

Statement of Accounts 2024/25

CONTENTS

Narrative Report	3
Statement of Responsibilities for the Statement of Accounts	14
Independent Auditors' Report	15
London Borough of Havering Accounts	
Comprehensive Income and Expenditure Statement	23
Balance Sheet	25
Movement In Reserves Statement	26
Cash Flow Statement	28
Notes to the Core Financial Statements (Accounting Policies)	29
Notes to the Core Financial Statements (Other)	48
Housing Revenue Account	108
Collection Fund	114
Pension Fund	118
Glossary	157

Dear Residents,

We continue to face some of the most challenging years we have ever seen. The Council's focus remains on providing services to residents of our Borough under extremely difficult circumstances. This year, we once again have the challenge of trying to balance the budget, set against a backdrop of enormous financial pressures, resulting from increases in inflation and the ongoing demands of a rising population. Due to the increase in older and younger people social care costs, our spending pressures are going up, so that for every pound that we spend as a Council, 70p of it goes on statutory services for adults and children.

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

The pressures the Council is facing for 2025/26 has meant that we have, for the second year in a row, had to ask central Government for Exceptional Financial Support (EFS) to balance our budget. Havering is an efficient Council and this position has only come about through years of underfunding on our central Government grants. The Government assumes we will apply this increase as part of our funding settlement so we have also had no choice but to put forward a 4.99% increase in Council Tax, which will include 2.99% for the Council budget plus 2% social care precept. We understand that this increase is unwelcome at a time when many are struggling with the general cost of living, but this is an important part of how we deliver a balanced budget, which we must do by law.

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

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

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

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

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

Yours sincerely

Andrew Blake-Herbert
Chief Executive, London Borough of Havering

2024/25: Narrative Report

Introduction

The Council's Statement of Accounts represents the financial performance of the past year and the overall financial position of the Authority. It is important to understand how service performance has driven income and expenditure, leading to the year-end financial position.

This narrative report explains the wider context by outlining how we use resources to drive performance and deliver the vision and strategy set by our Councillors. It provides an overview of how we have delivered outcomes throughout the year, and how we are planning ahead to respond as effectively as possible to future challenges.

The Borough of Havering

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

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

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

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

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

Organisation and Governance

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

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

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

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

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

² Havering Workforce Information Portal March 2025

Corporate Strategy

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

The Havering you want to be part of



Supporting our residents to stay safe and well



A great place to live, work and enjoy



Enabling a resident-focused and resilient Council

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

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

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

Performance

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

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

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

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

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

Financial Performance

Havering's Balance Sheet

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

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

Revenue Outturn

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

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

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

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

Revenue Outturn 2024/25

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

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

Capital Expenditure and Financing

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

The Council's capital funding used to finance the capital spend in 2024/25 is illustrated below.

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

Treasury Management

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

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

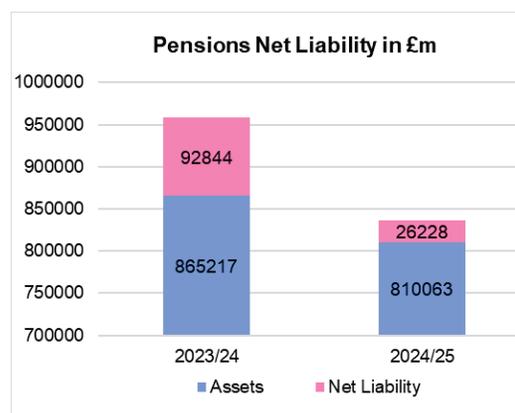
credit ratings of the banks and market information monitored regularly by officers who engage in the investment process. Officers kept treasury investments in short-term instruments of less than 1 year so they can be used to fund the Capital Programme and reduce the need to borrow whilst maintaining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

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

Pension Fund

The Council participates in the Local Government Pension Scheme (LGPS) for the majority of its staff. The net estimated pension liability for Havering applying "IAS19" is £26.2m as at 31st March 2025 compared with £92.8m as at 31st March 2024. Estimating liability involves judgments about the discount rate, salary increases, retirement age changes, longevity, interest rates, inflation, and expected asset returns. It also considers the effects of the recent McCloud ruling and GMP equalisation.

