finished amongst the highest achieving boroughs in the Parks for London 'Good Parks for London' report.

The Council's leisure centres, managed by Everyone Active, including Harrow Lodge Leisure Centre, Central Park Leisure Centre, Sapphire Ice and Leisure and Noak Hill Sports Complex attracted over 2.3 million visits in 2022/23. This is expected to increase even further once the new Rainham Leisure Centre opens in Summer 2023.



The construction phase of Rainham Leisure Centre has attracted interest from around the country due to its modern method of construction that results in a reduced build cost. A number of Councils from as far away as Ireland have visited the site, and a small number of councils are now progressing their own developments based on the Rainham model.

Opportunities

The Council is committed to building more affordable homes and increasing social housing in the Borough. This includes:

- 12 Estates: Havering Council and joint venture partner Wates Residential have continued to work on a project to build around 3,300 high quality homes for local people across 12 of Havering Council's estates. As part of the project, the Council is investing in education, training and skills in support of their commitment to deliver a Borough-wide legacy. New Green has already been completed and occupied, whilst the scheme at Park Rise should complete towards the end of 2023.

- Rainham and Beam Park: Joint venture project with Notting Hill Genesis will deliver 910 homes, transform the A1306 into a new green space and improve transport links in the south of the Borough. The delay in the delivery of the proposed new heavy rail station at Beam Park, means that the programme will need to be revised.

- Bridge Close: The Council plans to regenerate an industrial area in Romford with up to 1070 new homes, a new school, health centre and community space. The project also includes a new pedestrian/cycle bridge with direct access to Romford Station and the improvement of a stretch of the River Rom.

Revenue Outturn

The Outturn position for the Council in 2022/23 was significantly affected by the increase in the cost of living. The final outturn was a £7.788m overspend against a final net budget of £173m.

The £7.788m overspend is analysed by service in the following table:

Service	Original Budget £'m	Revised Budget £'m	Actual Spend £'m	Outturn Variance £m
A3000B-Public Health Total	(1.650)	0.003	0.003	0.000
A4000B-Childrens Total	46.496	52.109	56.755	4.646
A4600B-Adults Total	72.523	73.570	75.217	1.647
A5000B-Neighbourhoods Total	11.514	12.952	16.218	3.266
A5500B-Regeneration Programme Delivery Total	1.262	1.334	0.974	(0.360)
A5700B-Housing Total	3.883	4.038	4.633	0.595
A7000B-oneSource Shared Total	1.895	3.740	5.492	1.752
A8000B-oneSource Non-Shared LBH Total	0.361	0.668	1.457	0.789
A9000B-Chief Operating Officer Total	4.891	6.090	5.419	(0.672)
Service Total	141.175	154.506	166.168	11.662
Treasury Management	8.136	8.136	3.831	(4.305)
Corporate Contingency Total	1.000	1.000	0.000	(1.000)
Other Corporate budgets	22.599	9.267	10.698	1.431
Overall Total	172.910	172.910	180.697	7.788

Neighbourhoods

The Neighbourhoods portfolio outturn position was an overspend of £3.266m. This was an improvement of £0.708m on the previously reporting (P10) overspend position.

The main pressure areas were in public realm, including the following:

- Parking – The outturn position is an overspend of £1.501m. Predominantly this is due to an underachievement in P&D income, due to a reduction in overall paid for parking sessions and PCN / MTC income.
- Highways – outturn position stands at an over spend of £1.372m. The overall impact of reduced external works for TFL funded projects and the unsuccessful recruitment plan within the DSO resulted in reduced income

The outturn position for planning was an overspend of £0.477m. Pressures within Planning are as a result of unbudgeted legal costs in relation to an upcoming Public Inquiry plus other legal spend across Planning and Public Protection, in addition, the under achievement of the Planning application fee and building control fee income.

Bereavement and Registration Services outturn position stands at an underspend of £0.045m. The Service experienced higher demand leading to the over achievement of income in the following areas: Registration of birth and death; Marriage; Cemeteries and Crematoria.

Civil Protection - outturn position is an under spend of £0.119m. The underspend relates to the cessation of the Parks locking and the subsequent release of agency staff. It should be noted that the 2023/24 budget includes a saving relating to this.

Housing Services (General Fund)

The Housing GF outturn position was a £595k overspend.

This was due failure to achieve the following planned MTFS savings:

- MLH Property Acquisition of 125 units over 5 years, providing a £100k saving. This was not deliverable due to significant changes in the financial climate, including inflation and interest rate rises.
- Private rented property procurement by Capital Letters, providing a £100k saving. This was not deliverable due to the market being significantly impacted by the cost of living crisis, inflation and interest rate rises.
- Price per property repairs and maintenance programme providing a £102k saving. This was not deliverable due to contract procurement challenges that could no longer meet expectations.

The cost of living crisis and the consistently high hotel spend since September added to the budget pressure. Hotel costs were £1m, as a result of the private rented market drying up and the increased flow of homeless approaches.

Some of the total overspend was met by the HPG grant as a one off. The Winter Pressure funding was also used to offset some of the hotel costs, in addition to £100k from the Homes for Ukraine funding.

Adult Social Care (ASC)

The Adult Social Care (ASC) directorate outturn position for 2022/23 was an overspend of £1.647m. Overall the outturn overspend was driven by significant demand pressures as a result of continuing increases in the complexity and costs of provisions. The pressures include:

- A small number of providers leaving the market meaning clients are needing to be rehomed often at higher costs
- ongoing difficulty to find providers who will accept LBH rates for residential and respite
- increasing pressure from carers
- learning disability providers facing pressures relating to inflation and complexity in number of transition cases contributing to greater costs

Public Health

Spend is funded directly by the Public Health Grant and Havering always spends in accordance with the Grant requirements and operates within budget.

The outturn position for the Public Health Directorate is a nil BAU variance. . The outturn expenditure for the 2022/23 financial year was £11.594m against £11.622m ring fenced Public Health Grant. The impact of this was a transfer to the Public Health reserve of £28k. In addition to this provision was made in the 2022/23 accounts for some 2021/22 costs that were anticipated. These costs never materialised and therefore an additional £190k was transferred back to the Public Health reserve at the end of 2022/23 making the total transfer to the Public Health Reserve £218k.

The balance of the Public Health reserve at the end of 22/23 is £2.83m and plans are in place to utilise this reserve to meet service priorities.

Children's Services

Children's services overspent by £4.646m at year end. The directorate experienced many areas of pressures in learning and achievement, children's services and DSG.

Due to the significantly more high cost residential placements this year, there was an overspend on the placements of Looked After Children (LAC). This resulted in overspending by £2.793m.

The Special Education Needs (SEN) Transport overspent by £1.831m. Demand for transport assistance increased following a continuing increase in EHCPs. There has been progress in reducing costs by working with families currently applying for transport assistance to ensure they are offered the most cost-effective support.

The additional Covid spend for the full year is £0.948m, mostly due to SEN (special education needs) home to school transports, additional costs for providing class room meals, School Sickness, staffing and other costs.

The Catering Service overspent by £0.370m against a surplus budget of £0.022m. The overspend is in part due to inflationary increases in supply chain costs. There have also been variations in meal uptake linked to the cost of living crisis. This is likely to see an increased number of children becoming eligible for free school meals going forward.

Unaccompanied Asylum Seeking Children (UASC) 18+ cases are increasing and the costs of these clients exceed the Governments weekly allowance. Additionally, the threshold at which an authority does not have to accept new clients has increased from 0.07% to 0.1% of the general child population. This equates to an additional 50 clients that the authority could be asked to accommodate. However, the authority remained below the threshold in 2022/23 and successfully challenged the Home Office on a number of cases this year, resulting in additional one-off income.

Chief Operating Officer

The Chief Operating Officer service recorded an underspend of £0.9m. The BAU position for Transformation Service is an overspend of £0.4m due to incurring costs which it was originally thought could be capitalised but did not meet the necessary criteria.

The outturn position for Customer and Communications is a £0.325m underspend. This reflects a shortfall of income at the Havering Music School due to a decline in pupil numbers and reduced school uptake. This is partly offset by £0.1m of salary underspends. The Music School is seeing the impact of families who are weighing up the cost of living versus continuing with music lessons. The service is working hard to attract new pupils and increase school uptake by prioritising Marketing with the Council's internal communication team and Traded Services unit. Additionally, further costs may be incurred such as hall hire due to rising inflation however at present, this is contained within existing budgets.

The pressure above is offset by a £0.2m salary underspend through holding vacancies across the service and £0.2m of unspent energy contingency budget in relation to the SLM contract from our leisure provider.

The outturn position for Joint commissioning unit shows an underspend of £0.2m due to pausing recruitment to a number of vacant posts pending a service restructure.

In period 10 the service assumed funding for activities relating to the Programme Management Office and Customer Insight would be met from reserves, these cost have subsequently been absorbed from underspends within the Service.

The outturn for Policy, Performance & Community includes carry forward of £0.020m; which as part of a new burden funding is being set aside for the implementation of a new Client-Level Data flows reporting on Adult Social Care in 2023/24

OneSource

OneSource experienced slippage on the delivery of savings which had been predicated on further integration of back office services between the two boroughs. As both the boroughs have re-evaluated their priorities over the course of 2022/23 and decided to remove a number of services from the oneSource sharing arrangement, budgets will be reviewed and right-sized as part of their returning to sovereign control over the course of 2023/24. At the same time, for those areas remaining within the sharing arrangement, there will be a drive to increase income and deliver service improvements.

Capital Outturn

Capital expenditure forms a large part of the Council's spending on the provision of services. The Council's capital programme is designed to acquire new, and enhance its existing assets to support the future growth and development of the Borough.

In 2022/23, there was £152.3m of capital expenditure; this has resulted in notable capital outcomes, which are outlined below:

- Schools expansions have created 40 additional special educational needs and disabilities (SEND) places for pupils with an EHCP (Education and Health Care Plan).
- Expenditure of £1.004m has been spent on enhancing ICT Infrastructure.
- The build phase on the new Rainham Leisure Centre has been completed. The new facility is expected to be open in June/July.
- As part of the Highways Improvement Programme: resurfacing/improvement works have been completed on 8.89 miles of roads (43 sites) and 3.47miles of pavements (11 sites) within the borough.
- In Housing, 122 new properties have been added to the Council's existing housing stock and £19.320m has been spent on improving the existing housing stock.
- 17 schools have had capital works totalling £2.094m.
- Mercury Land Holdings expenditure of £7.835m is made up of equity contributions of £6.210m and loans of £1.465m for the funding of Quarles development scheme, which will deliver 120 new homes.
- £1.852m spent on the Rainham & Beam Park regeneration project.
- £1.764m spent ton improving Traffic safety via the implementation of CCTV cameras.
- £2.985m spent on renovating Council buildings to improve flexible working across the organisation.
- £1.674m spent on improving parks and open spaces across the borough.

The Council has financed the capital expenditure through a combination of resources both internally and externally generated. Each funding stream is considered in terms of risk and affordability in the short and longer term. The current and future climates have a significant influence on capital funding decisions. As a result planned disposals are kept under regular review to ensure the timing maximises the potential receipt.

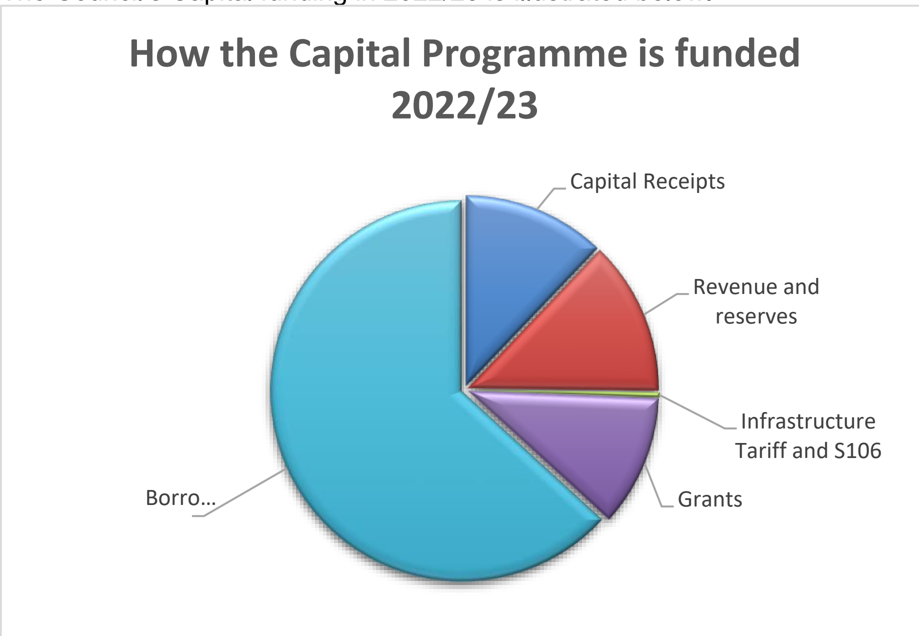
Actual capital spend at the end of the financial year 2022/23 was £152.3m financed from a variety of sources as set out below.

		Financing				
Services	**2022/23 Capital Expenditure £m**	**Capital Receipts £m**	**Revenue and reserves £m**	**Infrastructure Tariff and S106 £m**	**Grants £m**	**Borrowing £m**
Adults Services	1.821	0.000	0.000	0.000	1.752	0.069
OneSource	10.033	1.869	0.116	0.336	5.029	2.683
Neighbourhoods	13.399	1.510	0.170	0.297	0.675	10.747
Regeneration Programme	9.614	0.110	0.017	0.000	0.064	9.423
Chief Operating Officer	9.189	3.241	0.044	0.000	0.229	5.675
Housing Services	106.778	11.690	18.777	0.000	8.690	67.621
Children's Service & Schools	1.485	0.057	0.792	0.000	0.564	0.072
Grand Total	**152.319**	**18.477**	**19.915**	**0.634**	**17.003**	**96.289**

Sources of Funding

The use of resources to finance capital spend is changing over time as less and less capital receipts are being generated from the sale of assets and greater reliance, particularly for the large regeneration schemes, is being placed on the use of borrowing.

The Council's Capital funding in 2022/23 is illustrated below.



Capital Programme

The Council is required by statute (The Prudential Code for Capital Finance in Local Authorities) to agree and set the capital programme and associated capital strategy. The capital programme agreed by Members over the next 5 years amounts to £1,221m and is set out in the table below:

Summary of Capital Programme	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Adults Services	6.571	0.000	0.000	0.000	0.000	**6.571**
Customer, Communications & Culture	1.033	4.552	0.000	0.000	0.000	**5.585**
Transformation	9.457	6.494	1.980	1.180	0.000	**19.111**
Children Services	2.225	0.000	0.000	0.000	0.000	**2.225**
Learning & Achievement	0.887	0.000	0.022	0.000	0.000	**0.909**
Environment	12.320	7.750	7.182	7.000	7.000	**41.252**
Registration & Bereavement Services	0.070	0.000	0.000	0.000	0.000	**0.070**
Asset Management	33.783	26.089	0.216	0.226	0.238	**60.551**
ICT Infrastructure	6.982	3.020	2.242	0.000	0.000	**12.244**
Capital Contingency	2.000	0.000	0.000	0.000	0.000	**2.000**
Regeneration Programme	170.560	131.682	45.051	28.000	28.000	**403.294**
Total GF Capital Programme	**245.889**	**179.587**	**56.692**	**36.406**	**35.238**	**553.812**
HRA	143.206	94.387	100.729	133.379	196.121	**667.822**
Total Capital Programme	**389.094**	**273.974**	**157.421**	**169.786**	**231.358**	**1,221.634**

Historically, the Council managed the cash flow of its capital expenditure programme largely via the use of capital receipts. However with receipts reducing the Council plans to use prudential borrowing within the Treasury Management Strategy for prioritised schemes.

Treasury Management

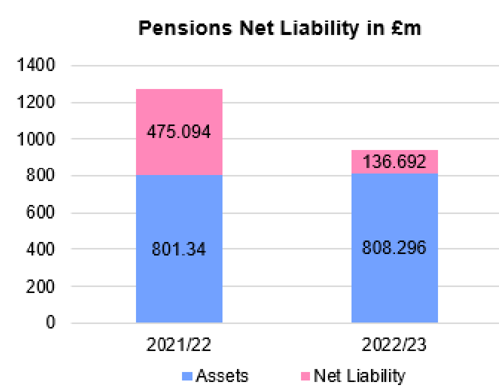
The Council held approximately £119.9 million in cash and investments on average during the course of the financial year. This represents the value of the Council's revenue reserves, net current assets, unapplied grants and unapplied capital reserves. Other than reserves, this is money that is committed and is being held pending such expenditure. Given the Council's gross expenditure is approximately £678.9m, this represents over two months of expenditure.

The primary objective of the Authority's investment strategy is to minimise risk. The credit ratings of the banks and market information are monitored regularly by officers who are involved in the investment process while deposits are restricted to a limited number of institutions meeting the Authority's lending criteria. Total cash, cash equivalents and investments held by the Authority at 31 March 2023 amounted to £30.2m (£137m at 31 March 2022). The average yield from the Authority's cash investments for 2022/23 was 1.73% (0.28% for 2021/22). This reflects the conservative nature of the Authority's investment strategy and historically low interest rates. The impact of the UK's exit from the European Union continues with uncertainty around its impact on borrowing and investment rates as well as general inflation. The Council will however continue to take steps within its Treasury Management Strategy to mitigate associated risks.

Historically, the Council managed the cash flow of its capital expenditure programme largely via the use of capital receipts. However, as can be seen by the capital programme above with its £1.457 billion budget, the capital ambition of the Council will exceed the potential capital receipts available. The Council plans to use prudential borrowing within the Treasury Management Strategy for prioritised schemes. Over the next couple of years, the Treasury return will fall and the cash and cash equivalents will be reduced to working capital

Pension Fund

The Council participates in the Local Government Pension Scheme (LGPS) for the majority of its staff. The net estimated pension liability for Havering using "IAS19" is £136.7m as at 31st March 2023 compared with £475.1m as at 31st March 2022.



Estimation of liability is based on a number of judgements relating to the discount rate used, salary increases, alterations in retirement age, longevity, interest rates, inflation and expected returns on assets. Also, it has taken into account the impact of the recent McCloud ruling and GMP equalisation.

The Pension Fund's net assets increased in 2022/23, from £801.3m to £808.3m due to investment market increases in 2022/23 and the liability decreased significantly from £1,276.4m to £945m due to a higher net discount rate. Further information on the basis of the IAS19 disclosure is included at Note 42.

The net liability is the additional amount that the Council will have to set aside or generate through investment returns to fund the pension entitlements that have been built up to date by members of the Pension Fund.

During 2023 the Pension Fund received the results of its 2022 valuation. In comparison to the 2019 valuation the overall Funding level saw a significant improvement, increasing from 70% to 80%. The Pension Fund has a robust funding plan in place that concludes that the Council has a viable long-term solution to reducing the Pension Fund deficit to zero. The next Triennial Review will take place in 2025.

Kathy Freeman

Kathy Freeman

Section 151 Officer

London Borough of Havering

Date: XX December 2024

Explanation of Accounting Statements

Whilst these accounts are presented as simply as possible, the use of some technical terminology cannot be avoided. To aid a better understanding of the terminology used a glossary of the terms is set out at the end of the document.

The key financial statements set out within this document include:

- **Movement in Reserves Statement (MiRS) –** This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves and unusable reserves. It analyses the increase and decrease in the net worth of the Authority as a result of the surplus/deficit in year and from movements in the fair value of the assets. It also analyses the movement between reserves, in accordance with statutory regulations.

- **Comprehensive Income and Expenditure Statement (CIES) –** This statement brings summarises the expenditure and income for the year.

- **Balance Sheet –** This records the Authority's year-end financial position. It shows the balances and the reserves at the Authority's disposal, its long term debt, net current assets and liabilities, and summarises information on the long-term assets held.

- **Cash Flow Statement –** This summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue.

- **Notes to the Financial Statements –** The notes provide more detail about the items contained in the key financial statements, the Authority's Accounting Policies and other information to aid the understanding of the financial statements.

- **Expenditure Funding Analysis (EFA) –** This is a note to the accounts and shows how annual expenditure is used and funded from resources and accounted under local government statute as opposed to how it would accounted by private sector bodies under generally accepted accounting practices.

- **Housing Revenue Account (HRA) –** This records the Authority's statutory obligations to account separately for the cost of the landlord role in respect of the provision of the Authority Housing.

- **Collection Fund –** The Authority is responsible for collecting council tax and non-domestic rates, and to keep a separate account to detail the amounts owing to and from the Council, the GLA and the DLUHC.

- **Pension Fund –** The Pension Fund Accounts show the contributions from the Authority, participating employers and employees for the purpose of paying pensions. The Fund is separately managed by the Authority, acting as trustee, and its Accounts are separate from those of the Authority.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Executive.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

The Chief Finance (Section 151) Officer's Responsibilities

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

In preparing this statement of accounts the Chief Finance (Section 151) Officer has:

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

The Chief Finance (Section 151) Officer has also:

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

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Kathy Freeman

Chief Finance (Section 151) Officer
XX December 2024

Councillor Julie Wilkes
Char of Audit Committee

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

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Group Movement in Reserves Statement 2022/23

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority and the group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the group reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Authority's Share of Reserves of Subsidiaries / Joint Ventures	Total inc Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021	**10,936**	**78,600**	**17,028**	**37,464**	**13,377**	**51,590**	**208,995**	**589,536**	**1,809**	**800,340**
Movement in reserves during 2021/22										
(Deficit)/surplus on provision of services	(15,551)		55,102				39,551		(451)	39,100
Other comprehensive expenditure and income							0	81,688	303	81,991
Total comprehensive expenditure and income	**(15,551)**	**0**	**55,102**	**0**	**0**	**0**	**39,551**	**81,688**	**(148)**	**121,091**
Adjustments between accounting basis and funding ba	6,209		(52,814)	18,531	(4,719)	914	(31,879)	31,879		0
Net (decrease)/increase before transfers to earmarl	**(9,342)**	**0**	**2,288**	**18,531**	**(4,719)**	**914**	**7,672**	**113,567**	**(148)**	**121,091**
Transfers to/(from) Earmarked Reserves	9,348	(9,605)	257				**0**			0
(Decrease)/Increase in Year	**6**	**(9,605)**	**2,545**	**18,531**	**(4,719)**	**914**	**7,672**	**113,567**	**(148)**	**121,091**
Balance at 31 March 2022	**10,942**	**68,994**	**19,573**	**55,995**	**8,657**	**52,504**	**216,669**	**703,103**	**1,657**	**921,431**
Movement in reserves during 2022/23										
(Deficit)/surplus on provision of services	(45,923)		(10,352)				(56,275)		(872)	(57,147)
Other comprehensive expenditure and income							0	333,590	294	333,884
Total comprehensive expenditure and income	**(45,923)**	**0**	**(10,352)**	**0**	**0**	**0**	**(56,275)**	**333,590**	**(578)**	**276,737**
Adjustments between accounting basis and funding ba	23,979	0	15,599	436	(4,797)	13,721	48,938	(48,938)		0
Net (decrease)/increase before transfers to earmarl	**(21,944)**	**0**	**5,247**	**436**	**(4,797)**	**13,721**	**(7,337)**	**284,652**	**(578)**	**276,737**
Transfers to/(from) Earmarked Reserves	19,163	(19,163)	0				0			0
(Decrease)/Increase in Year	**(2,781)**	**(19,163)**	**5,247**	**436**	**(4,797)**	**13,721**	**(7,337)**	**284,652**	**(578)**	**276,737**
Balance at 31 March 2023	**8,161**	**49,830**	**24,820**	**56,431**	**3,859**	**66,225**	**209,334**	**987,755**	**1,075**	**1,198,168**

Authority Movement in Reserves Statement 2022/23

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2021	**10,936**	**78,601**	**17,028**	**37,464**	**13,377**	**51,590**	**208,998**	**589,536**	**798,535**
Movement in reserves during 2021/22									
Deficit/surplus on provision of services	(15,551)		55,102				39,551		39,551
Other comprehensive expenditure and income							0	81,688	81,688
Total comprehensive expenditure and income	**(15,551)**	**0**	**55,102**	**0**	**0**	**0**	**39,551**	**81,688**	**121,239**
Adjustments between accounting basis and funding basis under regulations (Note 9)	6,209	0	(52,814)	18,531	(4,719)	914	(31,879)	31,879	0
Net decrease/increase before transfers to earmarked reserves	**(9,342)**	**0**	**2,288**	**18,531**	**(4,719)**	**914**	**7,672**	**113,567**	**121,239**
Transfers to/from Earmarked Reserves (Note 10)	9,348	(9,605)	257				0		0
Decrease/increase in Year	**6**	**(9,605)**	**2,545**	**18,531**	**(4,719)**	**914**	**7,672**	**113,567**	**121,239**
Balance at 31 March 2022	**10,942**	**68,996**	**19,573**	**55,995**	**8,657**	**52,504**	**216,671**	**703,103**	**919,774**
Movement in reserves during 2022/23									
(Deficit)/surplus on provision of services	(45,923)		(10,352)				(56,275)		(56,275)
Other comprehensive expenditure and income							0	333,590	333,590
Total comprehensive expenditure and income	**(45,923)**	**0**	**(10,352)**	**0**	**0**	**0**	**(56,275)**	**333,590**	**277,315**
Adjustments between accounting basis and funding basis under regulations (Note 9)	23,979	0	15,599	436	(4,797)	13,721	48,938	(48,938)	0
Net (decrease)/increase before transfers to earmarked reserves	**(21,944)**	**0**	**5,247**	**436**	**(4,797)**	**13,721**	**(7,337)**	**284,652**	**277,315**
Transfers to/from Earmarked Reserves (Note 10)	19,163	(19,163)	0				0		-
(Decrease)/Increase in Year	**(2,781)**	**(19,163)**	**5,247**	**436**	**(4,797)**	**13,721**	**(7,337)**	**284,652**	**277,315**
Balance at 31 March 2023	**8,161**	**49,834**	**24,820**	**56,431**	**3,860**	**66,225**	**209,336**	**987,755**	**1,197,091**

Group Comprehensive Income and Expenditure Statement 2022/23

The Group Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

1 April 2021 – 31 March 2022				1 April 2022 – 31 March 2023		
£000 Gross Expenditure	£000 Gross Income	£000 Net		£000 Gross Expenditure	£000 Gross Income	£000 Net
			Gross expenditure, gross income and net expenditure of continuing operations			
32,485	(9,157)	23,328	Corporate Budgets	33,164	(13,368)	19,796
61,960	(31,718)	30,242	Neighbourhoods	61,178	(32,798)	28,379
46,217	(69,776)	(23,559)	Housing	102,599	(74,517)	28,082
10,549	(10,689)	(140)	Regeneration Programme Delivery	4,192	(4,776)	(584)
108,442	(41,205)	67,236	Adult Services	108,580	(30,137)	78,443
234,192	(162,249)	71,943	Children’s Services	250,230	(177,519)	72,711
14,925	(13,757)	1,168	Public Health	12,149	(11,925)	224
89,645	(76,273)	13,371	oneSource Non-Shared	83,729	(70,271)	13,458
20,332	(16,440)	3,892	oneSource Shared	23,212	(15,777)	7,435
618,746	**(431,266)**	**187,480**	**Cost of services**	**679,033**	**(431,088)**	**247,945**
		(8,469)	Other operating expenditure			31,137
		18,704	Financing and investment income and expenditure			17,025
		(236,813)	Taxation and non-specific grant income			(238,952)
		(39,098)	**(Surplus)/Deficit on provision of services**			**57,154**
		8,855	(Surplus)/Deficit on revaluation of property, plant and equipment assets			23,364
		(90,846)	Actuarial losses/(gains) on pension assets / liabilities			(357,248)
		(81,991)	**Other comprehensive income and expenditure**			**(333,884)**
		(121,089)	**Total comprehensive income and expenditure**			**(276,730)**

APPENDIX F

Balance Sheet as at 31 March 2023

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority and the group. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2022 Authority Restated £000	31 March 2022 Group Restated £000		Notes	31 March 2023 Authority £000	31 March 2023 Group £000
1,530,769	1,549,348	**Property, plant and equipment**	14	1,548,358	1,577,699
2,387	2,387	**Heritage assets**	15	2,362	2,362
61,313	108,859	**Investment property**	16b	48,124	102,695
269	269	**Intangible assets**	17	212	212
11,306	0	**Long term investments in subsidiaries**		17,516	0
2,104	8,921	**Long term investments in joint ventures**	16d	2,395	17,328
54,383	60	**Long term debtors**	19	73,712	47
1,662,531	**1,669,844**	**Long-term assets**		**1,692,679**	**1,700,343**
85,110	85,110	**Short-term investments**	18	0	0
454	454	**Inventories**		473	473
78,918	76,046	**Short-term debtors**	19	72,698	68,526
60,283	61,060	**Cash and cash equivalents**	20	35,108	35,812
0	0	**Assets held for sale**	21	0	0
224,765	**222,670**	**Current assets**		**108,279**	**104,811**
(1,760)	(1,760)	**Short-term borrowing**	18	(13,940)	(13,940)
(153,199)	(154,129)	**Short-term creditors**	22	(116,216)	(116,679)
(154,959)	**(155,889)**	**Current liabilities**		**(130,156)**	**(130,619)**
		Long-term creditors			
(10,764)	(11,517)	**Provisions**	23	(7,293)	(8,186)
(314,123)	(315,878)	**Long-term borrowing**	18	(314,776)	(316,532)
(475,094)	(475,215)	**Other long-term liabilities**	42	(136,692)	(136,692)
(12,581)	(12,581)	**Capital grants receipts in advance**	35b	(14,958)	(14,958)
(812,562)	**(815,191)**	**Long-term liabilities**		**(473,719)**	**(476,368)**
919,775	**921,434**	**Net assets**		**1,197,083**	**1,198,167**
216,673	218,332	**Usable reserves**	24	209,329	210,413
703,102	703,102	**Unusable reserves**	25	987,754	987,754
919,775	**921,434**	**Total Reserves**		**1,197,083**	**1,198,167**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Authorised for Issue
Kathy Freeman

Kathy Freeman

Section 151 Officer
London Borough of Havering
Date: XX December 2024

Cash Flow Statement as at 31 March 2023

The Cash Flow statement shows the changes in cash and cash equivalents of the Authority and the Group during the reporting period. The statement shows how the Authority / Group generates and uses cash and cash equivalents by classifying cash flows as; operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority / Group are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2021/22 Authority £000	2021/22 Group £000		Note	2022/23 Authority £000	2022/23 Group £000
39,549	39,098	Net surplus on the provision of services		(56,282)	(57,154)
86,824	86,141	Adjust net surplus or deficit on the provision of services for non-cash movements	26	64,568	63,889
(58,312)	(58,312)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(51,328)	(51,328)
68,061	**66,927**	**Net cash flows from Operating Activities**		**(43,042)**	**(44,593)**
(49,697)	(48,237)	Investing activities	27	5,034	4,403
34,058	29,475	Financing activities	28	12,833	14,653
52,422	**48,165**	**Net increase /(decrease) in cash and cash equivalents**		**(25,175)**	**(25,537)**
7,861	12,895	Cash and cash equivalents at the beginning of the reporting period	20	60,283	61,060
60,283	**61,060**	**Cash and cash equivalents at the end of the reporting period**	**20**	**35,108**	**35,523**

Authority Comprehensive Income and Expenditure Statement 2022/23

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

1 April 2021 – 31 March 2022					1 April 2022 – 31 March 2023		
£000 Gross Expenditure	£000 Gross Income	£000 Net		Notes	£000 Gross Expenditure	£000 Gross Income	£000 Net
			Gross expenditure, gross income and net expenditure of continuing operations				
32,485	(9,157)	23,328	Corporate Budgets		33,164	(13,368)	19,796
61,960	(31,718)	30,242	Neighbourhoods		61,178	(32,798)	28,379
46,217	(69,776)	(23,559)	Housing		102,599	(74,517)	28,082
10,613	(9,476)	1,137	Regeneration Programme Delivery		3,865	(2,576)	1,289
108,442	(41,205)	67,236	Adult Services		108,580	(30,137)	78,443
234,192	(162,249)	71,943	Children’s Services		250,230	(177,519)	72,711
14,925	(13,757)	1,168	Public Health		12,149	(11,925)	224
89,645	(76,273)	13,371	oneSource Non-Shared		83,729	(70,271)	13,458
20,332	(16,440)	3,892	oneSource Shared		23,212	(15,777)	7,435
618,810	**(430,053)**	**188,757**	**Cost of services**		**678,706**	**(428,888)**	**249,818**
		(8,460)	Other operating expenditure	11			31,116
		16,600	Financing and investment income and expenditure	12			14,441
		(236,446)	Taxation and non-specific grant income	13			(239,092)
		(39,549)	**(Surplus)/Deficit on provision of services**				**56,282**
		9,111	(Surplus)/Deficit on revaluation of property, plant and equipment assets	25a			23,506
		(90,799)	Actuarial losses/(gains) on pension assets / liabilities (restated)	25e			(357,096)
		(81,688)	**Other comprehensive income and expenditure**				**(333,590)**
		(121,237)	**Total comprehensive income and expenditure**				**(277,308)**

Notes to the Core Financial Statements

1. Accounting Policies

Going Concern

The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

Accounts drawn up under the Code assume that a local authority's services will continue to operate for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of Central Government). If an authority was in financial difficulty, the prospects are thus that alternative arrangements might be made by Central Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts which the Accounts and Audit (England) Regulations 2015 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Outstanding creditors are written out of the accounts if they have not been billed for by the supplier after a period of one year, however a sample of outstanding balances will be sampled and adjusted for if required;

- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and
- most accruals are automatically generated by the feeder system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de-minimis for 2022/23 remains at £50,000.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions, repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in one month or less from the date of acquisition or notice accounts of no more than 3 months and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Within the accounts the Comprehensive Income and Expenditure Statement has been restated to comply with the CIPFA code; 'Telling the story'. This is to improve the presentation and transparency of the Council's financial statements.

v. Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance (the Minimum Revenue Provision). Depreciation, revaluation and impairment losses, and amortisations are therefore replaced by an adjusting transfer to the General Fund Balance from the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Central Government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the relevant service line or, where applicable, to the

Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund and Housing Revenue Account balances to be charged with the amount payable by the Authority to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

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

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- the National Health Service Pension Scheme, administered by the National Health Service; and
- the Local Government Pension Scheme, administered by the Authority.

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. However, the arrangements for the Teachers' and National Health Service schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. Those schemes are therefore accounted for as if they were defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education and Public Health Services lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable to the Teachers' and National Health Service Pensions Scheme in the year.

The Local Government Pension Scheme

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

- The liabilities of the London Borough of Havering Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of the London Borough of Havering Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price;
    - unquoted securities – professional estimate;
    - unitised securities – current bid price; and
    - property – market value.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as other comprehensive income and expenditure;
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as other comprehensive income and expenditure;
  - contributions paid to the London Borough of Havering pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

viii. Events After the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for Statements the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset. Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

x. Foreign Currency Translation

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

xi. Government Grants and Contributions

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

All Town and Country Planning Act 1990 (as amended) Section 106 contributions, because of their complex nature and numerous legal conditions, are only recognised through the Comprehensive Income and Expenditure Statement once they have been spent. Only then are we certain all conditions have been met and there is no return obligation.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund and Housing Revenue Account balances in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Non Ring-fenced Grants

These are allocated by Central Government directly to local authorities as additional revenue funding. They are not ring-fenced and are credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Business Improvement Districts

The Authority is the billing authority for the London Riverside Business Improvement District (BID) managed by Ferry Lane Action Group, which provides a cleaner, safer, more secure business environment and promotes the interests of the business community within the BID. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) on the balance sheet. The Authority has similar arrangements for the Romford Town Centre BID, which went live during 2018/19.

xii. Heritage Assets

The Authority's Heritage Assets are split into two categories

- Civic Regalia; and
- Heritage Buildings.

Civic Regalia

The collection of civic regalia includes the Mayor's and the Deputy Mayor's chains, which are worn on ceremonial duties and various items with civic insignia. They are valued based on manufacturing costs and do not include any element for rarity or collectable value, retail mark-up or VAT.

Heritage Buildings and Property

The Authority owns buildings and property that meet the definition of heritage assets which are valued on a minimum of every 5 years on either a depreciated replacement cost basis or on an existing use basis.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the CIPFA code of practice and the Authority's general policies on impairment.

xiii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Inventories

The Authority has a small number of inventories. These are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned predominantly using the first in first out (FIFO) costing formula.

xv. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvi. Interests in Companies and Other Entities

The code requires local authorities with, in aggregate, material interest in subsidiaries and associated companies and joint ventures to prepare group financial statements.

The Group's financial statement incorporate the financial statements of the London borough of Havering and its subsidiaries prepared as at the year end date. As part of the consolidation process, Havering has aligned the accounting policies of the subsidiaries with those of the Council and made consolidation adjustments where necessary. It has consolidated the financial statements of the subsidiaries with those of the Council on a line by line basis; eliminated in full balances, transactions, income and expenses between the Council and the partnerships.

xvii. Interest in Joint Committee

oneSource is a participative arrangement created by the Authority, the London Borough of Newham and the London Borough of Bexley to share back office operations. In 2020, the London Borough of Bexley withdrew all back office operations from oneSource and the London Borough of Newham withdrew its Professional Accountancy Services. In 2022, the London Borough of Newham withdrew its Health and Safety Services. It is governed by a joint committee and is not deemed to meet the definition of joint control; hence the assets, liabilities, income, expenditure and cash flows of the joint committee are not consolidated into the Authority's group accounts. Instead, the Authority accounts for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows, in its single entity financial statements. Cost and savings are shared between the three authorities on the basis of an agreed formula and are allocated on an annual basis.

xviii. Leases

All current leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease, but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Leases

The Authority as Lessee

From 1 April 2024, where the Council is leasing an asset for more than 12 months and has a value in excess of £10,000, the asset will be accounted as if the asset was owned by the Council. Costs for assets Items under the de-minimis level are recognised as revenue expenditure.

The initial recognition of the asset is at fair value of the property the Council has a right to use. A liability is also recognised which will reduce as lease payments are made.

The Authority as Lessor

Where the Council is the lessor for a lease, the asset is not recognised on the balance sheet, however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital – credited against the debtor and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.

xix. Overheads and Support Services

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

xx. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Finance costs are excluded in valuations for all assets.

Havering has applied the following de minimis criteria for the capitalisation of expenditure, so that schemes which cost less than this are classified as revenue rather than capital: -

- works to buildings £5,000
- infrastructure £5,000
- office and information technology £5,000
- other furniture and equipment £5,000

There are no de minimis limits for the following categories: land acquisition, vehicles and plant, energy conservation work, health and safety improvements, aids and adaptations for the disabled.

These de minimis rules may be waived where grant or borrowing consent is made available for items of capital expenditure below £5,000.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUVSH);
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV);
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued as a minimum every five years, with high value assets being re-valued annually, to ensure their carrying amount is not materially different from their fair value at the year end. In addition, an independent review is carried out annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for as follows:

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

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

Development Costs

General Feasibility studies are automatically treated as revenue, unless in very rare circumstances when they lead to the creation of an asset. This is because they are typically an options review of what schemes may or may not be considered for the capital programme. They do not in and of themselves produce an asset. There would need to be an accompanying business case justification as to why this expenditure could be capitalised and as such, this would normally only occur in relation to large-scale regeneration schemes.

The watershed moment between the feasibility and the development stage, when concrete designs are reviewed is normally the point at which expenditure may be considered for capitalisation. The Council's policy at this stage is to treat the expenditure as capital and then if the scheme did not go ahead or was stopped at an early stage without producing any assets, would treat the expenditure as an abortive revenue cost. This policy could be broadly described as *capitalising at risk* and all schemes that were cancelled without producing an asset would need to be reviewed for the potential for these abortive costs.

Impairment

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

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

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

Depreciation

Depreciation is provided for on all property, plant and equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged in the year of acquisition but is charged in full during the year of disposal.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over a five year period unless a suitably qualified officer determines a more appropriate period; and
- infrastructure – straight-line allocation over 20 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the Code requires that these components are depreciated separately.

Major components which have materially different asset lives will be identified in respect of:

- new capital expenditure as it arises; and
- existing assets as they become subject to revaluation.

Assets will not be valued on a componentised basis in the following circumstances on the basis that the impact upon asset valuation and depreciation is not material to the accounting disclosures:

- capital expenditure of less than £300,000 per scheme; and
- assets valued at less than £3,000,000.

As a consequence of the application of this policy the Authority has not identified any major components with materially different asset lives. However, the application of this policy will be reviewed on an on-going basis to ensure that the carrying value of assets is not materially affected.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to noncurrent assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Where an Asset is fully depreciated and therefore has a zero net book value, it is deemed as being abandoned or scrapped and treated as such (This will not have an effect on the Comprehensive Income and Expenditure Statement as the gross book value and the accumulated depreciation are equal). Receipts from disposals (if any) are credited to the same line in the

Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account.

Highways Network Infrastructure Assets

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Measurement

Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network have either been assessed by the Highways Engineer, based on industry standards, based on existing inventories or by using best estimates where appropriate. The useful lives for each class will be reviewed annually and are as follows:

Carriageways, Footways and Cycle tracks = 25 years

Structures* = 25 years

Street lighting = 25 years

Street furniture* = 25 years

Traffic management systems* = 25 years

Other Highways Network Infrastructure* = 25 years

**Significant expenditure on these assets are reviewed on a case by case basis to determine if the weighted average life set out in the policy is appropriate.*

Disposals and derecognition

When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

Annual Minimum Revenue Provision Statement

Where the Council finances capital expenditure by borrowing, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum provision since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's (DCLG) Guidance on Minimum Revenue Provision issued in 2012.

The broad aim of the DCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments, starting in the year after the asset becomes operational.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Third party loans – Under statutory requirements the payment of the loan will normally be treated as capital expenditure. The subsequent loan repayments, (which are treated as capital receipts under statutory requirements); will be used to reduce the long term liability and consequently the CFR. As a result MRP will not generally be charged on the loan as it is not appropriate to do so.

xxi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

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

Contingent Assets

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

xxii. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

xxiii Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxiv. Schools

The *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group

Accounts). Schools' transactions, cash flows and balances are therefore recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority.

xxv. VAT and Tax Duty

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. If any tax duty is payable on goods purchased from EU, this will be part of the purchase cost and is not recoverable from HMRC.

xxvi. Fair Value Measurement

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

a) in the principal market for the asset or liability, or

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

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

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

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires disclosure of the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2022/23 Code.

The Code requires that changes in accounting policy are applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

The standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 financial statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

• Definition of accounting estimates (amendments to IAS8) issued in February 2021

• Disclosure of accounting policies (amendments to IAS1 and IFRS Practice statement 2) issued in February 2021

• Deferred tax relating to assets and liabilities arising from a single transaction (amendments to IAS12) issued in May 2021

• Updating a reference to the conceptual framework (amendments to IFRS3) issued in May 2020.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements. Officers concur with this view.

3. Critical Judgements in Applying Accounting Policies, Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In applying the accounting policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- there is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision; and
- the statement of accounting policies incorporates a number of de minimis thresholds below which certain low value transactions are not recognised in strict accordance with the Code of Practice. These thresholds have been selected for the purpose of reducing the volume and complexity of financial transactions without materially altering the accounting disclosures. The areas most affected by this policy relate to the recognition of pensions liabilities, fixed assets, leases and accruals.

The Statement of Accounts contains estimated figures based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Assets have been valued by the Authority's external valuers on the basis of a five year rolling valuation programme. In the current economic climate, the Balance Sheet valuation of £1,548m may be subject to fluctuations.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Assets would increase by £2.8m for every year that useful lives had to be reduced. If the asset valuation of all property plant and equipment were to fall by 1% a reduction in value of £15.48m would arise. This would normally be reversed to the Revaluation Reserve. Where revaluation losses exceed unrealised gains, the net loss would be charged to the Consolidated Income and Expenditure Statement and subsequently written off to the Capital Adjustment Account.

Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for *similar* assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 16 below.	The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial asset
Provisions	The Authority has made a provision of £3.7m for the settlement of insurance claims based upon an actuarial assessment of the current level of liability.	An increase over the forthcoming year of 10% in the value of claims to be settled would have the effect of adding £0.37m to the provision required.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £15.3m. However, the assumptions interact in complex ways. During 2022/23, the Authority's actuary advised that changes in actuarial assumptions gave rise to a gain of £357.1m (compared to a gain of £90.8m in 2021/22) to the Consolidated Income and Expenditure Statement.
Arrears	At 31 March 2023, the Authority had a gross debtor's balance of £120.6m (£119.9m at 31 March 2022). A review of significant balances suggested that an impairment of doubtful debts of 39.7% (£47.9m) was appropriate. However, in the current economic climate it may not be certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 25% increase in the amount of the impairment of doubtful debts would require an additional £12m to be set aside as an allowance.

NNDR Appeals	At 31 March 2023, the Authority reduced its provision by £3.6m to £3.6m in respect of appeals which are still outstanding, based on the previous success rate on appeals. The passing of a recent deadline by which time appeals could have been submitted has reduced the required estimated provision.	In the event that the outcome of appeals increases by 25% than the anticipated percentages this would result in additional cost of £0.9m.

4. Material Items of Income and Expense

A net revaluation loss of £36.8m has been credited to the Consolidated Income and Expenditure Account (CI&ES) in 2022/23. With the exception of movements in Investment properties revaluation losses are normally debited to the Revaluation Reserve except where, as in this case, the revaluation loss exceeds the previous gains charged to the revaluation reserve. By way of comparison, the revaluation gain credited to the CI&ES in 2021/22 was £6.926m. Further information is provided at note 39.

A net disposals loss of £12.3m has been debited to the CI&ES in 2022/23. This is a result of losses from the disposal of GF and HRA assets. This is compared to a corresponding gain of £21.9m in 2021/22.

5. Authorisation of the Statement of Accounts

The Statement of Accounts was authorised for issue on the date the Section 151 Officer certified that the accounts give a true and fair view of the financial position of the Authority at the year-end; and its income and expenditure, see the “Statement of Responsibilities for the Statement of Accounts”. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Events after the Balance Sheet Date

No material post balance sheet events requiring adjustment to the 31st March 2023 balance sheet has been identified.