The Pension Fund's net assets decreased in 2024/25, from £865m to £810m due to investment market decreases in 2024/25 and the liability decreased from £958m to £837m partly due to slightly lower interest costs. Further information on the basis of the IAS19 disclosure is included at Note 42.



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

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

Looking ahead – Opportunities and Challenges

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

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

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

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

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

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

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

Reserves position

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

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

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

Medium Term Financial Strategy 2025-2029

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

The budget report to Council in February 2025 included a snapshot of the Medium Term financial strategy but the strategy is, in reality, a live document which is continually updated as new information becomes available. The Council has an annual process, which commences during the spring and summer, using the Medium Term Financial Strategy to establish the extent of savings and efficiencies that will be needed to balance the following year's budget.

The table below shows the MediumTerm Financial Strategy set out in the February 2025 budget report to Council.

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

The 2025/26 budget position was underpinned by Exceptional Financial Support agreed with the Government of £88m based on a worst-case scenario. The Council is aiming to mitigate and control as many of the pressures as possible to reduce the level of financial support needed, but the budget is a realistic and robust assessment of the pressures the Council is facing.

The 2025/26 budget included a package of £10.3m of savings which was developed and reviewed throughout the budget process. The Council will closely monitor the progress on these savings and indeed the level of service pressures as the year goes on. The Council has baselined all its major budgets to use metrics, user numbers and unit costs to measure variances from the original budget.

The Council's financial position has changed in a way nobody could have imagined over the last few years, firstly due to the pandemic then the increased cost of living driven by rising inflation levels.

The Government has provided additional grant to help Authorities address social care pressures, but Councils are still faced with sharply rising costs and increases in demand. There are also other opportunities and the Council, as part of its recovery plan, is reviewing the way it provides all services to ensure high-quality services are delivered efficiently and change delivery methods where appropriate.

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

- Demographic and Unit Cost Pressures

The Council continues to experience demographic pressures and rising unit costs, particularly across social care but also across other services, as the population increases each year. The Government has provided funding to help combat these pressures and has allowed the use of an Adult Social Care precept to raise further income in recent years.

- Inflation

Staff pay awards are negotiated nationally and so the Council needs to plan assuming rises will be agreed. The Council also plans for contractual inflation on our main contracts and social care providers. Growth has been built into the 2024/25 budget to help combat these increases. Each year the Council reviews the fees and charges it sets to ensure that the rising costs of the services are recovered where possible. In 2025/26 the Government also announced an increase in National Insurance contributions. Most of the additional Council spend for this increase was funded by a grant, but there was no such support for any of the Council's providers resulting in increased prices for our supplies and placements.

- Government funding

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

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

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

- The revenue cost of the Capital Programme

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

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

Capital Programme 2025/26 to 2029/30

The Council is required by statute (The Prudential Code for Capital Finance in Local Authorities) to agree and set the capital programme and associated capital strategy. The Capital Programme agreed by Members for the next 5 years amounts to £1.1bn and is set out in the table below:

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

Key Risks

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

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

Financial Resilience - Inability to deliver a balanced budget
Potential harm to people we owe a duty of care
External Inspection Requirements - conditions attached to the Capitalisation Direction inc. an external assurance arrangement to review the effectiveness of our Financial Management arrangements, extending to a review of our governance and decision-making processes. Terms remain to be defined by MHCLG.
Failure to adapt to the potential impacts of climate change and meet Council's carbon neutral ambition for 2040
Failure to deliver strategic corporate priorities set out in the Corporate Plan - The Council's in-year savings targets may impact on delivery of priorities if not achieved.
Culture, governance, capacity, and knowledge
Technology: Cyber Security (Technical Controls and Platforms), Information Security and Risk Management
Significant operational disruption to the Council's critical services.
Regeneration (Shaping the Future of the Borough) - impact of costs inflation, social change, and economic downturn.
Technology: ICT Resilience and Legacy Systems - The Council's ability to deliver critical and key services in the event of ICT outages and be able to recover in the event of system and/or data loss.