7. Expenditure and Funding Analysis 2022/23

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

1 April 2021 – 31 March 2022					1 April 2022 – 31 March 2023			
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Bases £000	Other Adjustments* £000	Net Expenditure in the CI&ES £000	Service	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Bases £000	Other Adjustments* £000	Net Expenditure in the CI&ES £000
39,441	(30,096)	13,983	**23,328**	Corporate Budgets	24,843	3,853	(8,900)	**19,797**
17,736	11,933	573	**30,242**	Neighbourhoods	16,218	11,063	1,099	**28,380**
4,604	(52,814)	24,652	**(23,559)**	Housing	4,633	15,600	7,849	**28,082**
1,067	69	-	**1,137**	Regeneration	974	61	254	**1,289**
68,394	1,745	(2,902)	**67,236**	Adult Services	75,217	1,261	1,966	**78,443**
50,519	18,914	2,510	**71,943**	Children's Service	56,755	9,805	6,150	**72,711**
(1,624)	138	2,654	**1,168**	Public Health	4	86	133	**223**
4,782	10,518	(1,929)	**13,371**	oneSource Non-Shared	5,116	8,140	203	**13,459**
900	2,209	782	**3,892**	oneSource Shared	4,566	1,895	974	**7,435**
185,819	**(37,384)**	**40,323**	**188,758**	**Net Cost of Services**	**188,327**	**51,764**	**9,728**	**249,819**
(188,371)	(9,221)	(30,713)	(228,306)	Other Income and Expenditure	(187,784)	(12,186)	6,433	(193,536)
(2,552)	**(46,605)**	**9,609**	**(39,548)**	**(Surplus) or Deficit**	**543**	**39,578**	**16,161**	**56,282**
27,966				Opening General Fund and HRA Balance	**30,518**			
2,552				Less/Plus Surplus or Deficit on General Fund and HRA Balance in Year**	(543)			
30,518				**Closing General Fund and HRA Balance at 31 March 2023**	**29,975**			

*This represents the movement in Earmarked Reserves. See Note 10.
** For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement.

7a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2022/23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Corporate Budgets	7,100	1,671	(4,918)	3,853
Neighbourhoods	(5,626)	2,896	13,793	11,063
Housing	15,413	66	122	15,600
Regeneration Programme Delivery	(19,598)	318	19,341	61
Adult Services	(2,295)	1,185	2,371	1,261
Children's Services	(18,276)	8,886	19,196	9,805
Public Health	(221)	135	172	86
oneSource Non-Shared	(2,959)	1,522	9,577	8,140
oneSource Shared	(3,911)	2,016	3,791	1,895
Net Cost of Services	**(30,374)**	**18,694**	**63,444**	**51,764**
Other income and expenditure from the Expenditure and Funding Analysis			(12,186)	(12,186)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(30,374)**	**18,694**	**51,258**	**39,578**

Adjustments between Funding and Accounting Basis 2021/22
(This has been restated to be aligned to the authority's internal financial reporting structure)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Corporate Budgets	(28,919)	(948)	(228)	(30,096)
Neighbourhoods	8,880	3,362	(310)	11,933
Housing	(52,884)	78	(9)	(52,814)
Regeneration Programme Delivery	(339)	598	(189)	69
Adult Services	499	1,382	(137)	1,745
Children's Services	8,024	11,274	(385)	18,914
Public Health	0	155	(17)	138
oneSource Non-Shared	8,922	1,754	(158)	10,518
oneSource Shared	0	2,426	(217)	2,209
Net Cost of Services	**(55,816)**	**20,082**	**(1,649)**	**(37,384)**
Other income and expenditure from the Expenditure and Funding Analysis			(9,221)	(9,221)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(55,816)**	**20,082**	**(10,870)**	**(46,605)**

Note 1 Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from the income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

• **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

• For **Financing and investment income and expenditure** –- the net interest on the defined benefit liability is charged to the CIES.

Note 3 Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

7b. Segmental Income

Income received on a segmental basis is analysed below:

2021/22 £000	Income from Services	2022/23 £000
9,157	Corporate Budgets	13,368
31,718	Neighbourhoods	32,798
69,776	Housing	74,517
9,476	Regeneration Programme Delivery	2,576
41,205	Adult Services	30,137
162,249	Children’s Services	177,519
13,757	Public Health	11,925
76,273	oneSource Non -Shared	70,271
16,440	oneSource Shared	15,777
430,053	**Total income analysed on a segmental basis Net Cost of Services**	**428,888**

8. Expenditure and Income Analysed by Nature

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

2021/22 £000	Expenditure/Income	2022/23 £000
	Expenditure	
230,890	Employee benefits expenses	238,710
334,075	Other services expenses	338,715
21,001	Depreciation, amortisation, impairment	65,258
19,673	Interest payments	22,323
12,256	Precepts and levies	18,745
(349)	Payments to Housing Capital Receipts Pool	(1,152)
(20,366)	(Gain)/Loss on the disposal of assets	13,523
597,179	**Total expenditure**	**696,121**
	Income	
(124,185)	Fees, charges and other service income	(131,240)
(2,355)	Interest and investment income	(5,148)
(167,615)	Income from council tax and non-domestic rates	(173,835)
(342,574)	Government grants and contributions	(329,616)
(636,730)	**Total income**	**(639,839)**
(39,551)	**Surplus or Deficit on the Provision of Services**	**56,282**

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves against which the adjustments are made.

General Fund Balance: The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year. For housing authorities the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance: The Housing Revenue Account (HRA) balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Authority's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve: The Authority maintains a Major Repairs Reserve (MRR), through which depreciation on HRA assets is reversed out and applied to the financing of capital expenditure. The MRR is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the extent to which the MRR has yet to be applied at the year end.

Capital Receipts Reserve: The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied: The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2022/23	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	Usable Reserves					
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred from the Pensions Reserve)	(18,377)	(317)				18,694
Financial instruments (transferred to the Financial Instruments Adjustments Account)						0
Transfer to negative DSG reserve	(3,938)					3,938
Council tax and NNDR (transfers to or from Collection Fund)	10,337					(10,337)
Holiday pay (transferred to the Accumulated Absences Reserve)	898	96				(994)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account	(16,806)	(51,765)			(30,894)	99,465
Total Adjustments to Revenue Resources	**(27,886)**	**(51,986)**	**0**	**0**	**(30,894)**	**110,766**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	7,564	11,835	(19,399)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(467)	234	233			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(73)		73			0
Posting of HRA resources from revenue to the Major Repairs Reserve		10,462		(10,462)		0
Use of Capital Receipts To Repay Debt	(179)		179			0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	5,618					(5,618)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,487					(4,487)
Total Adjustments between Revenue and Capital Resources	**16,950**	**22,531**	**(18,914)**	**(10,462)**	**0**	**(10,105)**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure	179		18,478			(18,657)
Use of the Major Repairs Reserve to finance capital expenditure				15,259		(15,259)
Application of capital grants to finance capital expenditure	(13,222)	13,856			17,173	(17,807)
Cash payments in relation to deferred capital receipts						0
Total Adjustments to Capital Resources	**(13,043)**	**13,856**	**18,478**	**15,259**	**17,173**	**(51,723)**
Total Adjustments	**(23,979)**	**(15,599)**	**(436)**	**4,797**	**(13,721)**	**48,938**

2021/22	Usable Reserves: General Fund Balance	Usable Reserves: Housing Revenue Account	Usable Reserves: Capital Receipts Reserve	Usable Reserves: Major Repairs Reserve	Usable Reserves: Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred from the Pensions Reserve)	(19,484)	(598)				20,082
Financial instruments (transferred to the Financial Instruments Adjustments Account)						0
Transfer to negative DSG reserve	(1,954)					1,954
Council tax and NNDR (transfers to or from Collection Fund)	11,182					(11,182)
Holiday pay (transferred to the Accumulated Absences Reserve)	1,460	189				(1,649)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account	(4,224)	2,810			(37,135)	38,549
Total Adjustments to Revenue Resources	**(13,020)**	**2,401**	**0**	**0**	**(37,135)**	**47,754**
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	19,268	14,751	(34,019)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(588)	294	294			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,107)		1,107			0
Posting of HRA resources from revenue to the Major Repairs Reserve		10,066		(10,066)		0
Use of Capital Receipts To Repay Debt	(3,683)		3,683			0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	8,389					(8,389)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	8,732					(8,732)
Total Adjustments between Revenue and Capital Resources	**31,011**	**25,111**	**(28,935)**	**(10,066)**	**0**	**(17,121)**
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			10,404			(10,404)
Use of the Major Repairs Reserve to finance capital expenditure				14,785		(14,785)
Application of capital grants to finance capital expenditure	(24,200)	25,302			36,221	(37,323)
Cash payments in relation to deferred capital receipts						0
Total Adjustments to Capital Resources	**(24,200)**	**25,302**	**10,404**	**14,785**	**36,221**	**(62,512)**
Total Adjustments	**(6,209)**	**52,814**	**(18,531)**	**4,719**	**(914)**	**(31,879)**

10. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance as earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23. A HRA earmarked reserve is included for completeness.

	Balance as at 31 3 2021	Transfers from/to Revenue	Transfers between reserves	Balance as at 31 3 2022	Transfers from/to Revenue	Transfers between reserves	Balance as at 31 3 2023
	£000	£000	£000	£000	£000	£000	£000
General Fund / Housing Revenue Account Earmarked Reserves							
Corporate Transformation reserve	**1,137**	(782)	0	**355**	(237)	0	**118**
Business Risk reserve	**11,176**	234	0	**11,410**	(3,405)	0	**8,005**
Covid - Clinically & Extremely Vulnerable (CEV) and Contains Outbreak Management Grant (COMF)	**3,031**	(3,031)	0	**0**	0	0	**0**
Business Rates reserve	**21074**	(10,716)	0	**10,358**	(7,110)	0	**3,248**
Regeneration	**2508**	0	0	**2,508**	(1,183)	0	**1,325**
ICT Refresh	**1000**	0	0	**1,000**	(400)	0	**600**
oneSource reserve	**455**	577	0	**1,032**	457	0	**1,489**
Insurance reserve	**7,153**	(67)	0	**7,086**	(2,134)	0	**4,952**
Reserves for future capital schemes	**5,316**	(409)	0	**4,907**	1,114	0	**6,021**
Legal reserve	**178**	0	0	**178**	1	0	**179**
Crematorium and Cemetery reserves	**658**	0	0	**658**	1	0	**659**
Social Care reserve	**51**	0	0	**51**	32	0	**83**
Troubled Families reserve	**370**	104	0	**474**	222	0	**696**
Public Health reserve	**2,595**	48	0	**2,643**	196	0	**2,839**
Adults Social Care Reserve	**0**	4,878	0	**4,878**	(2,768)	0	**2,110**
Whole life costing Transport Fleet reserve	**482**	(75)	0	**407**	(107)	0	**300**
Emergency assistance scheme	**1,583**	(664)	0	**919**	668	0	**1,587**
SLM Funding 2017/18 - 2022/23	**729**	(111)	0	**618**	(618)	0	**0**
Other reserves	**9,274**	877	0	**10,151**	(3,073)	0	**7,078**
HRA Major works	**3,021**	0	0	**3,021**	0	0	**3,021**
Total General Fund / Housing Revenue Account Earmarked Reserves	**71,791**	**(9,137)**	**0**	**62,654**	**(18,344)**	**0**	**44,310**
Schools Balances							
General Balances	**417**	445	0	**862**	94	0	**956**
Schools Balances	**5,694**	(213)	0	**5,481**	(913)	0	**4,568**
Centrally held schools balances (Note 34)	**700**	(700)	0	**0**	0	0	**0**
Total Schools Balances	**6,811**	**(468)**	**0**	**6,343**	**(819)**	**0**	**5,524**
Total Earmarked Reserves	**78,602**	**(9,605)**	**0**	**68,997**	**(19,163)**	**0**	**49,834**

General Fund Earmarked Reserves

Corporate Transformation and oneSource Reserves – These reserves will continue to be used to fund strategic projects and the transformation agenda.

Business Risk Reserve – After a strategic review of the earmarked reserves, the Senior Leadership Team de-committed various other earmarked reserves and reprioritised the funds to the Business Risk Reserve.

COVID - Clinically & Extremely Vulnerable (CEV) and Contains Outbreak Management (COMF) Grants Reserve – This funding was provided specifically to manage the containment of the pandemic. The reserve balance was used alongside the 2022/23 COMF allocation to fund the Outbreak Control Service and associated initiatives to contain the outbreak in line with grant conditions.

Business Rates Reserve – This reserve has been created to manage the risks and uncertainties around London wide business rate pooling. The risk of non-collection and successful business rate appeals can have fundamental impact on the Council's budget.

Regeneration Reserve – This is earmarked for the Council's masterplan regeneration projects across the borough, including the Romford masterplan.

ICT Refresh – This has been earmarked for the Council's Transitional Shift in operating models.

oneSource Reserve – This is earmarked to contribute to future projects and service improvement across all oneSource services.

Insurance Reserve – In accordance with the Accounting Code of Practice, the Authority's insurance fund has been split between a provision for liabilities which are likely to be incurred and a reserve for possible future liabilities that are "incurred but not reported" at this stage.

Reserves for future Capital Schemes – These reserves are set aside for capital schemes where expenditure has yet to be incurred. The reserves are a mixture of revenue contributions, internal leasing arrangements and various invest to save schemes.

Legal Reserve – This reserve provides funding for legal cases.

Crematorium and Cemetery Funds – These funds have existed for many years to maintain cemeteries and to help finance improvements at the crematorium. They consist of a fund created by fees, and a Cemetery Memorial Fund.

Social Care Funding – This is support for Social Care funding which local authorities receive from the NHS; it was agreed to carry forward unspent monies to be spent on the programmes jointly agreed by both parties as part of the S256 agreement.

Troubled Families – This is to contribute towards the funding of the Troubled Families programme.

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

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

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

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

Other Reserves – This encompasses a range of several smaller reserves including Covid 19 funding, Library Book Fund, Health and Safety reserve, and provision to fund potential claims arising from building works.

Schools Balances

General Balances – This is income that has accumulated over a number of years from schools buying back services from the Authority. The funds are being reinvested back into the development of support services provided to schools.

Schools Balances – These are balances that have been allocated to schools and are carried forward to the following financial year.

Centrally Held Schools Balances – The Authority's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). Details of the deployment of DSG receivable for 2022/23 are shown at Note 34. An overdrawn balance on the DSG account of £3.94m has been transferred to a unusable negative reserve in accordance with guidance to separate the balance from the Council General Fund.

11. Other Operating Expenditure

2021/22 £000		2022/23 £000
12,256	Levies	18,745
1,106	Payments to the Government Housing Capital Receipts Pool	73
(21,822)	(Gain) / Loss on the disposal of non-current assets	12,297
(8,460)	**Total**	**31,115**

12. Financing And Investment Income And Expenditure

2021/22 £000		2022/23 £000
8,674	Interest payable and similar charges	9,423
10,999	Pensions net interest on the net defined benefit liability	12,900
(2,355)	Interest receivable and similar income	(5,148)
(3,957)	Income and expenditure in relation to investment properties (note 16)	(3,659)
3,239	Changes in the fair value of investment properties	925
16,600	**Total**	**14,441**

13.Taxation And Non-Specific Grant Income

2021/22 £000		2022/23 £000
(136,404)	Council tax income	(140,548)
(31,211)	National non-domestic rates income [1]	(43,231)
(30,595)	Non ring-fenced government grants	(23,785)
(38,236)	Capital grants and contributions	(31,528)
(236,446)	**Total**	**(239,092)**

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

14. Property, Plant and Equipment

Movements in Balances 2022/23

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Gross Book Value / NBV	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 March 2022	**671,117**	**609,020**	**20,209**	**3,616**	**1,938**	**107,887**	**1,413,787**
Additions	50,033	9,740	6,721	423	0	46,861	**113,778**
Revaluation increases/(decreases) to :							
Revaluation Reserve	(54,857)	20,785	0	0	40	0	**(34,032)**
Revaluation gains to the CI&ES	(43,248)	2,077	0	0	17	0	**(41,154)**
Derecognition - Disposals	(6,095)	(12,879)	0	0	0	0	**(18,974)**
Derecognition - other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	64,361	5,222	0	0	149	(69,732)	**0**
At 31 March 2023	**681,311**	**633,965**	**26,930**	**4,039**	**2,144**	**85,016**	**1,433,405**
Accumulated Depreciation and Impairment							
At 31 March 2022	**0**	**704**	**6,706**	**402**	**0**	**0**	**7,812**
Depreciation Charge	10,081	6,411	4,090	89	0	0	**20,671**
Depreciation written out upon Revaluation:							
Revaluation Reserve	(5,245)	(5,277)	0	0	(5)	**0**	**(10,527)**
CI &ES	(4,836)	(556)	0	0	0	**0**	**(5,392)**
Derecognition - Disposals	0	(87)	0	0	0	**0**	**(87)**
Reclassifications	0	(5)	0	0	5	**0**	**0**
At 31 March 2023	**0**	**1,190**	**10,796**	**491**	**0**	**0**	**12,477**
Net book value at 31 March 2023	**681,311**	**632,775**	**16,134**	**3,548**	**2,144**	**85,016**	**1,420,928**
Net book value at 31 March 2022	**671,117**	**608,316**	**13,503**	**3,214**	**1,938**	**107,887**	**1,405,975**

14. Property, Plant and Equipment

Movements in Balances 2021/22

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Gross Book Value	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 March 2021	**644,663**	**580,531**	**23,106**	**3,567**	**1,795**	**72,026**	**1,325,688**
Additions	46,071	7,977	5,008	49	0	58,753	**117,858**
Revaluation increases/(decreases) to :							
Revaluation Reserve	(23,198)	(650)	0	0	633	0	**(23,215)**
Revaluation gains to the CI&ES	14,790	(5,574)	0	0	(490)	0	**8,726**
Derecognition - Disposals	(7,311)	(42)	(7,905)	0	0	0	**(15,258)**
Derecognition - other	0	0	0	0	0	0	**0**
Reclassifications & Transfers	(3,898)	26,790	0	0	0	(22,892)	**0**
At 31 March 2022	**671,117**	**609,032**	**20,209**	**3,616**	**1,938**	**107,887**	**1,413,799**
Accumulated Depreciation and Impairment							
At 31 March 2021	**0**	**764**	**9,997**	**325**	**0**	**0**	**11,086**
Depreciation Charge	9,635	5,846	4,614	77	14	**0**	**20,186**
Depreciation written out upon Revaluation:							
Revaluation Reserve	(9,635)	(4,455)	0	0	(14)	**0**	**(14,104)**
CI&ES	0	(1,439)	0	0	0	**0**	**(1,439)**
Derecognition - Disposals	0	0	(7,905)	0	0	**0**	**(7,905)**
Reclassifications	0	0	0	0	0	**0**	**0**
At 31 March 2022	**0**	**716**	**6,706**	**402**	**0**	**0**	**7,824**
Net book value at 31 March 2022	**671,117**	**608,316**	**13,503**	**3,214**	**1,938**	**107,887**	**1,405,975**
Net book value at 31 March 2021	**644,663**	**579,767**	**13,109**	**3,242**	**1,795**	**72,026**	**1,314,602**

14.a Highways Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.
The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Movement on Balances

	2021/22	2022/23
	£000	£000
Net Book Value (modified historical cost)		
at 1 April	**117,558**	**124,794**
Additions	14,581	10,451
Derecognition	0	0
Depreciation	(7,345)	(7,815)
Impairment	0	0
Oher Movement in Costs	0	0
at 31 March	**124,794**	**127,430**

Reconciliation of Highways and Other PPE assets to Balance Sheet figure

	31 March 2022	31 March 2023
	£000	£000
Net Book Value (modified historical cost)		
Infrastructure Asset	124,794	127,430
Other PPE Assets	1,405,975	1,420,928
Total PPE Assets	**1,530,769**	**1,548,358**

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

14.b Plant, Property & Equipment continued

Capital Commitments

Estimated future capital commitments are shown below. Payment for these schemes will be incurred in 2023/24.

31 March 2022 £000		31 March 2023 £000
	General Fund	
7,995	Arts, culture, sport and leisure	2,015
13,380	Roads, footways and bridges	1,553
4,395	Education capital schemes	11,160
175,343	Town centre and environmental Improvements	272,632
15,684	Office accommodation, equipment, ICT and vehicles	21,411
6,687	Other smaller General Fund schemes	6,890
223,484	**Total General Fund commitments**	**315,661**
220,692	Housing Revenue Account	216,355
444,176	**Total commitments**	**532,016**

Revaluations

The following statement shows the progress of the Authority's rolling programme for the revaluation of fixed assets. The valuations are reviewed in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Assets Valuation Standards Committee of the Royal Institution of Chartered Surveyors. The basis for valuation is set out in the statement of accounting policies. Valuations are carried out by our external valuers, Wilks Head and Eve, and by the Authority's Property Strategy Manager on the basis of a five year rolling programme; the most recent of which was carried out on 31 March 2023.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	-	-	16,134	127,430	3,548	-	85,016	**232,128**
Valued at fair value as at:								
31 March 2023	681,311	576,345	-	-	-	2,144	-	**1,259,800**
31 March 2022	-	10,126	-	-	-	-	-	**10,126**
31 March 2021	-	22,346	-	-	-	-	-	**22,346**
31 March 2020	-	9,657	-	-	-	-	-	**9,657**
31 March 2019	-	14,301	-	-	-	-	-	**14,301**
Total cost or valuation	**681,311**	**632,775**	**16,134**	**127,430**	**3,548**	**2,144**	**85,016**	**1,548,358**

15. Heritage Assets

Carrying value of heritage assets held by the Authority

Cost or Valuation	Civic Regalia £'000	Heritage Buildings £'000	Total Assets £'000
31 March 2019	**110**	**23**	**133**
Depreciation	0	(1)	(1)
Revaluation	0	0	0
31 March 2020	**110**	**22**	**132**
Depreciation	0	(1)	(1)
Revaluation	0	2,150	2,150
Transfers	0	38	38
31 March 2021	**110**	**2,209**	**2,319**
Depreciation	0	95	95
Revaluation	0	(27)	(27)
Transfers	0	0	0
31 March 2022	**110**	**2,277**	**2,387**
Additions	0	4	4
Depreciation	0	(29)	(29)
Revaluation	0	0	0
31 March 2023	**110**	**2,252**	**2,362**

16. Investment Properties and Joint Ventures Investment

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

2021/22 £000		2022/23 £000
4,384	Rental income from investment property	4,333
(427)	Direct operating expenses arising from investment property	(674)
3,957	**Net gain**	**3,659**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or
b) The following table summarises the movement in the fair value of investment properties over the year.

2021/22 £000		2022/23 £000
64,552	**Opening Balance**	**61,313**
(3,239)	Revaluation gains/(loss) from fair value adjustment	(925)
0	Additions	0
0	Assets reclassified	0
0	Disposal of investment properties	(12,264)
61,313	**Balance at the end of the year**	**48,124**

The valuation of the Authority's investment property portfolio in 2022/23 was undertaken by Wilks Head & Eve who provide specialist valuations advice and who have extensive experience in the property sector.

c) Investments within the group balances

Mercury Land Holding hold £54.571m in investment properties that on an open market value for existing use basis.

The Council has two property joint ventures of which the Council holds a stake of property under development. At 31 March 2023, the Council share of the developments under construction were 50% of Rainham & Beam Park (£2.4m) and 50% of Havering & Wates (12 Estates) (£15.7m). The Bridge Close se are shown under investment in joint ventures. The Bridge Close wholly controlled subsidiary has £29.3m of property shown under property, plant and equipment in the group balance sheet.

Fair Value Hierarchy

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2023 and 2022 are as follows:

31st March 2023

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2023 £000
Office units	0	3,311	0	3,311
Commercial units	0	44,813	0	44,813
Total	**0**	**48,124**	**0**	**48,124**

31st March 2022 Comparative Figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2022 £000
Office units	0	3,134	0	3,134
Commercial units	0	58,179	0	58,179
Total	**0**	**61,313**	**0**	**61,313**

Transfers between Levels of the Fair Value Hierarchy
There were no transfers between Levels during the year.

Highest and Best Use of Investment Properties
In estimating the fair value of the authority's investment properties, the highest and best use of the asset has been used.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process for Investment Properties

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with property services and the capital finance manager reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

d) Investment in Subsidiaries and Joint Ventures

2021/22 £000	Investments in subsidiary companies and Joint Ventures:	2022/23 £000
13,980	Opening Balance	13,410
0	Reclassification *	0
430	Additions*	6,501
(1,000)	Repayment	0
13,410	Closing Balance	19,911

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

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Mercury Land Holding	England	Ordinary	100%	Development of the building project
Bridge Close	England	Ordinary	100%	Development of the building project

Joint Ventures

The following are joint ventures of the Council:

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

17. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets represent the value of purchased licences only.

The maximum life attributed to software assets is currently five years on the grounds that it is a reasonable estimate of the life of computer systems and is the life applied to computer hardware for depreciation purposes.

The movement on Intangible Asset balances during the year is as follows:

2021/22 £000	**Intangible fixed assets software and system development**	**2022/23 £000**
3,008	Gross carrying amounts	1,848
(2,387)	Less accumulated amortisation	(1,579)
621	**Net carrying amount at start of year**	**269**
15	Additions – purchases	0
0	Disposals	0
(367)	Less amortisation for the period	(57)
269	**Net carrying amount at end of year**	**212**
	Comprising:	
1,848	Gross carrying amounts	1,848
(1,579)	Less accumulated amortisation	(1,636)

18. Financial Instruments

(a) Financial Instruments - Classification

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

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Authority.

The Authority's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities or public sector bodies
- trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications. Financial assets are classified into one of three categories. Financial assets held at amortised cost. Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVTPL). All the Authority's financial assets have been assessed to be held at amortised cost; these represent loans and loan-type arrangements where repayments or interest and principal takes place on set dates and at specified amounts. Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses (ECL) model. Changes in loss allowances (including balances outstanding at the dates of derecognition of an asset) are debited / credited to the Financing and Investment Income and Expenditure lines in the CIES.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash in hand
- bank current and deposit accounts
- fixed term deposits and reverse repurchase agreements with banks and building societies
- loans to other local authorities
- loans to small companies
- trade receivables for goods and services delivered

(b) Financial Instruments - Balances

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

31 March 2022		Financial Liabilities	31 March 2023	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
		Loans at amortised cost:		
		PWLB		
307,124		- Principal borrowed	307,124	
	802	- Accrued interest		764
		Market Loan		
7,000		- Principal borrowed	7,000	
	92	- Accrued interest		91
		Other Loans		
	867	- Principal borrowed	652	13,018
	0	- Accrued interest		67
314,124	**1,761**	**Total borrowing ***	**314,776**	**13,940**
		Liabilities at amortised cost:		
		Trade payables		
	84,925	- Trade Creditors		56,463
0	**84,925**	**Included in creditors**	0	**56,463**
314,124	**86,686**	**Total financial liabilities**	**314,776**	**70,403**

* The total short-term borrowing includes £0.855m (2021/22: £0.894m) representing accrued interest on long-term borrowing (PWLB £764k & LOBO Market Loan £91k)

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

31 March 2022		Financial Assets	31 March 2023	
Long-Term £000	**Short-Term £000**		**Long-Term £000**	**Short-Term £000**
		Loans and receivables:		
	85,000	- Principal at amortised cost		0
	110	- Accrued interest		0
		- Other Principal at amortised cost		
0	**85,110**	**Total Investments ***	**0**	**0**
		Loans and receivables:		
	8,283	- Cash (including bank accounts)		4,908
	52,000	- Cash equivalents at amortised cost		30,200
0	**60,283**	**Total cash and cash equivalents**	**0**	**35,108**
		Loans and receivables		
54,383	63,878	- Trade receivables	73,712	56,580
54,383	**63,878**	**Included in debtors**	**73,712**	**56,580**
54,383	**209,271**	**Total financial assets**	**73,712**	**91,688**

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

31 March 2022		Financial Assets	31 March 2023	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
		Loans and receivables:		
	85,000	- Principal at amortised cost		0
	110	- Accrued interest		0
0	**85,110**	**Total investments**	**0**	**0**
		Loans and receivables:		
	9,198	- Cash (including bank accounts)		4,908
	52,000	- Cash equivalents at amortised cost		30,200
0	**61,198**	**Total cash and cash equivalents**	**0**	**35,108**
		Loans and receivables		
60	67,375	- Trade receivables	47	56,580
60	**67,375**	**Included in debtors**	**47**	**56,580**
60	**213,683**	**Total financial assets**	**47**	**91,688**

(c) Financial Instruments - Gains and Losses
Gains and losses in 2022/23 were as follows:

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

	Financial Liabilities		Financial Assets		2022/23 Total
	Amortised Cost	Fair Value though CI&ES	Amortised Cost	Fair Value though CI&ES	
	£000	£000	£000	£000	£000
Interest expense	9,423				9,423
Interest payable and similar charges	**9,423**	**0**	**0**	**0**	**9,423**
Interest income			(5,148)		(5,148)
Increases in fair value					0
Interest and investment income	**0**	**0**	**(5,148)**	**0**	**(5,148)**
Changes in value of investment properties				925	925
Income and expenditure relating to investment properties				(3,659)	(3,659)
Pensions Net Interest		12,900			12,900
Impact in Other Comprehensive Income *	**0**	**12,900**	**0**	**(2,734)**	**10,166**
Net gain (loss) for the year	**9,423**	**12,900**	**(5,148)**	**(2,734)**	**14,441**

* Not financial instruments but included to reconcile to note 12

Gains and losses in 2021/22 were as follows:

	Financial Liabilities		Financial Assets		2021/22
	Amortised Cost	Fair Value though CI&ES	Amortised Cost	Fair Value though CI&ES	Total
	£000	£000	£000	£000	£000
Interest expense	8,201				8,201
Interest payable and similar charges	**8,201**	**0**	**0**	**0**	**8,201**
Interest income			(3,647)		(3,647)
Increases in fair value					0
Interest and investment income	**0**	**0**	**(3,647)**	**0**	**(3,647)**
Changes in value of investment properties				2,803	2,803
Income and expenditure relating to investment properties				(4,107)	(4,107)
Pensions Net Interest		9,650			9,650
Impact in Other Comprehensive Income *	**0**	**9,650**	**0**	**(1,304)**	**8,346**
Net gain (loss) for the year	**8,201**	**9,650**	**(3,647)**	**(1,304)**	**12,900**

(d) Financial Instruments - Fair Values

Financial assets classified as available for use are carried in the Balance Sheet at fair value. For most assets, including bonds the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows as at 31 March 2023. LINK, the Council's adviser have provided the fair value calculations.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

- The value of "Lender's Option Borrower's Option" (LOBO) loans have been calculated using the PWLB new market loan discount rate. This involves using level two inputs.
- The fair values of Public Works Loan Board (PWLB) loans are calculated using the premature repayment rate published by the PWLB at 31st March 2023.
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

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

31 March 2022			Fair Value Level	31 March 2023	
Balance Sheet £000	Fair Value £000			Balance Sheet £000	Fair Value £000
		Financial liabilities held at amortised cost:			
307,124	369,018	- Long-term loans from PWLB		307,124	266,905
7,000	11,786	- Long-term LOBO loans		7,000	7,278
		- Other long-term loans		652	652
867	616	- Other Short-term loans		13,018	13,667
894	894	- Accrued interest		922	922
315,885	**382,314**	**Total**		**328,716**	**289,424**
84,925	84,925	Liabilities for which fair value is not disclosed		56,463	56,463
400,810	**467,239**	**Total Financial Liabilities**		**385,179**	**345,887**

31 March 2022 Balance Sheet £000	31 March 2022 Fair Value £000		Fair Value Level	31 March 2023 Balance Sheet £000	31 March 2023 Fair Value £000
		Recorded on balance sheet as:			
84,925	84,925	- Short-term creditors		84,925	84,925
867	616	- Short-term borrowing		867	616
314,124	380,805	- Long-term borrowing		314,124	380,805
399,916	**466,346**	**Total Financial Liabilities**		**399,916**	**466,346**

The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Authority's portfolio of loans include a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

31 March 2022 Balance Sheet £000	31 March 2022 Fair Value £000		Fair Value Level	31 March 2023 Balance Sheet £000	31 March 2023 Fair Value £000
		Financial assets held at amortised cost:			
		Loans & Receivables			
53,313	53,220	- Long-term other loans		73,712	73,712
15,000	14,971	- Short-term loans to local authorities	2	0	0
70,000	69,999	- Short-term bank deposits	2	0	0
0	0	- Money market funds	2	0	0
		- Covered Bond			
110	110	- Accrued interest		0	0
		Cash and Cash equivalents			
8,283	8,283	- Cash amortised cost		4,908	4,908
52,000	52,000	- Cash equivalents at amortised cost		30,200	30,200
198,706	**198,583**	**Total**		**108,820**	**108,820**
63,878	63,878	Assets for which fair value is not disclosed *		56,580	56,580
262,584	**262,461**	**Total Financial Assets**		**165,400**	**165,400**
		Recorded on balance sheet as:			
53,313	53,220	- Long-term debtors		73,712	73,712
0	0	- Long-term investments		0	0
63,878	63,988	- Short-term debtors		56,580	56,580
85,110	84,970	- Short-term investments		0	0
60,283	60,283	- Cash and cash equivalents		35,108	35,108
262,584	**262,461**	**Total Financial Assets**		**165,400**	**165,400**

The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

(e) Financial Instruments - Risks

The Authority has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities.

As part of the adoption of the Treasury Management Code, the Authority approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Authority also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Authority's Treasury Management Strategy and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

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

Credit Risk: Investments

The Authority manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Authority has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Authority has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of 10% of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The Authority also sets limits on investments in certain sectors.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £70.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recovery applies to all of the Authority's deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

The Annual Investment Strategy (details of which are available on the Council's web site) requires the Authority to maintain a counterparty list that follows the criteria set out in the Treasury Management Practices. Creditworthiness is assessed by the use of credit rating provided by Fitch, Moody's, and Standard and Poor ratings to assess an institution's long and short-term financial strength. Other information provided by Brokers, Advisers, and Financial and Economic reports is also collated and assessed to produce rating parameters to monitor each individual institution. Credit watches and outlooks from credit rating agencies, credit default to give early warning of likely changes in credit ratings and sovereign ratings. Only highly quality rated counterparties are included on the lending list.

Local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparties for a financial asset is central government or a local authority for which relevant statutory provision prevent default.

The table below summarises the credit risk exposures of the Authority's investment portfolio by credit rating:

31 March 2022		Credit Rating	31 March 2023	
Long-term £000	**Short-term £000**		**Long-term £000**	**Short-term £000**
0	0	AAA	0	0
0	0	AA+	0	0
0	0	AA	0	0
0	15,000	AA-	0	0
0	25,000	A+	0	0
0	45,000	A	0	0
0	0	A-	0	0
0	0	Unrated local authorities	0	0
0	0	Unrated Corporate Bonds	0	0
0	**85,000**	**Total Investments**	**0**	**0**

Credit Risk: Receivables

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

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- most accruals are automatically generated by the feeder system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de minimis for 2022/23 is £50,000.

The Authority's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Authority's potential maximum exposure credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for current market conditions. Only those receivables meeting the definition of a financial asset are included.

Credit risk exposure 31 March 2022 £000		Gross balance of debtors £000	Average % default based on past experience %	Average % default based on current experience %	Credit risk exposure 31 March 2023 £000
0	Capital	683	0	0	0
7,299	Housing	13,157	71	61	7,966
469	Social Services	13,148	7	6	824
9,619	Parking	14,866	90	90	13,435
0	Other local authorities	3,211	0	0	0
0	Health authorities	7,147	0	0	0
3,849	Other sundry debtors	26,380	11	18	4,821
21,236	**Total**	**78,592**	**27**	**34**	**27,046**

Liquidity Risk

The Authority has ready access to borrowings from the Public Works Loan Board, other local authorities, banks and corporates. There is no perceived significant risk that the Authority will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourable interest rates.

Refinancing Risk

The Authority approved Treasury and investment strategies are set to avoid the risk of refinancing on unfavourable terms. The treasury team address the operation risks within approved parameters.

The maturity analysis of the principal sums borrowed is as follows:

31 March 2022 £000	Time to maturity (years)	31 March 2023 £000
866	Not over 1	13,670
0	Over 1 but not over 2	0
20,554	Over 2 but not over 5	38,057
85,561	Over 5 but not over 10	84,582
63,050	Over 10 but not over 20	46,525
0	Over 20 but not over 30	0
32,960	Over 30 but not over 40	32,960
105,000	Over 40	105,000
7,000	Uncertain date	7,000
314,991	**Total**	**327,794**

The Authority has £7m of “Lender’s option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Authority will then have the option to accept the new rate or repay the loan without penalty.

Market Risks: Interest Rate Risk

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. The Authority has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	2022/23 £000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Impact on comprehensive income and expenditure	0
Decrease in fair value of loans and receivables *	0
Decrease in fair value of fixed rate borrowing liabilities *	(31,292)

* Borrowings are not carried at fair value, so nominal gain and losses on fixed rate borrowings would not impact on comprehensive income and expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements reversed.

19. Debtors

Short-Term Debtors

31 March 2022 £000					31 March 2023 £000			
Gross	Impairment Allowance		Net		Gross	Impairment Allowance		Net
				Collection Fund Debtors				
17,836	(11,456)	*	6,380	Council Tax payers	18,849	(12,589)	*	6,260
991	(724)	*	267	Business Rate payers	1,127	(750)	*	377
				Other Debtors				
6,634	0	*	6,634	Government departments	7,828	0	*	7,828
384	0		384	Capital	683	0		683
10,543	(7,299)		3,244	Housing	13,157	(7,966)		5,191
9,301	(7,542)	*	1,759	Housing Benefit	9,147	(7,493)	*	1,654
9,990	(469)		9,521	Social Services	13,148	(824)		12,324
10,362	(9,619)		743	Parking Enforcement	14,866	(13,435)		1,431
161	0		161	Other local authorities	3,211	0		3,211
15,481	0		15,481	Health authorities	7,147	0		7,147
3,998	0		3,998	Mercury Land Holdings	5,033	0		5,033
34,195	(3,849)		30,346	Other sundry debtors	26,380	(4,821)		21,559
119,876	**(40,958)**		**78,918**	**Total Short-Term debtors**	**120,576**	**(47,878)**		**72,698**

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

Government departments, capital, and other local authorities do not have an impairment allowance applied.

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

31 March 2022 £000	Age of Debtors	31 March 2023 £000
5,232	Less than 1 year	5,551
3,034	Between 1 and 2 years	3,219
2,577	Between 2 and 3 years	2,734
7,984	More than 3 years	8,471
18,827	**Balance at end of the year**	**19,975**

Long-Term Debtors

31 March 2022 £000		31 March 2023 £000
28,880	Mercury Land Holdings	30,075
7,527	Wates JV*	15,662
17,916	Bridge Close LLP*	27,928
60	Other	47
54,383	**Total Long-Term Debtors**	**73,712**

* Loans to Wates JV and Bridge Close LLP reclassified as long term debtors during 2021/22.

20. Cash and Cash Equivalents

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

31 March 2022 £000		31 March 2023 £000
1,068	Bank current accounts	(2,080)
52,000	Short-term deposit with DMA	30,200
7,215	Schools – under the LMS cheque book scheme	6,988
60,283	**Total cash and cash equivalents**	**35,108**

21. Assets Held for Sale

The following table summarises the movement in the fair value of assets held for sale over the year.

31 March 2022 £000		31 March 2023 £000
0	**Opening Balance**	**0**
0	Revaluation gains from fair value adjustments	0
0	Assets reclassified	0
0	Disposals	0
0	**Balance at end of the year**	**0**

22. Short-Term Creditors

31 March 2022 £000		31 March 2023 £000
	Collection Fund creditors	
8,182	Council Tax payers *	8,674
1,658	Business Rates payers *	1,949
13,696	Greater London Authority *	11,337
11,703	Central Government (NNDR)*	13,794
	Other Creditors	
16,265	Central Government *	6,293
2,991	HMRC *	2,368
13,779	Pension Fund *	15,338
6,360	Capital creditors	2,845
58,015	Other sundry creditors	46,713
20,550	Income in advance	6,905
153,199	**Total**	**116,216**

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

23. Provisions

2022/23	Self Insurance £000	Collection Fund £000	Other Provisions £000	Total £000
Balance at 31 March 2022	**3,554**	**7,209**	**0**	**10,763**
Additional provisions made in year	158			**158**
Amounts used in year		(3,628)		**(3,628)**
Transfer to revenue				**0**
Balance at 31 March 2023	**3,712**	**3,581**	**0**	**7,293**

Self-Insurance Provision

The Authority's insurance cover is arranged with Zurich Municipal with substantial excesses for which a self-insurance provision is maintained. The self-insurance provision has been set up to meet the excesses on the Authority's public and employer's liability, property and motor vehicle insurance policies. It is not possible to determine the precise timing of the settlement of claims relating to this provision. The excess levels at 1 July 2019 were; public and employer's liability (£125,000), motor vehicles (£25,000) and property (£50,000).

Collection Fund Provision

As part of the changes in business rate retention, the Authority is required to create a provision in respect of outstanding appeals. These appeals are currently with the Valuation Office Agency for review and, as a result, it is not possible to determine the precise timing of the settlement of claims relating to this provision. Based on estimates on the likely settlement year, we could assume that 20% (£4.8 million will be settled within the next financial year, but this is a very high-level estimate. Only the Authority's 30% share of the appeals is recorded within the provision note.

24. Usable Reserves

31 March 2022 £000		31 March 2023 £000
10,942	General Fund balance	8,155
68,997	Earmarked Reserves	49,834
19,574	Housing Revenue Account balance	24,820
52,503	Capital Grants Unapplied	66,224
55,997	Capital Receipts Reserve	56,433
8,660	Major Repairs Reserve	3,863
216,673	**Total usable reserves**	**209,329**

25. Unusable Reserves

31 March 2022 £000		31 March 2023 £000
476,149	Revaluation Reserve	439,969
719,227	Capital Adjustment Account	694,264
(378)	Financial Instruments Adjustment Account	(378)
(475,094)	Pension Reserve	(136,692)
69	Deferred Capital Receipts Reserve	69
(7,918)	Collection Fund Adjustment Account	2,419
(4,320)	Dedicated School Grant Reserve (see note 34)	(8,258)
(4,633)	Accumulated Absences Account	(3,639)
703,102	**Total unusable reserves**	**987,754**

a) Revaluation Reserve

The Revaluation reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

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

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capitals Adjustment Account.

31 March 2022 £000		31 March 2023 £000
489,323	**Balance at 1 April**	**476,149**
(9,111)	Net gain/(deficit) on revaluation of fixed assets	(23,506)
(4,063)	Excess of Fair Value Depreciation over Historical costs depreciation	(3,983)
0	Removal of Revaluation balance upon sale	(8,691)
0	Other Adjustments	0
476,149	**Balance at 31 March**	**439,969**

b) Financial Instruments Available for Sale Reserve

This reserve is used for the accounting entries for a covered bond and Floating Rate Notes that were purchased in 2015/16 and 2016/17 respectively which were valued on the balance sheet at fair value. No differences in value were credited to the Comprehensive Income and Expenditure Statement in 2022/23 or 2021/22. Any sum charged to the Comprehensive Income and Expenditure Statement is subsequently transferred out through the movement in reserves statement and recorded in the Financial Instruments Available for Sale Reserve in accordance with statutory requirements.

c) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22 £000		2022/23 £000
674,082	**Balance at 1 April**	**719,227**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(27,559)	Net charges for depreciation of non-current assets	(28,516)
10,165	Net charges for impairment of non-current assets	(35,761)
0	Net charges for de-recognition of non-current assets	0
0	Mitigation of PPP Capitalised	0
(368)	Amortisation of intangible assets	(56)
(11,904)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(31,463)
	Adjusting amounts written out of the Revaluation Reserve	
4,063	Excess of Fair Value Depreciation over Historical costs depreciation	3,983
0	Removal of Revaluation balance upon sale	8,691
0	Other	0
(25,603)	**Net written out amount of the cost of non-current assets consumed in the year**	**(83,122)**
	Capital financing applied in the year:	
10,403	Use of the Capital Receipts Reserve to finance new capital expenditure	18,657
14,785	Use of the Major Repairs Reserve to finance new capital expenditure	15,259
37,323	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	17,807
8,389	Statutory provision for the repayment of debt	5,618
8,731	Capital expenditure charged against the General Fund and HRA balances	4,487
79,631	**Capital financing applied in year**	**61,828**
(5,644)	**Revenue expenditure funded from capital under statute**	**(2,744)**
(3,239)	**Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement**	**(925)**
719,227	**Balance at 31 March**	**694,264**

d) Financial Instruments Adjustment Account

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

2021/22 £000		2022/23 £000
(378)	**Balance at 1 April**	(378)
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0
(378)	**Balance at 31 March**	**(378)**

e) Pensions Reserve

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

2021/22 £000		2022/23 £000
(545,811)	**Balance at 1 April**	**(475,094)**
90,799	Actuarial gains or (losses) on pensions assets and liabilities	357,096
(55,726)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(57,169)
35,644	Employer's pensions contributions and direct payments to pensioners payable in the year	38,475
(475,094)	**Balance at 31 March**	**(136,692)**

f) Deferred Capital Receipts Reserve

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

2021/22 £000		2022/23 £000
69	**Balance at 1 April**	**69**
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
69	**Balance at 31 March**	**69**

g) Collection Fund Adjustment Account

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

2021/22 £000		2022/23 £000
(19,100)	**Balance at 1 April**	**(7,918)**
11,182	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	10,337
(7,918)	**Balance at 31 March**	**2,419**

h) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account. The COVID restrictions have led to officers rolling over high annual leave balances at 31 March 2023 and this has caused the increase in the account.