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

Kathy Freeman

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

Explanation of Accounting Statements

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

The key financial statements set out within this document include:

- **Movement in Reserves Statement (MiRS)** – This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves and unusable reserves. It analyses the increase and decrease in the net worth of the Authority as a result of the surplus/deficit in year and from movements in the fair value of the assets. It also analyses the movement between reserves, in accordance with statutory regulations.
- **Comprehensive Income and Expenditure Statement (CIES)** – This statement summarises the expenditure and income for the year.
- **Balance Sheet** – This records the Authority's year-end financial position. It shows the balances and the reserves at the Authority's disposal, its long-term debt, net current assets, and liabilities, and summarises information on the long-term assets held.
- **Cash Flow Statement** – This summarises the inflows and outflows of cash transactions over the financial year; split between flows that have occurred as a result of operating activities, those arising from investing activities and those attributable to financing decisions.
- **Notes to the Financial Statements** – The notes provide more detail about the items contained in the key financial statements, the Authority's accounting policies and other information to aid the understanding of the financial statements.
- **Expenditure Funding Analysis (EFA)** – This note shows how the funding available to the Authority has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with accepted accounting practices.
- **Housing Revenue Account (HRA)** – This records the Authority's statutory obligations to account separately for the cost of the landlord role in respect of the provision of the Authority's housing.
- **Collection Fund** – The Authority is responsible for collecting Council Tax and Non-Domestic Rates, and for keeping a separate account that details the amounts owing to and from the Council, the Greater London Authority, and the Government.
- **Pension Fund** – The Pension Fund accounts show the contributions from the Authority, participating employers, and employees for the purpose of paying pensions. The Fund is separately managed by the Council, acting as trustee, and its accounts are separate from those of the Authority.

Statement of Responsibilities for the Statement of Accounts

The authority's responsibilities

The authority is required to:

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

The chief financial (section 151) officer's responsibilities

The chief financial (section 151) officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this statement of accounts, the chief financial (section 151) officer has:

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

The chief financial (section 151) officer has also:

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

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

Cllr Julie Wilkes
Chair, Audit Committee
XXth February 2026

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

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

THIS PAGE IS INTENTIONALLY BLANK

Balance Sheet as at 31 March 2025

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

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

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

Kathy Freeman

Authorised for Issue
Kathy Freeman

Authority Movement in Reserves Statement 2024/25

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

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2023	8,161	49,833	24,820	56,431	3,860	66,225	209,330	985,877	1,195,207
Movement in reserves during 2023/24									
Deficit/surplus on provision of services	(25,393)		(26,851)				(52,244)		(52,244)
Other comprehensive expenditure and income							0	(11,363)	(11,363)
Total comprehensive expenditure and income	(25,393)	0	(26,851)	0	0	0	(52,244)	(11,363)	(63,607)
Transfer of capital funding to finance capitalisation (note 9)	(18,100)						(18,100)	18,100	0
Adjustments between accounting basis and funding basis under regulations (Note 9)	37,527	0	32,724	(31,823)	4,331	(587)	42,172	(42,172)	0
Net decrease/increase before transfers to earmarked reserves	(5,966)	0	5,873	(31,823)	4,331	(587)	(28,172)	(35,435)	(63,607)
Transfers to/from Earmarked Reserves (Note 10)	7,919	(5,741)	(2,178)				0		0
Decrease/increase in Year	1,953	(5,741)	3,695	(31,823)	4,331	(587)	(28,172)	(35,435)	(63,607)
Balance at 31 March 2024	10,114	44,093	28,515	24,608	8,191	65,637	181,163	950,442	1,131,605
Movement in reserves during 2024/25									
(Deficit)/surplus on provision of services	(44,999)		(3,313)				(48,312)	60,551	(48,312)
Other comprehensive expenditure and income							0		60,551
Total comprehensive expenditure and income	(44,999)	0	(3,313)	0	0	0	(48,312)	60,551	12,239
Transfer of capital funding to finance capitalisation (note 9)	(30,400)						(30,400)	30,400	0
Other adjustments between accounting basis and funding basis under regulations (Note 9)	82,726	0	9,169	111	(18)	2,238	94,226	(94,226)	0
Net (decrease)/increase before transfers to earmarked reserves	7,327	0	5,856	111	(18)	2,238	15,514	(3,275)	12,239
Transfers to/from Earmarked Reserves (Note 10)	(2,328)	2,328	0				0		0
(Decrease)/increase in Year	4,999	2,328	5,856	111	(18)	2,238	15,514	(3,275)	12,239
Balance at 31 March 2025	15,113	46,421*	34,371	24,719	8,173	67,875	196,676	947,169	1,143,845