2021/22 £000		2022/23 £000
(6,282)	**Balance at 1 April**	**(4,633)**
6,282	Settlement or cancellation of accrual made at the end of the preceding year	4,633
(4,633)	Amounts accrued at the end of the current year	(3,639)
1,649	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	994
(4,633)	**Balance at 31 March**	**(3,639)**

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2021/22 Authority £000	2021/22 Group £000		2022/23 Authority £000	2022/23 Group £000
17,394	17,395	Depreciation, impairment and downward revaluation	64,277	64,277
368	368	Amortisation	56	56
41,871	42,166	Movement in creditors	(36,983)	(37,425)
(11,872)	(12,628)	Movement in debtors	6,220	6,094
(1,439)	(1,439)	Movement in long-term debtors	(19,329)	(19,329)
(54)	(54)	Movement in inventories	(19)	(19)
20,082	20,115	Movement in pension liability	18,694	18,725
(191)	(191)	Increase / (decrease) in provisions	(3,471)	(3,471)
11,904	11,648	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	31,463	31,321
8,761	8,761	Other non-cash items charged to the net surplus or deficit on the provision of services	3,660	3,660
86,824	**86,141**	**Net cash flows from operating activities**	**64,568**	**63,889**

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

2021/22 Authority £000	2021/22 Group £000		2022/23 Authority £000	2022/23 Group £000
(38,236)	(38,236)	Capital grants credited to the Consolidated Income and Expenditure Statement	(31,528)	(31,528)
(20,076)	(20,076)	Proceeds from sale of fixed assets	(19,800)	(19,800)
(58,312)	**(58,312)**	**Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities**	**(51,328)**	**(51,328)**

27. Cash Flow Statement – Investing Activities

2021/22 Authority £000	2021/22 Group £000		2022/23 Authority £000	2022/23 Group £000
(139,168)	(139,342)	Purchase of property, plant and equipment, investment property and intangible assets	(116,522)	(133,376)
(1,282,342)	(1,281,545)	Purchase of short-term and long-term investments	(8,321,824)	(8,311,811)
20,076	20,913	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	19,800	26,010
43,824	43,824	Capital grants received	33,270	33,270
1,307,913	1,307,913	Proceeds from short-term and long-term investments	8,390,310	8,390,310
(49,697)	**(48,237)**	**Net cash flows from investing activities**	**5,034**	**4,403**

28. Cash Flow Statement – Financing Activities

2021/22 Authority £000	2021/22 Group £000		2022/23 Authority £000	2022/23 Group £000
53,376	53,376	Cash receipts of short-term and long-term borrowing	37,198	39,018
(19,318)	(23,901)	Repayments of short-term and long-term borrowing	(24,365)	(24,365)
34,058	**29,475**	**Net cash flows from financing activities**	**12,833**	**14,653**

29. Trading Operations

2021/22 (Surplus)/ Deficit £000		2022/23 Income £000	2022/23 Expenditure £000	2022/23 (Surplus)/ Deficit £000
	a) Open Air Market			
276	The Authority operates an open air market four days a week	(375)	622	247
	b) Other Trading Accounts			
(725)	Highways	(1,181)	1,214	33
351	Schools/Welfare Catering	(7,946)	8,294	348

Open Air Market – The Market trading results have improved for 22-23 when comparing with 21-22 due to the growth of trading income. The market now trades four days a week.

Highways – Actual deficit income is now £0.033m in comparison to the surplus figure of £0.724m in 2021/22. This is due to crossover income being separated into a stand alone area.

Schools/Welfare Catering -In 2022/23, the Borough Catering Service has a deficit of £229k before overheads. Once the overheads are applied the deficit increases to £348k. The trading position was adversely impacted by the 22/23 pay award, which had a disproportionate effect on the Service due to the large number of lower paid employees.

30. Pooled Budgets

Mental Health

Under the National Health Services Act 2006 & Local Government Acts 1972 & 2000, a partnership arrangement was established with the North East London Foundation Trust (NELFT). The agreement provides for The London Borough of Havering (LBH) to host a pooled budget between the two partners (although NELFT became the host partner from January 2011). This includes integrated services and joint commissioning in relation to the provision of Health & Social Care Services, for Adults with Mental Health (MH) issues who qualify for such provision. The pooled budget is accounted for under a joint arrangement

2021/22 £000		2022/23 £000
	Funding	
1,337	Section 75 Joint Pooled Budget between London Borough of Havering and North East London Foundation Trust	1,476
72	Recharges (excluded from the Pooled Budget)	531
1,942	Non Pooled Budget codes	2,208
3,351	**Total funding**	**4,215**
2,843	**Final outturn**	**4,011**

Adult Services – Better Care Fund

Under the National Health Services Act 2006 section 13Z (2) and 14Z (3) & Local Government Acts 1972 & 2000, a partnership arrangement was established with NHS Havering Clinical Commissioning Group (CCG).

The agreement provides for The London Borough of Havering (LBH) to host a pooled budget between the two partners, out of which payment was made towards expenditure incurred in the exercise of prescribed local authority functions and prescribed NHS functions through joint commissioning arrangements.

The agreed Pooled budget between LBH and the CCG is split into three main parts which are activities relating to Capital, Commissioned services and items charged with LBH revenue costs.

The pooled budget is accounted for under a joint arrangement.

Expenditure in 2022/23 was as follows:

Section 75 Joint Pooled Budget between LBH and CCG	Budget 2022/23 £000	Actual 2022/23 £000	BCF Funding Outturn 2022/23 £000
LBH Funding - Capital			
Disability Facility Grant Allocation	2,057	2,014	(43)
Net Pooled Capital	**2,057**	**2,014**	**(43)**
LBH Funding Revenue - CCG Commissioned Services	**12,240**	**12,240**	**0**
Minimum CCG Contribution - Expenditure	11,864		
CCG Minimum Contribution -to be paid back to the CCG monthly - Home First	50		
CCG Minimum Contribution -to be paid back to the CCG monthly - Ageing Well	326		
Revenue - CCG/ LBH			
Minimum CCG Contribution - Expenditure	**9,030**	**9,030**	**0**
CCG Minimum contribution representing ex256 monies	5,500		
CCG minimum contribution element for services commissioned on behalf of CCG - Reablement	1,379		
CCG minimum contribution element for services commissioned on behalf of CCG - Riverside	172		
CCG contribution to Care Act	727		
CCG contribution to Home, Settle and Support Service (HSSS)	178		
CCG contribution to Local Area Co-ordinators	200		
LBH Additional Contribution	874		
Additional CCG Contribution (Non-Recurrent)	**4,879**	**0**	**(4,879)**
Discharge Support	3,300		
Ageing Well	1,578		
Improved Better Care Fund	**6,624**	**6,624**	**0**
Net Pooled Revenue	**32,773**	**27,894**	**(4,879)**
Total Pooled	**34,830**	**29,908**	**(4,922)**

Underspend on capital has been carried forward into the following financial year (2023/24).

Comparative figures for 2021/22 are as follows:

Section 75 Joint Pooled Budget between LBH and CCG	Budget 2021/22 £000	Actual 2021/22 £000	BCF Funding Outturn 2021/22 £000
LBH Funding - Capital			
Disability Facility Grant Allocation	2,057	2,014	(43)
Net Pooled Capital	**2,057**	**2,014**	**(43)**
LBH Funding Revenue - CCG Commissioned Services	**12,240**	**12,240**	**0**
Minimum CCG Contribution - Expenditure	**11,864**	**11,516**	**0**
CCG Minimum Contribution -to be paid back to the CCG monthly - Home First	50		
CCG Minimum Contribution -to be paid back to the CCG monthly - Ageing Well	326		
Revenue - CCG / LBH			
Minimum CCG Contribution - Expenditure	**9,030**	**9,030**	**0**
CCG Minimum contribution representing ex256 monies	5,500	5,500	
CCG minimum contribution element for services commissioned on behalf of CCG - Reablement	1,379	1,379	
CCG minimum contribution element for services commissioned on behalf of CCG - Riverside	172	172	
CCG contribution to Care Act	727	727	
CCG contribution to Home, Settle and Support Service (HSSS)	178	178	
CCG contribution to Local Area Co-ordinators	200	200	
LBH Additional Contribution	874	874	
Additional CCG Contribution (Non-Recurrent)	**4,878**	**0**	**0**
Discharge Support	3,300		
Ageing Well	1,578		
Improved Better Care Fund	**6,624**	**6,624**	
Net Pooled Revenue	**32,772**	**27,894**	
Total Pooled	**34,829**	**29,908**	**(701)**

31. Members' Allowances

Payments in year were £889,520 including expenses (£1,006,602 in 2021/22). Additionally, payments to co-opted members totalled £1,117 (£1,117 in 2021/22).

32. Officers' Remuneration

The number of employees (including teaching staff) whose remuneration, excluding employer pension contributions, was £50,000 or more, in bands of £5,000 was:

			2021/22			2022/23		
Lower Band		Upper Band	Schools	Other	**Total**	Schools	Other	**Total**
£50,000	-	£55,000	49	77	**126**	59	109	**168**
£55,000	-	£60,000	17	52	**69**	25	81	**106**
£60,000	-	£65,000	19	22	**41**	18	41	**59**
£65,000	-	£70,000	7	10	**17**	11	26	**37**
£70,000	-	£75,000	14	5	**19**	12	15	**27**
£75,000	-	£80,000	8	18	**26**	9	3	**12**
£80,000	-	£85,000	8	4	**12**	7	20	**27**
£85,000	-	£90,000	5	9	**14**	6	6	**12**
£90,000	-	£95,000	3	5	**8**	1	9	**10**
£95,000	-	£100,000	1	4	**5**	2	5	**7**
£100,000	-	£105,000	1	3	**4**	0	1	**1**
£105,000	-	£110,000	2	1	**3**	2	5	**7**
£110,000	-	£115,000		2	**2**	1	1	**2**
£115,000	-	£120,000		2	**2**		4	**4**
£120,000	-	£125,000		1	**1**		4	**4**
£125,000	-	£130,000		1	**1**			**0**
£130,000	-	£135,000			**0**		1	**1**
£135,000	-	£140,000			**0**			**0**
£140,000	-	£145,000			**0**			**0**
£145,000	-	£150,000		1	**1**			**0**
£150,000+				6	**6**		4	**4**
			134	**223**	**357**	**153**	**335**	**488**

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

Senior Officers Remuneration

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

a) the designated head of paid service, a statutory chief officer or non-statutory chief officer of a relevant body as defined under the Local Government Act 1989; or

b) any person having responsibility for the management of the relevant body, to the extent that the person has the power to direct or control the major activities of the body, in particular activities involving the expenditure of money whether solely or collectively with other persons.

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

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

Post Holder Information	Notes	Salary £	Other payments £	Total Remuneration excluding pension contributions 2022/23 £	Employer's pension contribution £	Total Remuneration including pension contributions 2022/23 £
Chief Executive - Andrew Blake-Herbert		190,100		**190,100**	31,367	**221,467**
Section 151 Officer and Chief Financial Officer		130,003		**130,003**	21,450	**151,453**
Director of Neighbourhoods	1	122,752		**122,752**	20,254	**143,006**
Director of Children's - Robert South		163,529		**163,529**	26,982	**190,511**
Director Adult Services - Barbara Nicholls		167,951		**167,951**	27,712	**195,663**
Director of Public Health		115,937		**115,937**	19,570	**135,507**
Director of Housing - Patrick Odling-Smee		159,107		**159,107**	26,253	**185,360**
Director of Regeneration - Neil Stubbings	2	65,412	163,200	**228,612**	-	**228,612**
Director of Policy, Strategy and Transformation		116,059		**116,059**	19,150	**135,209**
Director of Partnerships and Organisational Developments		118,384		**118,384**	19,533	**137,918**
Total		**1,349,234**	**163,200**	**1,512,434**	**212,271**	**1,724,705**

Note 1 The Director of Neighbouroods left London Borough of Havering on 6th January 2023

Note 2 The Director of Regeneration post at 0.4 full time equivalent has an equivalent full-time annualised salary of £163,529. The other payment of £163,200 was to the Director's employing company rather than to the Director for the remaining 0.6 FTE.

The comparative figures for 2021/22 are as follows:

Post Holder Information	Notes	Salary £	Other payments £	Total Remuneration excluding pension contributions 2021/22 £	Employer's pension contribution £	Total Remuneration including pension contributions 2021/22 £
Chief Executive - Andrew Blake-Herbert		186,489		**186,489**	28,244	**214,733**
Chief Operating Officer - Jane West	1	157,064		**157,064**	0	**157,064**
Section 151 Officer	2	10,027		**10,027**	1,654	**11,682**
Director of Neighbourhoods - Barry Francis		152,751		**152,751**	25,204	**177,955**
Director of Children's Services		148,329		**148,329**	24,474	**172,803**
Director Adult Services - Barbara Nicholls		157,182		**157,182**	23,806	**180,988**
Director of Public Health		114,012		**114,012**	19,245	**133,257**
Director of Housing - Patrick Odling-Smee		152,751		**152,751**	25,204	**177,955**
Director of Regeneration	3	59,332	180,000	**239,332**	0	**239,332**
Total		**1,137,937**	**180,000**	**1,317,937**	**147,832**	**1,465,769**

Note 1 The Chief Operating Officer left London Borough of Havering on 1st March 2022

Note 2 The Section 151 Officer started on 2nd March 2022

Note 3 The Director of Regeneration post at 0.4 full time equivalent has an equivalent full-time annualised salary of £148,329. The other payment of £180,000 was to the Director's employing company rather than to the Director for the remaining 0.6 FTE.

In addition to this, Simon Pollock, the Executive Director of oneSource, again a shared appointment between Havering and Newham, was paid £153,394.57 which was the full cost between the two Boroughs. He vacated the role on 31st December 2021 and interim arrangements were put in place whilst the role was unoccupied. Further details on the OneSource cost sharing arrangement is reported under note 36, Related Parties.

33. External Audit Costs

The following fees relating to external audit and inspection were included in the 2022/23 accounts:

2021/22 £000		2022/23 £000
117	Fees payable with regard to external audit services carried out by appointed auditor	150
37	Certification of grant claims (housing benefit subsidy claim, capital pooling receipts and teachers pension)	10
299	Amounts relating to prior year Statement of Accounts 2018/19 & 2019/20 scale fee variation and extra fees	325
0	Audit fees refunded by the PSAA (Public Sector Audit Appointments Ltd.)	0
453	**Total for year**	**485**

34. Dedicated Schools Grant

The Authority's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately. An overdrawn balance on the DSG account of £3.938million has been transferred to a negative unusable reserve in 2023/24 to emphasise the balance is separate from Council general fund balances. The total negative unusable reserve balance carried forward is now £8.258million

Details of the deployment of DSG receivable for 2022/23 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure £000	Individual Schools Budget £000	Totals £000
Final DSG for 2022/23 before academy and high needs recoupment			264,868
Less academy and high needs figure recouped for 2021/22			(124,106)
Total DSG after academy and high needs recoupment for 2022/23			**140,762**
Plus: brought forward from 2021/22			0
Less: Carry-forward to 2022/23 agreed in advance			0
Agreed initial budgeted distribution for 2022/23	**51,806**	**88,956**	**140,762**
In year adjustments	152		152
Final budgeted distribution for 2022/23	**51,958**	**88,956**	**140,914**
Less: Actual central expenditure	(55,896)		(55,896)
Less: Actual ISB deployed to schools		(88,956)	(88,956)
Plus: Local authority contribution for 2022/23			0
In year carry forward to 2022/23 (negative DSG Reserve)	**(3,938)**	**0**	**(3,938)**
Plus: Carry forward to 2022/23 agreed in advance			
Carry forward to 2023/24			**(3,938)**
DSG unusable reserve at the end of 2021/22			(4,320)
Addition to DSG unusable reserve at the end of the 2022/23			(3,938)
Total of DSG unusable reserve at the end of 2022/23			(8,258)
Net position at the end of 2022/23			**(8,258)**

Comparative figures for 2021/22 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure £000	Individual Schools Budget £000	Totals £000
Final DSG for 2021/22 before academy recoupment			250,445
Less academy figure recouped for 2021/22			(118,945)
Total DSG after academy recoupment for 2021/22			**131,500**
Plus: brought forward from 2020/21			
Agreed initial budgeted distribution for 2021/22	**39,532**	**91,968**	**131,500**
In year adjustments	(398)	0	(398)
Final budgeted distribution for 2021/22	**39,134**	**91,968**	**131,102**
Actual central expenditure	(41,789)		(41,789)
Actual ISB deployed to schools		(91,968)	(91,968)
Plus: Carry forward to 2022/23 agreed in advance			
Carry forward to 2022/23	**(2,655)**	**0**	**(2,655)**

35. Grants and Other Income

a) The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

2021/22 £000		2022/23 £000
Credited to Taxation and Non Specific Grant Income		
1,406	Revenue Support Grant	1,454
29,189	Non ring-fenced Grant	22,331
38,236	Capital Grants	31,528
68,831	**Total**	**55,313**
Credited to Services		
34,730	Rent Allowances	34,730
24,071	Rent Rebates	24,071
11,482	Public Health Grant	11,482
131,060	Dedicated Schools Grant	131,060
8,157	Better Care Fund	8,157
6,214	Hospital Discharge Fees	6,214
5,405	NHS 6 weeks Funding	5,405
411	Other Contributions from CCG	411
7,027	Contributions from Other Local Authorities	7,027
6,841	Discretionary Business Support	6,841
4,794	Pupil Premium Grant	4,794
2,718	Universal Free School Meals	2,718
4,329	Other Childrens and Education Funding	4,329
1,044	Unaccompanied Asylum Seeking Children Funding	1,044
3,942	Flexible Homelessness Grant	3,942
191	Teachers Pension and Pay Grants	191
2,624	COVID-19 (Contain Outbreak Management Fund)	2,624
6,343	COVID-19 (Infection Control)	6,343
2,556	COVID-19 (Emergency Assistance)	2,556
2,325	COVID-19 (Lateral Flow Testing)	2,325
1,817	COVID-19 Other Grants	1,817
6,429	Other	6,429
274,509	**Total**	**274,509**

Current Liabilities

b) Capital Grants – receipts in advance:

2021/22 £000		2022/23 £000
8,094	Brought forward	12,581
5,588	Amounts received in year	5,588
(1,101)	Amounts applied to meet new capital investment	(1,101)
12,581	**Carried forward**	**17,068**

36. Related Parties

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

Members

Members of The Authority have direct control over its financial and operating policies. The total of Members' allowances paid in 2022/23 is shown in Note 31.

The table below shows the Related Party interests in other entities as disclosed by Members and the transactions that took place between the Authority and the Related Party. Individual transactions were approved by officers and not by Members named. Information is included to ensure transparent disclosure.

Organisations	Member	Payments to Organisations by the Authority £000	Balance Outstanding £000	Income £000	Income Outstanding £000
BETRA Tenant Management	Paul McGeary	196	0	0	0
East London Waste Authority	Barry Mugglestone Ray Morgon	19,721	0	(968)	0
First Step	Linda Van den Hende	4	0	(8)	0
Friends of Upminster Windmill	Linda Hawthorn	14	0	0	0
Havering Arts Council	Joshua Chapman Jason Frost	1	0	0	0
Havering Association for People with Disabilities (HAD)	Christine Smith Linda Van Den Hende Sally Miller	92	0	(1)	0
Havering Mind	Linda Van den Hende	83	0	(19)	0
Havering Sports Council	Viddy Persaud Tim Ryan	3	0	0	0
Hornchurch & Upminster Constituency	Paul McGeary Damian White Darren Wise	40	0	0	0
London Councils	Barry Mugglestone Ray Morgon	294	0	(202)	0
London Youth Games	Viddy Persaud	8	0	0	0
Local Government Information Unit	Ray Morgon	14	0		0
London Borough of Barking & Dagenham	Patricia Brown	308	0	(24)	0
Romford Town Management Partnership	Joshua Chapman	613	0	(24)	0
Romford Town Management Partnership Ltd	Joshua Chapman	613	0	(24)	0
Tapestry	Christine Smith Linda Hawthorn	482	0	(0)	0
The Havering Theatre Trust Ltd	Paul McGeary	386	0	(35)	0
The Learning Federation - Mead and Broadford Schools	Mandy Anderson Paul McGeary	9,291	0	(8)	0
Tradeline Solutions Ltd	Matthew Stanton	1,564	0	0	0

Officers

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

Organisation	Officer	Payments to Organisations by the Authority £000	Balance Outstanding £000	Income £000	Income Outstanding £000
Centre for Engineering and Manufacturing Excellence Ltd (CEME)	Mr N Stubbings	94	0	0	0

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits).

Transactions between the London Borough of Havering and the UK Government; its department, agencies, NHS bodies and other authorities are disclosed elsewhere in the Accounts, most notably:

Note 11 Other operating expenditure: levies;

Note 13 Taxation and Non-specific Grant Income;

Note 30 Pooled budgets;

Note 34 Dedicated Schools Grant; and

Note 35 Grant Income

Entity controlled or significantly influenced by the Authority

Joint Committee with London Borough of Newham (oneSource)

oneSource is a public sector shared back-office support arrangement which is supported by members through a joint committee. The joint committee receive key reports and make strategic decisions about oneSource's operation. oneSource was set up with a view to making savings by eliminating duplication, reducing senior management costs and introducing more efficient processes. oneSource started on 1 April 2014, when the London Boroughs of Havering and Newham contributed almost all their support services for the two authorities including HR, ICT, Finance, Legal services, Exchequer and Transactional services, Asset Management and Business services (Newham's Exchequer service was subsequently removed). On the 1st April 2016 the London Borough of Bexley joined oneSource in a more limited capacity than Havering and Newham, providing Bexley with Finance (excluding procurement) and Exchequer and Financial Transactional services.

On 31st July 2020, the London Borough of Bexley ceased to be part of the Joint Committee and on 6th September 2020 the London Borough of Newham created its sovereign Finance department. During the year Procurement and Finance were also split into two separate departments. During the course of 2022/23 (31st December 2021) the role of Executive Director was vacated and remains unoccupied whilst the two authorities consider the best approach for managing the arrangement in the future.

During 2022/23, it was announced that further services were going to be removed from the oneSource sharing arrangement, commencing in 2023/24; Cabinet have agreed for HR, Pensions & Treasury, Procurement, ICT and Asset Management to return to their soverign boroughs.

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

2021/22 £000	oneSource	2022/23 £000
	Net Expenditure	
5,037	Exchequer and Transactional Services	5,664
2,303	Finance	2,188
1,596	Procurement	1,728
906	Business Services	661
3,517	Legal and Governance	3,352
9,006	ICT	10,532
2,359	Asset Management	1,842
3,633	Strategic and Operational HR	3,643
28,357	**Total Net Expenditure**	**29,610**
	Cost Sharing:	
14,801	London Borough of Newham	15,683
13,556	London Borough of Havering	13,927
0	London Borough of Bexley	0

The joint committee council members are; Councillors R Morgon, P Middleton and C Wilkins (from Havering Council), Councillors R Fiaz, Z Ali and L Charters (from Newham Council).

The following oneSource Chief Officers have joint managerial responsibility for services across authorities and as such have significant influence over operational effectiveness and decision making of the related parties. These roles are set out below.

Shared oneSource role	Employing organisation	Period
Director of Asset Management	London Borough of Havering	April 2022 - March 2023
Director of Exchequer and Transactional	London Borough of Havering	April 2022 - March 2023
Director of Legal and Governance	London Borough of Newham	April 2022 - December 2022
Director of Legal and Governance	London Borough of Newham - Agency	January 2023 - March 2023
Director of Human Resources	London Borough of Havering - Agency	April 2022 - March 2023
Director of Business Development	London Borough of Newham	April 2022 - December 2022
Director of Finance	London Borough of Havering	April 2022 - March 2023
Director of ICT / Chief Information Officer	London Borough of Newham - Agency	April 2022 - March 2023
Director of Procurement	London Borough of Newham - Agency	April 2022 - December 2022

Mercury Land Holdings Ltd

The Authority controls Mercury Land Holdings Ltd through its ownership of 100% of the shares in the company. Further details are included as part of the Group Accounts section in the Statement of Accounts.

The Council has determined that for the financial year ended 31st March 2021, it has a material interest in one of its subsidiaries, Mercury Land Holdings (MLH).

Details of the Council's other subsidiaries and external bodies together with the associated accounting treatment are also disclosed within Note 36.

MLH is a wholly-owned subsidiary company that was formed in 2016 to facilitate the Authority's construction and investment in private rental properties within the Borough

MLH directors who have held office since 1st April 2018 are as follows:

- Andrew Blake-Herbert
- Anthony Huff
- Garry Green
- Ian Rhodes

Havering and Wates Regeneration LLP

The LLP was formed on 19th April 2018 as a joint venture with two members, Wates Construction Limited and the London Borough of Havering. The LLP's principal activity is the building and selling of residential apartments and houses in the London Borough of Havering.

The Council influences the joint venture through its 50% share in the LLP. For the financial year ended 31st March 2023, the share of the profit and loss account is a £20k loss. A 50% of the assets and liabilities of the joint venture is shown within the group accounts, this is predominantly a £31.1m property development in progress. The Council's balance sheet includes the Council's loan to the LLP, £15.662m as at 31st March 2023.

Bridge Close Regeneration LLP

The LLP was formed on 4th April 2018 as a joint venture between FB BCR LLP (First Base and Savills Investment Management) and the London Borough of Havering, in order to deliver the comprehensive regeneration of the site at Bridge Close, Romford, including the development and sale of residential and commercial property as well as the development of social infrastructure, a bridge, public realm and environmental improvements to the River Rom.

The Council took full control over the joint venture during 2021/22 by buying First Base/Savill's 50% share of the LLP through a wholly owned company, Bridge Close Regeneration Nominee Company Limited. For the financial year ended 31st March 2023, Bridge Close had a small loss of £8k. The balance sheet includes the Council's and nominee company's loan investment in the LLP, £27.929m as at 31st March 2023

Rainham & Beam Park LLP Joint Venture

The LLP was incorporated on 9th February 2018 as a Limited Liability Partnership. The LLP was set up to partially purchase ten derelict industrial sites in Rainham and Beam Park in the London Borough of Havering for the development of a high density residential scheme. The scheme will consist of 774 units of mixed tenures. The scheme is currently at planning stage, with limited activities on-going. The Council's £2.395m investment is shown on the balance sheet.

Pension Fund

As the administrator of the Pension Fund, the Authority has direct control of the fund. The transactions between the Authority and the Pension Fund are detailed within Note 25 of the Pension Fund Accounts.

37. Capital Expenditure and Capital Financing

The following statement shows how the Authority's capital expenditure was financed and the consequent change in underlying borrowing:

2021/22 £000	Capital Expenditure	2022/23 £000
133,510	Property, Plant and Equipment	124,230
95	Heritage	4
0	Investment fixed assets	0
15	Intangible Assets	0
5,644	Revenue expenditure funded from capital under statute	2,744
5,865	Long Term Investments	16,514
1,925	Long Term Loans	8,827
147,054	**Total capital expenditure**	**152,319**
	Less financed from	
(10,403)	Capital receipts	(18,478)
(14,785)	Major repairs	(15,259)
(8,732)	Revenue funds	(4,487)
(37,322)	Grants and contributions	(17,807)
75,812	**Increase in need to borrow**	**96,288**
(4,705)	Minimum Revenue Provision	(5,618)
(3,683)	Use of Receipts to repay Debt	(179)
67,424	**Change in Capital Financing Requirement**	**90,491**

The following statement shows the make-up of the Authority's Capital Financing Requirement under the Prudential Code:

31 March 2022 £000	Capital Financing Requirement	31 March 2023 £000
1,595,539	Tangible fixed assets	1,598,844
34,475	Long Term Investments	47,839
34,019	Long Term Debtors	46,756
269	Intangible assets	212
(476,149)	Revaluation Reserve	(439,969)
(719,227)	Capital Adjustment Account	(694,264)
468,926	**Net Requirement**	**559,418**

38. Leases

Operating Leases

Vehicles, Plant and Equipment Leases
The Authority has entered into the following operating leases for vehicles, plant and equipment.
The minimum lease payments charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases were as follows:

2021/22 £000		2022/23 £000
622	Children's and Education Services	327
0	Highways, Roads and Transport Services	0
622	**Minimum Lease Payments**	**327**

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

31 March 2022 £000		31 March 2023 £000
620	Not later than one year	296
573	Later than one year and not later than five years	449
19	Later than five years	0
1,212	**Minimum Lease Payments**	**745**

Property Leases
The Authority has acquired a number of properties by entering into operating leases.
The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2022 £000		31 March 2023 £000
61	Not later than one year	61
61	Later than one year and not later than five years	0
122	**Minimum Lease Payments**	**61**

Changes to accounting standards: IFRS16 Leases

The implementation of IFRS 16 Leases in the Code has been deferred until the 2024/25 financial year..
The main change introduced by IFRS 16 that is likely to impact the Council is accounting as a lessee for what are currently referred to as operating leases. These are where the Council enters into contracts for services with asset implications and / or where it has benefits and use of those assets. Under IFRS 16 the Council will be required to recognise a right of use asset and a lease liability on the Balance Sheet (subject to certain exemptions); currently the Council includes these costs as operating lease payments in the CIES. The Council will update its accounting policy on leases to reflect the changes, including a threshold for exempt low-value leases.

39. Revaluation Gains and Impairment Losses

During 2022/23, the Authority has recognised a net revaluation loss of £36.685m in the Comprehensive Income and Expenditure Statement in relation to its revaluation of assets. A breakdown of the revaluations and impairments by asset class can be found in the table below:

Asset Class	Revaluation Gains Credited to the CI&ES £000	Revaluation Loss Charged to the CI&ES £000
Council dwellings	1,348	(39,759)
Other land and buildings	5,886	(3,252)
Community Assets	0	0
Surplus Assets	17	0
Total Property Plant and Equipment	**7,251**	**(43,011)**
Investment Properties	1,017	(1,942)
Assets Held for Sale	0	0
Total (gain) or loss to the CI&ES	**8,268**	**(44,953)**

40. Termination Benefits

The numbers of exit packages with total cost per band, and total costs of compulsory and other redundancies, are set out in the table below:

Exit Package cost band (including special payments	Number of Compulsory Redundancies		Number of Departures Agreed		Total Number of exit packages by Cost Band		Total Cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	3	5	20	39	23	44	231,665	470,202
£20,001 - £40,000	1	4	4	19	5	23	144,123	581,302
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	1	0	1	0	82,624	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
>£150,000	0	0	0	0	0	0	0	0
Total	**4**	**9**	**25**	**58**	**29**	**67**	**458,412**	**1,051,504**

Note: The Authority terminated the contracts of a number of employees in 2022/23, incurring costs of £1,051,504 (£458,412 in 2021/22). The majority of the redundancies are as a result of the Havering transformation programme.

41. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers Pensions

Teachers employed by the Authority are members of the Teachers Pension scheme administered by the Teachers Pension Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employer's contribution rates paid by Local Education Authorities (LEAs). However, it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of the Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022/23 the Authority paid £8.9m (£8.6m 2021/22) to Teachers Pensions in respect of teachers' pension contributions. This represented a contribution rate of 23.68% (23.68% in 2021/22).

The Authority is responsible for the costs of any additional benefits awarded upon early retirements outside the terms of the Teachers' scheme.

NHS Pension Scheme

The Health and Social Care Act 2012, makes provision for the transfer of public health services and staff from primary care trusts (PCTs) to local authorities.

In 2022/23 the Authority paid £43,754 (£57,737 in 2021/22) to NHS Pensions in respect of public health pension contributions. This represented 16.88% of pensionable pay (16.88% in 2021/22).

42. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered by London Borough of Havering. This is a funded defined benefit final salary scheme, meaning that Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The London Borough of Havering pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of the Authority. Policy is determined in accordance with the Pensions Fund Regulations. The day to day operations of the Fund have been delegated to the Statutory Section 151 Officer. The investment managers of the fund are appointed by the committee and consist of the following Investment Fund Managers:

1. Legal & General Investment Management (LGIM)
2. London CIV (Collective Investment Vehicle) Sub funds:
   - Ballie Gifford Global Alpha Paris Aligned Fund
   - Ballie Gifford Diversified Growth
   - Ruffer
   - Infrastructure Renewables Fund
   - Passive Equity Progressive Paris Aligned (PEPPA) Fund
3. Royal London
4. UBS
5. CBRE
6. Stafford Capital
7. JP Morgan
8. Churchill
9. Permira
10. Russell Investments

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and the Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities. The amount is included in the IAS 19 figures reported for the Local Government Pension Scheme.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they're earned by employees, rather than when benefits are eventually paid as pensions. However, the charge to be made make against council tax is based on cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and the Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement in the year:

2021/22 Restated* £000		2022/23 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
	Service Cost Comprising:	
44,563	Current service cost	43,576
164	Past service costs	1,525
0	Gain from settlements	(832)
	Financing and Investment Income and Expenditure	
10,999	Net interest expense	12,900
55,726	**Total post-employment benefits charged to the surplus or deficit on the provision of services**	**57,169**
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
(20,025)	Return on plan assets (excluding the amount included in the net interest expense)	(21,371)
(78,540)	Actuarial gains and losses arising on changes in financial assumptions	(443,577)
7,766	Other *	65,110
(90,799)	**Total post-employment Benefits charges to the Comprehensive Income and Expenditure Statement**	**(399,838)**
	Movements in Reserves Statement	
(55,726)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(57,169)
	Actual amount charged against the General Fund Balance for pensions in the year:	
35,644	Employers' contributions payable to scheme	38,475
(20,082)	**Net movement in Pensions Reserve**	**(18,694)**

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2021/22 Restated * £000		2022/23 £000
	Local Government Pension Scheme	
(1,276,434)	Present value of the defined benefit obligation	(944,988)
801,340	Fair value of plan assets	808,296
(475,094)	**Net liability arising from defined benefit obligation**	**(136,692)**

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

2021/22 Restated* £000		2022/23 £000
	Local Government Pension Scheme	
766,681	Opening fair value of scheme assets	801,340
15,370	Interest income	21,714
(5,472)	Re-measurement gain (loss):	
20,025	The return on plan assets, excluding the amount included in the net interest expense	(21,371)
35,644	Contributions from employer	38,475
6,481	Contributions from employees into the scheme	7,018
(37,389)	Benefits paid	(38,064)
0	Other – effect of settlements	(816)
801,340	**Closing fair values of scheme assets**	**808,296**

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

2021/22 Restated* £000		2022/23 £000
	Funded liabilities: Local Government Pension Scheme	
1,312,492	Opening balance at 1 April	1,276,434
44,563	Current service cost	43,576
26,369	Interest cost	34,614
6,481	Contributions from scheme participants	7,018
	Re-measurement (gains) and losses:	
(78,540)	Actuarial (gains)/ losses arising from changes in financial assumptions	(443,577)
2,294	Other	65,110
164	Past service cost (Including curtailments)	1,525
(37,389)	Benefits paid	(38,064)
0	Liabilities extinguished on settlements	(1,648)
1,276,434	**Closing balance at 31 March**	**944,988**

* 2021/22 figures restated in line with 2022 triennial valuation results

Local Government Pension Scheme assets comprised:

2021/22 Restated					2022/23			
Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %	Asset Category	Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %
				Debt Securities				
73,333		**73,333**	9.00	Corporate bonds (investment grade)	0		**0**	0.00
1,903		**1,903**	0.00	UK Government	22,736		**22,736**	3.00
34,113		**34,113**	4.00	Other			**0**	0.00
				Real Estate				
53,631		**53,631**	7.00	UK Property	46,309		**46,309**	6.00
0		**0**	0.00	Overseas Property	32,168		**32,168**	4.00
				Investment Funds and Unit Trusts				
487,778		**487,778**	61.00	Equities	474,798		**474,798**	59.00
0		**0**	-	Bonds	54,699		**54,699**	7.00
49,524		**49,524**	6.00	Infrastructure	75,906		**75,906**	9.00
76,295		**76,295**	10.00	Other	72,063		**72,063**	9.00
				Derivatives				
(1,892)		**(1,892)**	0.00	Foreign Exchange	(260)		**(260)**	0.00
				Cash and Cash Equivalents				
26,655		**26,655**	3.00	All	29,877		**29,877**	3.00
801,340		**801,340**	**100.00**	**Totals**	**808,296**		**808,296**	**100.00**

Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Authority Fund being based on the latest full valuation of the scheme as at 31 March 2023

2021/22 £000		2022/23 £000
	Local Government Pension Scheme	
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.7 years	Men	21.4 years
24.3 years	Women	24.0 years
	Longevity at 65 for future pensioners:	
22.6 years	Men	22.3 years
25.8 years	Women	25.5 years
3.20%	Rate of inflation (CPI)	3.00%
3.90%	Rate of increase in salaries	3.70%
3.20%	Rate of increase in pensions	3.00%
2.70%	Rate for discounting scheme liabilities	4.75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2023	**Approximate % increase to Employer Liability**	**Approximate Monetary amount £000**
0.1% increase in Real Discount Rate	2%	15,306
1 Year increase in life expectancy	4%	37,800
0.1% increase in the Salary Increase Rate	0%	1,339
0.1% increase in the Pension Increase Rate (CPI)	2%	14,191

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2025.

The Authority anticipates to pay £26.418m expected contributions to the scheme in 2023/24.

The weighted average duration of the defined benefit obligation for scheme members is 17 years as 31st March 2023 (19 years 31 March 2022).

43. Contingent Liabilities

MMI Scheme of Arrangement

Municipal Mutual Insurance Limited (MMI), a company limited by guarantee formed by Local Authorities, is subject to a contingent scheme of arrangement which became effective on 21 January 1994. The company has been the subject of an orderly run off since that time. However, the schemes administrators, Ernst and Young, triggered the scheme of arrangement during 2012/13. A 15% levy was imposed based upon the result of an actuarial valuation of claims as at 31 December 2012. In accordance with the Scheme of Arrangement, the Levy Notice was received dated 1 January 2014 and a payment made of £338,000 in respect of the 15% levy due. Following a further review of assets and liabilities a further levy of 10% was made and an additional £285,000 paid by 12 May 2016. This brings the total levy to 25% for past and future claims. Outstanding claims will continue to be paid with a 25% contribution from the Authority in respect of the ongoing levy under the terms of the scheme of arrangement. The total levy to 31 March 2023 is £750,764 with estimated scheme liabilities at the same date of £35,359. Additional demands for further levy contributions above the 25% for past and future liabilities may be made. The Authority has made provision for the levy within the Insurance Earmarked Reserve.

44. Heritage Assets: Five-year Summary of Transactions

There were no acquisitions or disposals of heritage assets within the last five years. Following a review, the Council's assets, Tithe Barn and Coronation Gardens were identified as meeting the definition of heritage assets during 2021/22.

45. Trust Funds

The Authority acts as sole trustee for the following trust funds, which are not included in the Comprehensive Income and Expenditure Statement or Balance Sheet and are not subject to separate audit.

	Richard Ballard Charity £	Lucas Children's Play Site Charity £
Balance 31 March 2022	6,500	146,605
Receipts	147	3,310
Payments	(147)	0
Balance at 31 March 2023	**6,500**	**149,915**

The Richard Ballard Charity
Interest on the capital from the sale of two properties sold for a street widening scheme is used for highway repairs.

The Lucas Children’s Play Charity
The income from this charity may be applied towards the provision, maintenance and improvements of children’s playgrounds and equipment in the borough.

Housing Revenue Account

Housing Revenue Account
Income and Expenditure Statement 2022/23

The Housing Revenue Account (HRA) includes all transactions relating to the provision, management and maintenance of the Authority's housing stock. The increase or decrease in the year on the basis of which rents are raised is shown in the movement on the HRA Statement. The Account is "ring-fenced" in accordance with the Local Government and Housing Act 1989. Transfers to and from the General Fund are only permitted in certain specified circumstances.

2021/22 £000		Notes	2022/23 £000
	Income		
(47,627)	Dwelling rents		(49,371)
(464)	Non-dwelling rents		(476)
(8,582)	Charges for services and facilities		(10,557)
(26,924)	Contributions towards expenditure		(14,693)
(83,597)	**Total Income**		**(75,097)**
	Expenditure		
9,769	Repairs and maintenance		11,080
20,920	Supervision and management		23,051
825	Rents, rates, taxes and other charges		827
389	Increased provision for bad/doubtful debts		538
(2,246)	Depreciation and Impairment of tangible fixed assets	4	49,055
29,657	**Total Expenditure**		**84,551**
(53,940)	**Net expenditure or income of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement**		**9,454**
273	HRA Services' share of Corporate and Democratic Core		250
(53,667)	**Net Expenditure of HRA Services**		**9,704**
	HRA Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
(7,734)	Net gain on disposal of HRA assets		(5,841)
6,405	Interest payable and similar charges		7,396
(106)	Interest and investment income		(905)
(55,102)	**Deficit/(Surplus) for the year on HRA Services**		**10,354**

Movement on the Housing Revenue Account Balance during 2022/23

2021/22 £000		2022/23 £000
(17,028)	**Housing Revenue Account balance brought forward**	**(19,573)**
(55,102)	(Surplus)/deficit for the year on the HRA Income and Expenditure Account	10,354
52,814	Adjustments between accounting basis and funding basis under regulations	(15,600)
(19,316)	**HRA balance before transfer to earmarked reserves**	**(24,819)**
(257)	Transfers to earmarked reserves	0
(19,573)	**Housing Revenue Account balance carried forward**	**(24,819)**

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

2021/22 £000		2022/23 £000
Items included in the HRA Income and Expenditure but excluded from the movement in the HRA balance		
Adjustments to the Revenue Resources		
(598)	Pensions costs (transferred from the Pensions Reserve)	(318)
189	Holiday pay (transferred to the Accumulated Absences Reserve)	96
(5,065)	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account	(55,282)
(5,474)	**Total Adjustments to Revenue Resources**	**(55,504)**
Adjustments between Revenue and Capital Resources		
14,751	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	11,834
294	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	234
10,066	Posting of HRA resources from revenue to the Major Repairs Reserve	10,462
7,875	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,518
	Deferred Capital Receipt	
32,986	Total Adjustments between Revenue and Capital Resources	**26,048**
25,302	Total Adjustments to Capital Resources:	13,856
52,814	**Adjustments between accounting basis and funding basis under regulations**	**(15,600)**

Notes to the Housing Revenue Account

1. Information on Housing Fixed Assets

a) Number of Dwellings

2021/22 Number		2022/23 Number
	Flats	
2,639	1 bedroom	2,673
2,135	2 bedrooms	2,199
330	3 bedrooms	352
19	4 & 5 bedrooms	20
	Houses	
324	1 bedroom	323
1,090	2 bedrooms	1,081
2,309	3 bedrooms	2,301
185	4 & 5 bedrooms	186
9,031	**Total Number of Dwellings**	**9,135**

b) Balance Sheet Value of HRA Tangible Fixed Assets

2021/22 £000		2022/23 £000
	Operational	
671,117	Council Dwellings	681,311
15,004	Other Land & Buildings	10,628
0	Community Assets	0
795	Infrastructure	616
97,861	Assets Under Construction	71,341
784,777	**Total Tangible Fixed Assets**	**763,896**

c) Valuation of Council Dwellings at Year End

2021/22 £m		2022/23 £m
2,684	Vacant Posession Value	2,725
2,013	Excess of Vacant Posession over Balance Sheet Value	2,044
671	**Balance Sheet value**	**681**

The difference between the vacant possession value of HRA dwellings shown here and the balance sheet value of the dwellings shown in note 1(b) is a measure of the cost to Government of providing council housing at less than market rents.

2. Movement on Major Repairs Reserve

2021/22 £'000		2022/23 £'000
13,378	**Balance brought forward at start of year**	**8,660**
10,066	Total depreciation from Capital Adjustment Account	10,462
(14,784)	less MRR used to fund Capital Expenditure on HRA Dwellings	(15,259)
8,660	**Balance carried forward at end of year**	**3,863**

3. a) Total Capital Expenditure and Funding

2021/22 £'000		2022/23 £'000
	Capital expenditure on HRA property and other assets:	
46,071	Dwellings	50,033
-	Other land buildings	459
56,324	Assets Under Construction	38,911
18,900	Investments	17,375
121,295	**Total expenditure**	**106,778**
	Financed from:	
14,785	Major Repairs Reserve	15,259
25,307	Grants and contributions	8,690
7,875	Revenue contributions	3,518
6,112	Capital receipts	11,690
67,216	Borrowing	67,621
121,295	**Total funding**	**106,778**

b) HRA Capital Receipts

2021/22 £'000		2022/23 £'000
14,470	Right to Buy sales	11,748
666	Other property sales	320
15,136	**Total cash receipts**	**12,068**
(1,107)	Transferred for Pooling	(73)
14,029	**Total income**	**11,995**

4. Depreciation and Impairment Charge

The depreciation charged to the HRA breaks down as follows:

2021/22 £'000		2022/23 £'000
9,635	Dwellings	10,081
249	Other buildings	202
0	Equipment	0
182	Infrastructure	179
10,066	**Total HRA depreciation**	**10,462**
(12,312)	Revaluation credit/debit	38,593
(2,246)	**Total HRA depreciation and Revaluation charge**	**49,055**

5. Rent Income, Arrears and Bad Debts

2021/22 £'000	Rent	2022/23 £'000
104.92	Average weekly rent (including service charges unpooled)	111.05

31 March 2022 £000	Arears and Bad Debts	31 March 2023 £000
4,153	Rent arrears at 31 March	4,903
(3,834)	Bad debts provision at 31 March	(4,363)
319	**Total**	**540**

Collection Fund Account

Collection Fund 2022/23

These Accounts represent the transactions of the Collection Fund and have been consolidated with the Authority's main Accounts. The Accounts have been prepared on an accruals basis except in respect of sums due to or from the General Fund and the Greater London Authority (GLA) for their share of the Collection Fund surplus and deficit.