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

Group Movement in Reserves Statement 2024/25

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

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Authority's Share of Reserves of Subsidiaries / Joint Ventures	Total inc Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2023	8,161	49,833	24,820	56,431	3,860	66,225	209,330	985,877	4,774	1,199,981
Movement in reserves during 2023/24										
(Deficit)/surplus on provision of services	(25,393)		(26,851)				(52,244)		(2,515)	(54,759)
Other comprehensive expenditure and income							0	(11,363)	173	(11,190)
Total comprehensive expenditure and income	(25,393)	0	(26,851)	0	0	0	(52,244)	(11,363)	(2,342)	(65,949)
Transfer of capital funding to finance capitalisation direction (note 9)	(18,100)						(18,100)	18,100		0
Adjustments between accounting basis and funding basis under regulations	37,527	0	32,724	(31,823)	4,331	(587)	42,172	(42,172)		0
Net (decrease)/increase before transfers to earmarked reserves	(5,966)	0	5,873	(31,823)	4,331	(587)	(28,172)	(35,435)	(2,342)	(65,949)
Transfers to/(from) Earmarked Reserves	7,919	(5,741)	(2,178)				0			0
(Decrease)/Increase in Year	1,953	(5,741)	3,695	(31,823)	4,331	(587)	(28,172)	(35,435)	(2,342)	(65,949)
Balance at 31 March 2024	10,114	44,092	28,515	24,608	8,191	65,638	181,162	950,442	2,432	1,134,032
Movement in reserves during 2024/25										
(Deficit)/surplus on provision of services	(44,999)		(3,313)				(48,312)		(5,505)	(53,817)
Other comprehensive expenditure and income							0	60,551	(173)	60,378
Total comprehensive expenditure and income	(44,999)	0	(3,313)	0	0	0	(48,312)	60,551	(5,678)	6,561
Transfer of capital funding to finance capitalisation direction (note 9)	(30,400)						(30,400)	30,400		0
Other adjustments between accounting basis and funding basis under regulations	82,726	0	9,169	111	(18)	2,238	94,226	(94,226)		0
Net (decrease)/increase before transfers to earmarked reserves	7,327	0	5,856	111	(18)	2,238	15,514	(3,275)	(5,678)	6,561
Transfers to/(from) Earmarked Reserves	(2,328)	2,328	0				0			0
(Decrease)/Increase in Year	4,999	2,328	5,856	111	(18)	2,238	15,514	(3,275)	(5,678)	6,561
Balance at 31 March 2025	15,113	46,421*	34,371	24,719	8,173	67,875	196,676	947,169	(3,246)	1,140,599

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

Cash Flow Statement as at 31 March 2025

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

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

Accounting Policies

Going Concern

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

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

In making its going concern assessment, the Council must also consider its budgets and the level of reserves. The Council assesses its financial position for future years through the medium-term financial planning process.

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

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

- Financial management and sustainability
- Capital programme, debt, investments and assets
- Governance, management processes, culture and leadership
- Service delivery
- Improvement plan and roadmap

The Financial Management review was concluded by CIPFA in Summer 2024 and was formally signed off by the Ministry of Housing, Communities and Local Government (MHCLG). Members approved the Council's Improvement and Transformation Plan on 24th July 2024 and the plan is now being adopted and monitored.

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

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

The Council however, continues to face rising demand due to Social Care demographics and unit costs and the rising cost of meeting our statutory Housing duties. In developing the 2025/26 budget the Council identified new pressures totalling over £60m in addition to the underlying budget gap of £32.5m brought forward from 2024/25. These pressures have been partially mitigated by over £10m of savings proposals, a 4.99% Council Tax increase and additional funding from central Government however, there remains a £70.2m gap for 2025/26 on a most likely case rising to £88m worst case scenario. The Council has presented this position to MHCLG who have provisionally agreed exceptional financial support of £88m for 2025/26 in order to balance the budget.

The Government has announced wide ranging reforms commencing with a review of the funding formula in 2025. Havering has proactively set out its case to help inform these discussions. There is however, a significant shortfall

in social care funding nationally and until this is recognised many authorities, including Havering, will need further support from the Government in future years to balance their budgets.

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

Due to the short-term nature of exceptional financial support, which is only announced a year at a time, currently there is uncertainty on the Council's future funding position. However, the Council has and will continue to have sufficient liquidity over the MTFS period to make payments to the workforce, contractors, suppliers and honour all its financial commitments. The Council will be reliant on either further exceptional financial support or a significant improvement in the level of grant from central government in order to balance future budgets moving forward.

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2024/25 financial year and its position at the year ending 31 March 2025. The Accounts and Audit (England) Regulations 2015 require the Authority to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2024/25* (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

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

ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected; and

- most accruals are automatically generated by the feeder system concerned however, a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de minimis for 2024/25 remains at £50,000.

iii. Cash and Cash Equivalents

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

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

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

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

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

v. Charges to Revenue for Non-Current Assets

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

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

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

vi. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including Central Government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for

the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

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

vii. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. Costs are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

Post-Employment Benefits

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

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE);

- the National Health Service Pension Scheme, administered by the National Health Service; and
- the Local Government Pension Scheme, administered by the Authority.

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

The Local Government Pension Scheme

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

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

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

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

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

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

Discretionary Benefits

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

viii. Events After the Reporting Period

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

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

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

ix. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the

effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

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

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

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

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

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

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

x. Foreign Currency Translation

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

xi. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant

service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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

Non-Ring-fenced Grants

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

Business Improvement Districts

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

xii. Heritage Assets

The Authority's Heritage Assets are split into two categories

- Civic Regalia; and
- Heritage Buildings.

Civic Regalia

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

Heritage Buildings and Property

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

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

xiii. Intangible Assets

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

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

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

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

xiv. Inventories

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

xv. Investment Property

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

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

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

xvi. Interests in Companies and Other Entities

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

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

xvii. Interest in Joint Committee

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

xviii. Leases

The Authority as Lessee

Leases with a term of less than 12 months or for items of low value (less than £10,000) are accounted for by charging payments to the relevant service line in the CIES.

For longer-term leases and those for higher value items, the Council recognises the right acquired to use the property, plant or equipment as an asset in the Balance Sheet and a liability for the obligation to pay the lessor for the right. The lease liability is initially measured at the present value of the payments to be made after the commencement date. The cost of the right-of-use asset is deemed to be the initial liability plus the incremental costs of obtaining the lease and any payments made before the commencement date.

Right-of-use assets are subsequently accounted for in accordance with the classification the underlying asset would have if owned by the Council (property, plant and equipment; intangible assets; investment property). Where the outcome would be materially different from the amount for the asset under the cost model, this will involve remeasurement to current value.

The lease liability is subsequently remeasured where future lease payments change as a result of a change in an index or rate used to determine those payments. Remeasurements are reflected in adjustments to the deemed cost of the right-of-use asset.

Payments are apportioned between:

- a charge for the acquisition of the right-of-use asset – applied to write down the lease liability
- financing charges (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)
- contingent rents not reflected in the calculation of the lease liability – debited to the relevant service line in the CIES.

The Authority as Lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal, with the gain/loss attributable to the difference between the carrying amount of the asset and the Council's net investment in the lease being credited/debited to the Other Operating Expenditure line in the CIES. The net investment in the lease is recognised as a lease asset in the Balance Sheet, net of any premium paid. Lease rentals receivable are apportioned between:

- a credit for the disposal of the interest in the property – applied to write down the lease asset
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES.

xix. Overheads and Support Services

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

xx. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

Finance costs are excluded in valuations for all assets.