Income and Expenditure Statement 2022/23

2021/22			2022/23	
Business Rates £000	Council Tax £000		Business Rates £000	Council Tax £000
		Income		
	(170,513)	Income from Council Tax		(178,337)
(63,842)		Income from Business Rates	(70,701)	
328		Transitional relief	101	
(1,840)		Income collectable from Business Rate Supplement	(2,077)	
		Previous Year Deficit recognised in the CI&ES		
(14,149)	(815)	London Borough of Havering	(7,717)	738
(15,475)	(185)	Central Government	(8,489)	184
(17,347)		Greater London Authority	(9,518)	
(112,325)	**(171,513)**	**Total Income**	**(98,401)**	**(177,415)**
		Expenditure		
		Previous Year Surplus recognised in the CI&ES		
		London Borough of Havering		
		Central Government		
		Greater London Authority		
		Precepts		
23,953	134,980	London Borough of Havering	20,862	140,823
26,348		Central Government	22,949	
29,542	32,090	Greater London Authority	25,730	35,362
		Charges to Collection Fund		
622	564	Write-offs	697	889
804	1,109	Increase/(decrease) in bad debt provision	88	1,560
(660)		Increase/(decrease) in provision for appeals	(12,094)	
262		Cost of collection	262	
		Business Rate supplement		
1,834		Payment to Greater London Authority	2,071	
6		Cost of Collection	6	
82,711	**168,743**	**Total Expenditure**	**60,571**	**178,634**
(29,615)	(2,769)	Movement in fund balance	(37,831)	1,219
55,394	3,000	Net deficit/(surplus) at start of year	25,779	231
25,779	**231**	**Net deficit/(surplus) carried forward notes 3a & 3b)**	**(12,052)**	**1,450**

Notes to the Collection Fund Account

1. Income from Council Tax

Council Tax is based partly on the valuation of domestic properties and is partly a Personal Tax with discounts for single occupiers. The Authority set the level of council tax in 2022/23 at £1,893.30 for band D properties. The number of band D equivalent properties in each band making up the council tax base was as follows:

Band	Number of Band D Equivalent Properties
A1	5
A	2,143
B	5,444
C	20,365
D	31,409
E	17,121
F	8,667
G	4,785
H	628
Allowance for losses in collection 1.30%	(1,177)
Tax Base	**89,390**

2. Income from Business Rates

Under the arrangements for uniform business rates, the Authority collects Non-Domestic Rates (NNDR) for its area. These are based on local rateable values of £201.0m at 31 March 2023 (£202.8m at 31 March 2022) multiplied by uniform rates for large and small businesses. In 2022/23 the rate was 51.2p for large businesses (51.2p in 2021/22) and 49.9p for small businesses (49.9p in 2021/22). The total amount, less certain reliefs and other deductions, are shared between Central Government, Havering and The Greater London Authority (GLA). In addition to the multiplier used to calculate business rates, all London local authorities are required to collect from businesses with a rateable value in excess of £70,000 an additional 2p supplement, which is payable to the GLA. Under these arrangements the amounts included in these Accounts can be analysed as follows

2a) Income collectable from Non Domestic Rates

2021/22 £000		2022/23 £000
98,603	Gross NNDR due in year	97,196
(34,761)	Less: allowances and other adjustments	(26,495)
63,842	**Net NNDR Yield**	**70,701**

2b) Income collectable from Business Rate Supplement

2021/22 £000		2022/23 £000
2,398	Gross Supplement due in year	2,282
(558)	Less: allowances and other adjustments	(205)
1,840	**Net Business Rate Surplus Yield**	**2,077**

From 2018/19, Havering has been a member of the London Business Rates Pool overseen by the GLA. The risk of a reduction in collectable NNDR led to the pool being disbanded.

The deficit on the Collection Fund will be met by the precepting authority and the billing authority in the following proportions and will be recovered by adjusting the level of precepts and demands in future financial year. The Government has allowed the deficit charge estimated at January 2021 to be spread over three years.

3a) Council Tax

2021/22 £000		2022/23 £000
184	London Borough of Havering	1,197
47	Greater London Authority	254
231	**(Surplus) / Deficit**	**1,451**

3b) Business Rates

2021/22 £000		2022/23 £000
7,734	London Borough of Havering	(3,616)
8,536	Central Government	(3,948)
9,510	Greater London Authority	(4,488)
25,780	**Deficit**	**(12,052)**

Pension Fund Account

Pension Fund Statement of Accounts

2021/22 £000		Notes	2022/23 £000
	Dealings with members, employers and others directly involved in the fund		
49,112	Contributions receivable	7	53,111
4,204	Transfers in from other pension funds		3,029
53,316			**56,140**
(37,551)	Benefits	8	(42,530)
(4,618)	Payments to and on account of leavers	9	(3,908)
(42,169)			**(46,438)**
11,147	Net additions (withdrawals) from dealings with members		9,702
(5,474)	Management expenses	10	(5,940)
5,673	**Net additions including fund management expenses**		**3,762**
	Returns on investments		
14,977	Investment income	11	16,484
25,198	Profit and losses on disposal of investments and changes in the market value of investments	12a	(44,577)
40,175	**Net returns on investments**		**(28,093)**
45,848	**Net increase/(decrease) in the net assets available for benefits during the year**		**(24,331)**
874,235	Opening net assets of the Fund at start of year		920,083
920,083	**Closing net assets of the Fund at end of year**		**895,752**

Net Asset Statement for the year ended 31 March 2023

2021/22 £000		Notes	2022/23 £000
150	Long Term Investments	12	150
907,290	Investment Assets	12	879,324
(2,220)	Investment Liabilities	12	(272)
905,220	**Total net investments**		**879,202**
15,612	Current Assets	19	16,962
(749)	Current Liabilities	20	(412)
920,083	**Net assets of the Fund available to fund benefits at end of the reporting period**		**895,752**

The financial statements summarise the transactions of the Fund and the net assets of the Fund. They do not take account of obligations to pay pensions and other benefits which fall due after the financial year end. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard IAS19 basis is disclosed at Note 18 of these accounts.

Notes to the Pension Fund Accounts

1. Description of the Fund

The Havering Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Havering. Responsibility for management of the Pension Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer.

The following description of the scheme is a summary only. For more details on the operation of the Fund, reference should be made to the Fund's Annual Report 2022/23 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the LGPS Regulations.

a. General

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

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

The Fund is a contributory defined benefits scheme, which provides pensions and other benefits for pensionable employees of Havering Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Local Pension Board and the London Borough of Havering Pensions Committee.

b. Membership

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

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Designated bodies, which are non-community schools, whose employer has changed from the Authority to a Board of Governors. Designated body status allows continued membership in the LGPS for non-teaching staff at non-community schools. These have been accounted for within the London Borough of Havering.

There are 56 employer organisations with active members within the Havering Pension Fund including the Authority.

The membership profile is detailed below.

31 Mar 2022		31 Mar 2023
56	**Number of employers with active members**	**56**
	Number of employees in scheme	
4,783	London Borough of Havering	4,801
1,810	Scheduled bodies	1,818
82	Admitted bodies	73
6,675	**Total active members**	**6,692**
	Number of pensioners and dependants	
6,110	London Borough of Havering	6,285
406	Scheduled bodies	454
32	Admitted bodies	36
6,548	**Total pensioners and dependant members**	**6,775**
	Deferred pensioners	
5,680	London Borough of Havering	5,621
966	Scheduled bodies	1,093
43	Admitted bodies	36
6,689	**Total deferred members**	**6,750**
19,912	**Total number of members in pension scheme**	**20,217**

c. Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the year ended 31 March 2022. Employer contributions are set based on triennial actuarial funding valuations. Current employer contribution rates range from 16.5% to 41.0% of pensionable pay.

A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay.

d. Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table:

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

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

There are a range of other benefits provided under the scheme including early retirements, disability pensions and death benefits. For more details please refer to the LGPS pension website https://www.lgpsmember.org/.

2. Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2022/23 financial year and its position at year end as at 31 March 2023. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 "(the Code") which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet into the Balance Sheet of Lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administrating authorities the option to disclose this information in the net asset statement, in the notes to the accounts or by

appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 18.
The Administering Authority is satisfied that Havering Pension Fund is a going concern and the financial statements for 2022/23 have been prepared on a going concern basis as follows:

The one-year investment returns for 2022/23 was -3.59% and the three-year period was 7.99%. Asset values have decreased by £24,3m over the year to 31 Mach 2023, however from time to time the Fund experiences economic downturns and a long-term view must be taken of investment returns. There is sufficient flexibility in the investment strategy to be able to respond to short term market fluctuations. The Fund is comparatively low risk with smaller proportion of its assets held in volatile equities.
The Fund was assessed as 80% funded as at 31 March 2022 valuation, a significant improvement on the funding level of 70% at 31 March 2019 and includes a recovery period necessary to make good any potential increases in the funding deficit. It is important to remember that that the Fund does not need to be 100% funded to be a going concern, it simply needs to be able to meet benefit obligations each month as they fall due. The Fund held cash of £28m at the Balance Sheet date, equivalent to 3% of the Fund Assets. In addition, the Fund held £628m in Level 1 and Level 2 investment assets which could be realised within 3 months if required. Based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any of these investments.

In the three financial years to 31 March 2023, the number of employing bodies increased from 51 to 56 and current active members increased from 6,410 to 6775 and the number of pensioners increasing from 6,410 to 6,775.

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

a. Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all that arise according to pensionable pay
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate

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

Additional employers' contributions in respect of ill health and early retirements (augmentation) are accounted for in the year the event rose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b. Transfers to and from other schemes

- Transfers in and out relate to members who have either joined or left the fund.
- Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.
- Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. The date set for the transfer of assets and liabilities is the date it becomes recognised in the fund account.

c. Investment Income

i Interest Income
Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii Dividend Income
Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii Distribution from Pooled Funds
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iv Property - Related Income
Property related income consists primarily of rental income and is recognised at the date of issue.

v Movement in the Net Market Value of Investments
Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense Items

d. Benefits payable
Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities, providing the payment has been approved.

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

fund expense as it arises.

f. Management Expenses

The Fund discloses its pension fund management in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses (2016"). All items of expenditure are charged to the fund on an accruals basis as follows

i Administrative Expenses
All staff costs of the pension's administration team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to the Fund in accordance Council policy and charged as expenses to the Fund.

ii Oversight and Governance Costs
All costs associated with oversight and governance are separately identified and recharged to the Fund and charged as expenses to the Fund.

iii Investment Management Expenses
Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments.

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

The cost of obtaining investment advice from external consultants and the officers time spent on finance and accounting functions is included in investment management charges.

g. Lifetime Allowances

Members are entitled to request the Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduced pension.

Where the Fund pays members tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

Net Assets Statement

h. Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund. Any amounts due or payable in respect of trades entered but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 13a.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016)*.

i. Foreign Currency Transactions

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

j. Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in the change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.

k. Cash and Cash Equivalents

Cash comprises cash in hand (Fund's Bank Account) and includes amounts held by the Fund's external managers.

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

l. Financial Liabilities

A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised by the fund account as part of the change in value of investments.

m. Actuarial Present Value of Promised Retirement Benefits

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

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 19).

n. Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for it members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Prudential and Standard Life as their AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors.

AVC's are not included in the accounts in accordance with section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 21)

o. Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

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

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

4. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates provided to the admitted and scheduled bodies in the Fund, as requested, in the intervening years. The methodology used in the annual updates is in line with accepted guidelines.

This estimate is subject to significant variances based on the changes to the underlying assumptions which are agreed with the actuary and are summarised in Note 18.

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made.

The items in the net asset statement for which there is significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount
Actuarial present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund's assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied	The effects on the present value of promised retirement benefits of changes in actuarial assumptions can be significant. Changes in assumptions could have the approximate following impacts on the Fund's employer liability as follows: • 0.1% p.a. decrease in the Real Discount rate could result in an increase of 2% • 0.1% p.a. increase in the Pension Increase Rate could result in an increase of 2% • 0.1% p.a. increase in Salary Increase Rate (CPI) could result in an increase of 0% • 1 Year increase in member life expectancy could result in a 4% increase	+/- £18m +/- £17m +/- £2m +/- £42m
Level 3 Investments (Note 14a)	Level 3 investments can be determined by Fund Managers in accordance with guidelines and principles set out in the International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved.	Level 3 investments total £251m, which represents 28% of the total Fund value of £895m.	Sensitivity Analysis shows that the £251m valuation could decrease or increase within the range of £233m and £270m

6. Events after the Reporting Date

The Present Value of Promised Retirement Benefits (note 18) includes an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. This estimate was allowed for in the 31 March 2023 IAS26 reporting and is continued to be allowed for within the liabilities this year. There will be changes made to scheme regulations that will remove age discrimination from the LGPS and it is anticipated that these regulations will come into force in due course.

The Fund has valued its assets based on the 31 March 2023 position as reported by its investment managers. However, there is uncertainty over asset valuations, in particular for real and private market assets. The Fund believes that these valuations are the most reliable, as there are not alternative reliable estimates given the absence of trading in these asset classes.

Markets were disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures. As a result, asset returns have lagged expectation while members received a higher than anticipated benefit increase of 10.1% in April 2023. However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which decreased the value placed on the Fund’s liabilities. Therefore, the funding level increased significantly in the year to 31 March 2023.

7. Contributions Receivable

By category

2021/22 £000		2022/23 £000
	Employees' contributions	
	Normal:	
6,541	London Borough of Havering	7,012
1,489	Scheduled Bodies	1,714
75	Admitted Bodies	99
	Additional contributions:	
6	London Borough of Havering	6
8,111	**Total Employees' Contribution**	**8,831**
	Employers' contributions	
	Normal:	
16,341	London Borough of Havering	17,590
5,606	Scheduled bodies	5,625
329	Admitted bodies	468
	Deficit funding:	
18,302	London Borough of Havering	18,569
-	Scheduled bodies	750
-	Admitted bodies	3
	Augmentation	
344	London Borough of Havering	1,275
50	Scheduled bodies	-
29	Admitted Bodies	-
41,001	**Total Employers' Contributions**	**44,280**
49,112	**Total Contributions Receivable**	**53,111**

By authority

2021/22 £000		2022/23 £000
41,534	London Borough of Havering	44,452
7,145	Scheduled bodies	8,089
433	Admitted Bodies	570
49,112	**Total Contributions Receivable**	**53,111**

8. Transfers in

2021/22 £000		2022/23 £000
4,204	Individual transfers	3,209
4,204	**Transfers in**	**3,209**

9. Benefits Payable

By category

2021/22 £000		2022/23 £000
	Pensions	
30,620	London Borough of Havering	32,674
1,324	Scheduled Bodies	1,547
936	Admitted Bodies	202
32,880	**Pension Total**	**34,423**
	Commutation and Lump Sum Retirements	
3,609	London Borough of Havering	6,205
336	Scheduled Bodies	560
-22	Admitted Bodies	181
3,923	**Commutation and Lump Sum Retirements Total**	**6,946**
	Lump Sum Death Benefits	
575	London Borough of Havering	985
173	Scheduled Bodies	176
-	Admitted bodies	-
748	**Lump Sum Death Benefits Total**	**1,161**
37,551	**Total Benefits Payable**	**42,530**

By authority

2021/22 £000		2022/23 £000
34,804	Havering	39,864
1,833	Scheduled bodies	2,283
914	Admitted Bodies	383
37,551	**Total Benefits Payable**	**42,530**

10. Payments To and On Account of Leavers

2021/22 £000		2022/23 £000
81	Refunds to members leaving service	79
4,537	Individual transfers	3,829
4,618	**Payments to and on Account of Leavers**	**3,908**

11. Management Expenses

2021/22 £000		2022/23 £000
709	Administrative Costs	727
4,241	Investment Management Expenses	4,628
521	Oversight and Governance Costs	581
3	Local Pension Board	4
5,474	**Management Expenses**	**5,940**

11a.External Audit Fees

2021/22 £000		2022/23 £000
78	Oversight and Governance - External Audit costs	(14)
78	**External Audit Fees**	**(14)**

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

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

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

11b. Investment Management Expenses

2022/23	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2022/23 Total £000
Bonds	179	-	-	179
Fixed Interest Unit Trust	18	-	-	18
Diversified Growth Funds	286	-	210	496
Infrastructure	770	-	-	770
Global Equity	1,501	-	100	1,601
Other Investments				
Pooled Property	667	121	-	788
Private Debt	657	-	-	657
Derivatives – Forward Currency Contracts	31	-	-	31
	4,109	**121**	**310**	***4,540**
Custody Fees				42
Performance Measurement Fees				36
Other Investment Fees				10
Investment Management Expenses				**4,628**

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

2021/22	Management Fees £000	Performance Related Fees £000	Transaction Cost £000	2021/22 Total £000
Bonds	147	-	-	147
Fixed Interest Unit Trust	128	-	-	128
Diversified Growth Funds	598	-	15	613
Infrastructure	598	-	-	598
Global Equity	1,637	-	82	1,719
Other Investments				
Pooled Property	513	117	-	630
Private Debt	314	-	-	314
Derivatives – Forward Currency Contracts	19	-	-	19
	3,954	**117**	**97**	***4,168**
Custody Fees				42
Performance Measurement Fees				31
Other Investment Fees				-
Investment Management Expenses				**4,241**

*Includes £2.238m charged for assets in the London CIV pool (£2.086m 2020/21)

12. Investment Income

2021/22 £000		2022/23 £000
9,542	Pooled Investments – unit trusts and other managed funds	13,682
1,339	Income from Bonds*	600
2,580	Pooled Property Investments	1,928
2,294	Income from derivatives (Foreign Exchange Gains/(losses))	12
43	Interest on Cash Deposits	262
(821)	Other Income**	-
14,977	**Investment Income**	**16,484**

* Income includes Index linked Interest of £0.210m (2021/22 £0.208m).

** Management expenses to offset against gross income from dividends

13. Analysis of Investments

2021/22 £000		2022/23 £000
	Investment Assets	
150	LCIV Shareholding	150
150		**150**
	Bonds	
22,977	Fixed Interest Securities	351
39,097	Index-Linked Securities	26,737
62,074		**27,088**
	Pooled Investment	
63,252	Fixed Interest Unit Trust	60,434
85,428	Diversified Growth Fund	66,469
56,760	Infrastructure	84,509
473,469	Global Equity	459,768
678,909		**671,180**
	Other Investments	
93,775	Pooled Property	85,821
55,134	Private Debt	81,161
148,909		**166,982**
50	Derivatives – Forward Currency Contracts	1,575
16,985	Cash deposits Managers	12,211
363	Other assets	433
17,348		**14,074**
907,440	**Total Investment Assets**	**879,324**
	Investment Liabilities	
	Derivative Contracts	
(2,218)	Forward Currency Contracts	(24)
(2)	Other liabilities	(248)
(2,220)	**Total Investment Liabilities**	**(272)**
905,220	**Total Net Investments**	**879,052**

13a. Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2023
	£000	£000	£000	£000	£000
Fixed Interest Securities	22,977	16,151	(33,428)	(5,349)	351
Index-linked Securities	39,097	30,843	(29,914)	(13,289)	26,737
Pooled Investment Vehicles	679,059	30,076	(22,622)	(15,183)	671,330
Other Investments	148,909	27,978	(4,859)	(5,046)	166,982
	890,042	**105,048**	**(90,823)**	**(38,867)**	**865,401**
Derivatives – forward currency contracts	(2,168)	21,804	(12,431)	(5,654)	1,551
	887,874	**126,852**	**(103,254)**	**(44,521)**	**866,951**
Other Investment Balances:					
Cash Deposits (fund managers)	16,985			(56)	12,066
Investment income due	361				185
	905,220			**(44,577)**	**879,202**

	Market Value at 31 March 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value at 31 March 2022
	£000	£000	£000	£000	£000
Fixed Interest Securities	39,001	18,071	(31,277)	(2,818)	22,977
Index-linked Securities	36,897	39,955	(39,380)	1,625	39,097
Pooled Investment Vehicles	671,902	88,999	(94,293)	12,451	679,059
Other Investments	105,811	29,213	(2,280)	16,165	148,909
	853,611	**176,238**	**(167,230)**	**27,423**	**890,042**
Derivatives – forward currency contracts	886	127,525	(127,525)	(3,054)	(2,168)
	854,497	**303,763**	**(294,755)**	**24,369**	**887,874**
Other Investment Balances:					
Cash Deposits (fund managers)	3,321				16,985
Investment income due	479				361

	858,297	**905,220**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Purchases and Sales of derivatives (forward current contracts) are recognised in Note 12a above for contracts settled during the period are reported on a gross basis as gross receipts and payments.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £0.310m (2021/22 £0.096m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

13b. Investments analysed by Fund Manager

Value 31 March 2022 £000	%	Manager	Mandate	Value 31 March 2023 £000	%
Investments managed by London CIV asset pool:					
150	0.02	London CIV	Equities unquoted	150	0.02
119,358	13.19	Ruffer	Pooled Absolute Return Fund	115,888	13.18
155,312	17.16	Baillie Gifford	Pooled Global Alpha Growth Paris Aligned Fund	135,620	15.43
85,428	9.44	Baillie Gifford	Pooled Diversified Growth Fund	66,469	7.56
44,694	4.94	State Street Global Advisors	Pooled Passive Equity Progressive Paris Aligned (PEPPA)	43,994	5.00
6,916	0.76	Foresight, Blackrock, Quinbrook & Stonepeak	Pooled Infrastructure Renewable	11,185	1.27
411,858	**45.50**			**373,306**	**42.46**
PLUS Life Fund Investments aligned with London CIV asset pool:					
166,105	18.35	Legal & General Investment Management	Passive Global Equities/ Emerging Markets/Future World	164,266	18.68
577,963	**63.85**	**London CIV Total**		**537,572**	**61.14**
Investments managed outside of the London CIV asset pool:					
40,456	4.47	Royal London Index linked Bonds Fund	Investment Grade Bonds	27,257	3.10
22,257	2.46	Royal London Corp Bond Fund	Investment Grade Bonds	-	-
63,251	6.99	Royal London Multi Asset Credit Pooled Fund	Fixed Interest Unit Trust	60,434	6.87
61,467	6.79	UBS Property	Pooled Property	51,148	5.82
32,308	3.57	CBRE	Global Pooled Property	34,673	3.94
20,304	2.24	Stafford Capital SISF II	Overseas Pooled Infrastructure	19,937	2.27
7,487	0.83	Stafford Capital SISF IV	Overseas Pooled Infrastructure	16,387	1.86
23,302	2.57	JP Morgan	Overseas Pooled Infrastructure	37,000	4.21
20,855	2.30	Churchill II	Overseas Pooled Private Debt	21,761	2.48
7,756	0.86	Churchill IV	Overseas Pooled Private Debt	15,288	1.74
26,524	2.93	Permira PCS4	Overseas/UK Pooled Private Debt	30,961	3.52
-	-	Permira PCS5	Overseas/UK Pooled Private Debt	13,151	1.50
(1,538)	(0.17)	Russell Investments	Currency Management	5,905	0.67
2,828	0.31	Other	Other	7,728	0.88
327,256	**36.15**	**Managed outside asset pool Total**		**341,630**	**38.86**
905,220	**100.00**	**Total Fund**		**879,202**	**100.0**

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

Market Value 31 Mar 2021 £000	%	Security	Market Value 31 Mar 2022 £000	%
-	-	London CIV Global Alpha Fund		
155,312	17.16	London CIV Global Alpha Paris Aligned Fund	135,620	15.43
119,358	13.19	London CIV Absolute Return Fund	115,888	13.18
93,296	10.31	LGIM Future World Fund	93,404	10.62
85,428	9.44	London CIV Diversified Growth Fund	66,469	7.56
63,251	6.99	Royal London Multi Asset Credit Pooled Fund	60,434	6.87
61,467	6.79	UBS Property	51,148	5.82
578,112	**63.86**	**Total Fund**	**522,963**	**59.48**

13c. Stock Lending

We do not carry out stock lending directly. We are investors of a pooled fund with the passive equity manager, Legal and General Investment Management (LGIM), who carry out stock lending as part of the Fund's activities. Stock Lending occurs in limited number of overseas equities index funds.

The Stock Lending programme is managed and administered by the custodian of the funds (Citibank) within the risk control parameters set by LGIM. The programme has been operating for over 10 years and enjoys an indemnity from Citibank. Stock lending is only undertaken with counterparties who have satisfied the requirements in terms of market capability and minimum credit standing.

All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2023, the value of quoted equities on loan was £37.937m (31 March 2022 £2.195) These equities continue to be recognised in the fund's financial statements.

14. Analysis of derivatives

Objectives and policies for holding derivatives

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

Forward foreign currency
The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts are Royal London and Russell. A breakdown of forward contracts held by the Fund as at 31 March 2023 is given below:

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value (Unrealised Gain)	Liability Value (Unrealised Loss)
		000		000	£000	£000
Up to One month	GBP	30,068	USD	(37,132)	52	(0)
	USD	1,796	GBP	(1,455)	0	(3)
	GBP	27,298	EUR	(30,807)	206	(0)
	GBP	2,089	AUD	(3,711)	78	(0)
	EUR	2,147	GBP	(1,895)	0	(7)
	AUD	22	GBP	(13)	0	(1)
Up to Six months	GBP	4,562	AUD	(8,184)	123	0
	GBP	45,517	EUR	(51,580)	74	(3)
	EUR	3,332	GBP	(2,939)	0	(3)
	GBP	62,992	USD	(76,705)	1,042	(0)
	USD	1,291	GBP	(1,049)	0	(7)
Open forward currency contracts at 31 March 2023					**1,575**	**(24)**
Net forward currency contracts at 31 March 2023						**1,551**
Gross open forward currency contracts at 31 March 2022						(2,218)
Net forward currency contracts at 31 March 2022						**(2,168)**

15. Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, where possible using market based information. There has been no change in the valuation techniques used during the year.

Asset and Liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1
Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2
Where quoted market prices are not available or where valuation techniques are used to determine fair value based on observable data.

Level 3
Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

APPENDIX F

The Valuation basis for each category of investment asset is set out below:

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled Quoted	Level 2	Published bid	Not required	Not required
Pooled Unquoted investments	Level 2	Developed using Market Data	No material difference between the value of assets & liabilities and their fair value	Not Required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
UK Pooled instruments- property funds	Level 3	Valuations carried out by the property funds external valuers, Knight Frank LLP	Market value in accordance with the “RICS” Appraisal and Valuation Standards	Valuations could be affected by significant differences in rental value and rent growth
Overseas Pooled instruments property funds (CBRE)	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	Estimated fair values are determined by the Advisor at valuation date and independently appraised on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. For this fund, Income approach was used based on Unobservable input of Discount/WAAC rate and Exit EBITDA Multiples.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled Instruments Infrastructure Funds (Stafford Capital)	Level 3	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount.
Overseas Pooled instruments Private Debt Funds (Churchill)	Level 3	Valuations undertaken quarterly and determined by the Investment Manager. To determine the value, the manager relies on guidance by various regulatory and industry organisations and authorised to use independent third party pricing services and valuation firms.	Unobservable inputs are determined by the Investment Manager and shall take into account items that it reasonably believes would impact the valuation (such as expenses and reserves).	Significant increases (decreases) in discount yields could result in lower (higher) fair value measurement. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Private Debt	Level 3	Fair Value is determined by the AIFM based on advice from Portfolio Manager and based	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant on the valuations. Timing difference between the

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Funds (Permira)		on the International Private Equity and Venture Capital guidelines or other standards agreed by the Senior Fund Advisory Committee.		date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Renewable Infrastructure (LCIV)	Level 3	Fair Values are calculated in whole or in part using techniques based in assumptions using IA SORP	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant on the valuations. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.

Sensitivity of assets valued at level 3
Having analysed historical data and current market trends, and consulted with independent performance measurement service, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range (+/-) %	Value at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Pooled Property Funds	7.00	85,821	91,828	79,813
Pooled unit Trusts	7.30	165,670	177,764	153,576

15a. Fair Value Hierarchy

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

Values at 31 March 2023	Quoted Market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial assets at fair value through profit and loss	192,162	435,821	251,491	879,474
Financial Liabilities				
Financial liabilities at amortised cost	-	(272)	-	(272)
Net Financial Assets	**192,162**	**435,549**	**251,491**	**879,202**

Values at 31 March 2022	Quoted Market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Financial assets at fair value through profit and loss	196,572	566,664	144,202	907,438
Financial Liabilities				
Financial liabilities at amortised cost	-	(2,218)	-	(2,218)
Net Financial Assets	**196,572**	**564,446**	**144,202**	**905,220**

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

15b. Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2022 £000	Purchases £000	Sales £000	Unrealised gains/losses £000	Realised gains/losses £000	Market Value 31 March 2023 £000
Property Funds	93,775	24,834	(5,543)	7,044	1,413	84,509
Infrastructure	56,760	-	(401)	(7,954)	401	85,821
Private Debt	55,134	27,978	(4,032)	1,134	947	81,161
Total	**205,669**	**52,812**	**(9,975)**	**225**	**2,761**	**251,491**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and changes in the market value of investments line of the fund account

16. Financial Instruments

Classification of financial instruments

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

31 Mar 2022				31 Mar 2023		
Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000		Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000
			Financial Assets			
150	-	-	Long Term Investments	150	-	-
22,977	-	-	Bonds -Fixed Interest Securities	351	-	-
39,097	-	-	Bonds - Index linked securities	26,737	-	-
50	-	-	Derivative contracts	1,575	-	-
678,909	-	-	Pooled investment Vehicles	671,180	-	-
55,134	-	-	Private Debt	81,161	-	-
93,775	-	-	Property	85,821	-	-
-	16,985	-	Cash	-	12,211	-
-	363	-	Other Investment Balances	-	433	-
-	15,612	-	Debtors	-	16,156	-
890,092	**32,960**	**-**	**Financial Assets Total**	**866,975**	**28,800**	**-**
			Financial Liabilities			
(2)	-	-	Other Investment Balances	-	-	(248)
(2,218)	-	-	Derivative contracts	(24)	-	-
-	-	(749)	Creditors	-	-	(411)
(2,220)	**-**	**(749)**	**Financial Liabilities Total**	**(24)**	**-**	**(411)**
887,872	**32,960**	**(749)**	**Grand total**	**866,951**	**28,552**	**(658)**
920,083				**895,093**		

Net Gains and Losses on Financial Instruments

2021/22 £000		2022/23 £000
	Financial assets	
25,198	Fair value through profit and loss	(44,577)
25,198	**Total**	**(44,577)**

17. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Authority manages these investment risks as part of its overall pension fund risk management programme.

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

a) Market Risk

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

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

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

b) Other Price Risk

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

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

c) Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movements during the financial year, in consultation with Pensions & Investments Research Consultants (PIRC), it has been determined that the following movements in market price risk are reasonably possible for the 2022/23, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2023 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	520,353	14.40	595,284	445,422
Total Bonds	27,087	6.20	28,767	25,408
Pooled Overseas Unit Trusts	165,670	7.30	177,764	153,576
Global Pooled including UK	66,469	6.10	70,523	62,414
Pooled Property	85,821	7.00	91,828	79,813
Cash	13,802	0.50	13,871	13,733
Total	**879,202**		**978,037**	**780,366**

Interest Rate Risk

Asset Type	Value as at 31 March 2022 £000	Potential market movements %	Value on Increase £000	Value on Decrease £000
Pooled Equities	536,871	15.30	619,012	454,730
Total Bonds	62,074	7.00	66,419	57,729
Pooled Overseas Unit Trusts	111,894	7.60	120,398	103,390
Global Pooled inc.UK	85,428	4.70	90,810	80,046
Pooled Property	93,775	6.30	98,182	89,368
Cash	15,178	0.50	15,254	15,102
Total	**905,220**		**1,019,075**	**800,365**

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund’s risk management strategy.

Interest Rate Risk Sensitivity Analysis

The analysis that follows assumes all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS (1%) change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk

Assets exposed to interest rate risk	Value as at 31 March 2023 £000	Potential movement £000	Value on increase £000	Value on Decrease £000
Bond Securities	27,087	271	27,358	26,816
Cash and Cash Equivalents	13,802	138	13,940	13,664
Cash Balances	16,201	162	16,363	16,039
Total Change in Asset Value	**57,090**	**571**	**57,661**	**56,519**

Assets exposed to interest rate risk	Value as at 31 March 2022 £000	Potential movement £000	Value on increase £000	Value on Decrease £000
Bond Securities	62,074	621	62,695	61,453
Cash and Cash Equivalents	15,178	152	15,330	15,026
Cash Balances	14,260	143	14,403	14,117
Total Change in Asset Value	**91,512**	**915**	**92,427**	**90,597**

Currency Risk

Currency risk represents the risk that fair value of future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling.

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with PIRC, it has been determined that a likely volatility associated with foreign exchange rate movements is 6.30% over a rolling 36-month period.

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

A 7.34% strengthening and weakening of the pound against the various currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Value as at 31 March 2023 £000	Potential movement at 6.30% £000	Value on increase £000	Value on Decrease £000
Overseas Pooled	145,046	9,138	154,184	135,908
Overseas Cash	5,366	338	5,704	5,028
Total change in assets available to pay benefits	**150,412**	**9,476**	**159,888**	**140,936**

Assets exposed to currency risk	Value as at 31 March 2022 £000	Potential Market movement at 7.34% £000	Value on increase £000	Value on Decrease £000
Overseas Pooled	110,762	8,130	118,892	102,632
Overseas Cash	1,169	86	1,255	1,083
Total change in assets available to pay benefits	**111,931**	**8,216**	**120,147**	**103,715**

Credit Risk

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

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties.

Cash not needed to settle immediate financial obligations are invested by the Authority in accordance with the Treasury Investment Strategy. The Treasury Investment Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments.

The Fund's cash holding under its treasury management arrangements as at 31 March 2023 was £16.056m (31 March 2022 £14.260m). The Fund has immediate access to its cash holdings that are invested by the Authority and periodic cash flow forecasts are prepared to manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund's cash management policy and in line with the Fund's investment strategy holds assets that are considered readily realised.
The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to

convert into cash. As at 31 March 2023 the value of liquid assets was £644m, which represented 72% of the total Fund (31 March 2022 £714m, which represented 78% of the total fund assets).

Refinancing Risk

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

18. Funding Arrangements

Actuarial Statement for 2022/23

This statement has been prepared in accordance with Regulation 57(1) (d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The Funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated April 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term);
- where appropriate, ensure stable contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy; and
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £920 million, were sufficient to meet 80% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £229 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Assumptions	31 March 2022 %
Discount Rate for Period	3.5
Salary increases assumption	3.4
Benefit increase assumption (CPI)	2.7

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.7 years	24.3 years
Future Pensioners*	22.6 years	25.8 years

** Aged 45 at the 2022 Valuation*

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administrating Authority to the Fund.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures. As a result, asset returns have lagged expectation while members received a higher than anticipated benefit increase of 10.1% in April 2023. However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which decreased the value placed on the Fund's liabilities. Therefore, Fund's funding level increased significantly in the year to 31 March 2023.

The next actuarial valuation will be carried out as at 31 March 2025. The FSS will also be reviewed at that time.

19. Actuarial Present Value of Promised Retirements

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities to disclose what IAS26 refers to as the actuarial present value of retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19.

31 March 2022 £m	Year Ended	31 March 2023 £m
1,435	Present Value of Promised Retirement Benefits	1,053
920	Fair Value of Scheme assets (bid value)	896
515	**Net Liability**	**157**

The promised retirement's benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, the actuary has not made any allowance for unfunded benefits. The liabilities above are calculated on an IAS19 basis and will differ from the results of the 2022 triennial funding valuation because IAS19 stipulates a discount rate rather than a rate which reflects market rates.

It should be noted that the above figures are appropriate for the Administrating Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. It is estimated that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £513m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £10m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2022 % p.a	Year Ended	31 March 2023 % p.a.
3.20	Pension Increase Rate	3.00
3.90	Salary Increase Rate	3.70
2.70	Discount Rate	4.75

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.4 years	24.0 years
Future Pensioners	22.3 years	25.5 years

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions at 31 March 2023	Approximate % increase to promised retirement benefits %	Approximate monetary amount £m
0.1% p.a. decrease in the Real Discount Rate	2	18
1 year increase in member life expectancy	4	42
0.1% p.a. increase in the Salary Increase Rate	0	2
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	17

Professional notes

These notes accompany the covering report titled 'Actuarial Valuation as at 31 March 2023, which identifies the appropriate reliance and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

20. Current Assets

2021/22 £000		2022/23 £000
676	Contributions due from employers	57
195	Contributions due from employees	218
117	Pension Fund Bank Account Balances	145
326	Sundry Debtors	386
14,167	Cash deposit with LB Havering	16,056
131	Holding Accounts	100
15,612	**Current Assets**	**16,962**

21. Current Liabilities

2021/22 £000		2022/23 £000
(301)	Benefits Payable	(33)
(293)	Sundry Creditors	(224)
(155)	Holding Accounts	(155)
(749)	**Current Liabilities**	**(412)**

22. Additional Voluntary Contributions

Market Value 2021/22 £000	AVC Provider	Market Value 2022/23 £000
810	Prudential	749
148	Standard Life	88

Some employees made additional voluntary contributions (AVC's) of £30,080 (2021/22 £31,422) excluded from these statements. These are deducted from the employees' salaries and forwarded to the stakeholder pension schemes provided by the Prudential and Standard Life. The amounts forwarded during 2022/23 were £29,680 (2021/22 £29,022) to the Prudential and £400 (2021/22 £2,400) to Standard Life.

23. Agency Services

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

2021/22 £000		2022/23 £000
1,270	Payments on behalf of Havering Council	1,260

24. Related Party Transactions

The Fund is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Fund, or to be controlled or influenced by the Fund.

The Fund is administered by the London Borough of Havering. During the reporting period, the council incurred costs of £0.946m (2021/22 £0.682m) in relation to the administration and management of the fund and was reimbursed by the Fund for these expenses.
The Authority is also the largest employer in the Fund and in 2022/23 contributed £37.434m (2021/22 £34.643m) to the Pension Fund in respect of employer's contributions. All monies owing to and due from the fund were paid in year.

Part of the Pension Fund internal cash holdings are invested on the money markets by the treasury management operations of London Borough of Havering, through a service level agreement. As at 31 March 2023 cash holdings totalled £16,056m (2021/22 £14.167m), earning interest over the year of £0.226m (2021/22 £0.043m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.150m at 31 March 2023 (2021/22 £0.150m) are included as long-term investments in the net asset statement. A mixed portfolio of pension fund investments is managed by the London CIV as shown in Note 12b. During 2022/23 a total of £1.954m was charged to the Fund by the London CIV in respect of investment management services (2021/22 £2.238m).

Governance

Responsibility for management of the Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer and the Managing Director of oneSource.

No members of the Pension Fund Committee are in receipt of pension benefits from the Havering Pension Fund.

Each member of the Pension Fund Committee and Local Pension Board are required to declare their interests at each meeting.

During the year no Member or Council officer with direct responsibility for Pension Fund issues has undertaken any declarable material transactions with the Pension Fund.

The members of the Pensions Committee do not receive fees in relation to their specific responsibilities as members of the Pensions Committee.

The members of the Local Pension Board receive an attendance allowance for each meeting and these costs are included within Note 10.

Key Management Personnel

Paragraph 3.9.4.4 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and member's allowances detailed in section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit Regulations 2015 satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 244. This applies in equal measure to the accounts of the Havering Pension Fund.

The disclosures required by the above legislation can be found in the main accounts of Havering Council.

25. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2023 were £75.50m. (31 March 2022 £117.36m). These commitments relate to outstanding capital call payments due on unquoted limited partnership funds held in Private Debt and Infrastructure parts of the portfolio.

Following the Freedom and Choice provisions announced in the 2014 Budget, the Pension Fund has seen some enquiries from members about transferring benefits out of the LGPS. There are potential liabilities of £0.003m (2021/22 £0.396m) in respect of individuals transferring out of the Pension Fund upon whom the Fund is awaiting final decisions. Information is not available which shows how much of this is attributable to Freedom and Choice provisions.

Four admitted bodies in the Pension Fund hold insurance bonds or guarantees in place to guard against the possibility of being unable to meet their pension obligations. These bonds total £1.4m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

Seven admitted bodies, which are subject to pending legal agreements, will hold bonds or guarantees totalling £1.75m.

The Fund, in conjunction with the other borough shareholders in the London CIV, has entered into an exit payment agreement with the London CIV, acting as a Guarantor. The Fund will meet any exit payments due should the London CIV cease its admission arrangements with the City of London. Should the amount become due the Fund will meet 1/32 share of the costs.

Glossary

Accounting Policies Those principles, bases, conventions, rules and practices applied by an entity that specify how the effect of transactions and other events are to be reflected in its financial statements through:

(i) recognising

(ii) selecting measurement bases for, and

(iii) presenting assets, liabilities, gains, losses and charges to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Accruals The amounts by which receipts or payments are increased (or reduced) in order to record the full income and expenditure incurred in an accounting period.

Actuary An independent consultant who advises on the financial position of the Pension Fund.

Actuarial Valuation Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Authority on the Fund's financial position and recommended employers' contribution rates.

Agency Arrangement An arrangement whereby an authority (the agent) acts on behalf of another (the principal) to collect income or incur expenditure on the behalf of the principal. Such income or expenditure is not included in the agent's accounts other than any commission paid by the principal.

Amortisation The writing off of an intangible asset or loan balance over a period of time.

Appropriation The transfer of ownership of an asset from one service to another at an agreed (usually market) value.

Balance Sheet A statement of all the assets, liabilities and other balances of the Authority at the end of an accounting period.

Bid Price The purchase price that a buyer is willing to pay for an asset.

Budget A forecast of future expenditure plans for the Authority. Detailed revenue budgets are prepared for each year and it is on the basis of these figures that the council tax is set. Budgets are revised towards the year end to take account of inflation, changes in patterns of services, and other factors.

Capital Expenditure Expenditure on the acquisition of fixed assets or expenditure which adds to the value of an existing fixed asset.

Capital Financing Requirement The measure of an authority's capital borrowing need under the Prudential Code and the Local Government Act 2003. It is made up of the total value of the Authority's fixed assets and intangible assets less the sums accumulated in the revaluation reserve, deferred grant reserve and capital adjustment accounts.

Capital Receipt Income received from the sale of a capital asset such as land or buildings.

Code of Practice on Local Authority Accounting in the United Kingdom (The Code) Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper practices'. This includes, for the purposes of local government legislation, compliance with the terms of the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code), prepared by the CIPFA/LASAAC Local Authority Accounting Code Board. The Code is reviewed continuously and is issued annually.

Collection Fund A Statutory Account which receives council tax and non-domestic rates to cover the costs of services provided by Havering and its precepting authorities.

Community Assets Assets that the Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of Community Assets are parks and historic buildings.

Comprehensive Income and Expenditure Statement A statement showing the income and expenditure for the year of all the functions for which the Authority is responsible and complies with accounting practices as required under International Financial Reporting Standards (IFRS).

Contingent Assets A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent Liability A possible liability to future expenditure at the balance sheet date dependent upon the outcome of uncertain events.

Defined Benefit Scheme A pension scheme which defines benefits independently of the contributions payable. Benefits are not directly related to the investments of the Pension Fund.

Depreciation The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Earmarked Reserves Amounts earmarked to fund known items of anticipated expenditure for which the liability is not chargeable to the current year's Accounts.

Effective Interest Rate The rate of interest needed to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount at the initial recognition.

Finance Lease A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Asset A right to future economic benefits controlled by the Authority that is represented by:

- Cash
- An equity instrument of another entity
- A contractual right to receive cash (or other financial asset) from another entity.
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

Financial Instrument A contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another

Financial Liability An obligation to transfer economic benefits controlled by the Authority that is represented by:

- A contractual obligation to deliver cash (or other financial asset) to another entity
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

General Fund (GF) Havering's main Revenue Account from which is met the cost of providing most of the Authority's services.

General Fund Working Balance Revenue Funds which are uncommitted and available to support general funding pressures not otherwise specifically covered by planned budget or earmarked reserves.

Historic Cost The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Revenue Account (HRA) A Statutory Account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Impairment The reduction in value of a tangible or intangible fixed asset reflecting either (i) the consumption of economic benefits such as obsolescence or physical damage or (ii) a general fall in prices. In the former case, the impairment is a charge to the revenue account; in the latter, the impairment is a charge to the Revaluation Reserve or Capital Adjustment Account.

Infrastructure Assets Assets which have an indeterminate life and although valuable do not have a realisable value e.g. roads.

London Collective Investment Vehicle (CIV) was launched in December 2015, is the first fully authorised and regulated investment management company set up by Local Government in the UK. They have been established as a collective vehicle for investments for Local Government Pension Scheme Funds.

Long Term Assets – assets that yield benefit to the Authority and the services it provides for a period of more than one year. Fixed Assets are sub-divided into **Tangible** and **Intangible**: the former are physical assets such as land, buildings and equipment; the latter are assets such as computer software or marketable research and development. Long term assets were previously called **fixed assets** on the balance sheet.

Minimum Revenue Provision (MRP) The Authority is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). The MRP is based on the Council's capital financing requirement.

Movements in Reserves Statement (MiRS) This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services.

Net Book Value The amount at which fixed assets are included in the balance sheet after depreciation has been provided for.

Net Current Replacement Cost The current cost of replacing or recreating an asset in its existing use, adjusted for the notional depreciation required to reflect the asset's existing condition and remaining useful life.

Net Realisable Value The open market value of the asset less the expenses to be incurred in realising the asset.

Non-Operational Assets Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of its services. Examples include investment and surplus properties.

Non Distributed Costs Costs which are not chargeable to services and comprise of:

- Retirement benefit costs (past service costs, settlements and curtailments)
- Unused share of IT facilities

The costs of shares of long term unused but unrealisable assets.

oneSource A partnership between the London Boroughs of Bexley, Havering and Newham through a joint-committee arrangement to deliver support services. This will release resources to be applied to the protection of front-line services.

Operational Assets Fixed assets held, occupied, used or consumed by the Authority in the direct delivery of its services.

Operating Lease A lease other than a finance lease, i.e. a lease which permits the use of the asset without substantially transferring the risks and rewards of ownership.

Outturn The actual level of expenditure and income for the financial year.

Post Balance Sheet Events Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts are approved for issue by the Chief Operating Officer

Precept The charge made by one authority (e.g. Greater London Authority) on another authority (e.g. Havering) to finance its net expenditure.

Provisions Amounts set aside to fund known liabilities chargeable to the current year's Accounts where the exact amount or timing of the payment are not yet certain.

Prudential Code Since April 2004 local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities freedom to determine how much capital investment they can afford to fund through borrowing. The objectives of the code are to ensure that authorities' capital spending plans are affordable, prudent and sustainable, with authorities being required to set specific prudential indicators.

Public Works Loans Board (PWLB) Central Government Agency which funds much of Local Government borrowing.

Revenue Expenditure The day to day expenditure of the Authority, e.g. salaries, depreciation, goods and services.

Revenue Expenditure Funded from Capital Under Statute Expenditure which would otherwise be classified as revenue, but which is classified as capital expenditure for control purposes. Examples include items such as improvement grants and loan redemption expenses.

Revenue Support Grant The main grant paid by the Government to local authorities.

Supported Borrowing supported by central government grant towards the financing costs, mainly through Revenue Support Grant.