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

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

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

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

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

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

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

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

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

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

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

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

Development Costs

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

The watershed moment between the feasibility and the development stage, when concrete designs are reviewed, is normally the point at which expenditure may be considered for capitalisation. The Council's policy at this stage is to treat the expenditure as capital and then if the scheme does not go ahead or is stopped at an early stage without producing any assets the expenditure is treated as an abortive revenue cost.

Impairment

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – straight-line allocation over a five-year period unless a suitably qualified officer determines a more appropriate period; and
- infrastructure – straight-line allocation over 25 years.

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

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

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

Amounts received for a disposal more than £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Highways Network Infrastructure Assets

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

Recognition

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

Measurement

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

Depreciation

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

Carriageways, Footways and Cycle tracks = 25 years

Structures* = 25 years

Street lighting = 25 years

Street furniture* = 25 years

Traffic management systems* = 25 years

Other Highways Network Infrastructure* = 25 years

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

Disposals and derecognition

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

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

Annual Minimum Revenue Provision Statement

Where the Council finances capital expenditure by borrowing, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). The Local Government Act 2003 requires the Authority to have regard to the Ministry for Housing, Communities and Local Government (MHCLG) Guidance on Minimum Revenue Provision issued in 2018.

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

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

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

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

xxi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Contingent Liabilities

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

Contingent Assets

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

xxii. Reserves

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

xxiii Revenue Expenditure Funded from Capital under Statute

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

xxiv. Schools

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

xxv. VAT and Tax Duty

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

xxvi. Fair Value Measurement

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires disclosure of the expected impact of an accounting change that will be required by new accounting standards that have been issued but not yet adopted.

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

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

There are no other new accounting requirements introduced in the 2025/26 Code that are anticipated to have a material impact on the Council's financial performance or financial position.

3. Critical Judgements in Applying Accounting Policies.

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2025 for which there is a significant risk of material

adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Assets have been valued by the Authority's external valuers on the basis of a five year rolling valuation programme. In the current economic climate, the Balance Sheet valuation of £1,560m may be subject to fluctuations.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for Assets would increase by £4.2m for every year that useful lives had to be reduced.</p> <p>If the asset valuation of all property plant and equipment were to fall by 1% a reduction in value of £15.6m would arise. This would normally be reversed to the Revaluation Reserve.</p> <p>Where revaluation losses exceed unrealised gains, the net loss would be charged to the Consolidated Income and Expenditure Statement and subsequently written off to the Capital Adjustment Account.</p>
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for <i>similar</i> assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the authority's chief valuation officer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 16 and 18 below.</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (for both investment properties and some financial assets).</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial asset</p>
Provisions	<p>The Authority has made a provision of £3.76m for the settlement of insurance claims based upon an actuarial assessment of the current level of liability.</p>	<p>An increase over the forthcoming year of 10% in the value of claims to be settled would have the effect of adding £0.376m to the provision required.</p>

Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £13.3m. However, the assumptions interact in complex ways. During 2024/25, the Authority's actuary advised that changes in actuarial assumptions gave rise to a gain of £145.7m offset by a £88m asset ceiling adjustment, net £57.7m for future pension deficit payments. The gain in 2023/24 was £38.9m. These amounts are taken to the Consolidated Income and Expenditure Statement.
Arrears	At 31 March 2025, the Authority had a gross debtor's balance of £141m (£121.4m at 31 March 2024). A review of significant balances suggested that an impairment of doubtful debts of 47% (£66.2m) was appropriate.	If collection rates were to deteriorate, a 25% increase in the amount of the impairment of doubtful debts would require an additional £16.6m to be set aside as an allowance.
NNDR Appeals	At 31 March 2025, the Authority had a provision of £2.2m in respect of appeals which are still outstanding, based the settlement of appeals.	In the event that the outcome of appeals increases by 25% than the anticipated percentages this would result in additional cost of £0.55m.

5. Material Items of Income and Expense

On 27 February 2024 the Department for Levelling Up, Housing and Communities agreed in principle to provide the council with £32.5m of support for 2024/25, in the form of a capitalisation direction, to manage financial pressures via the Exceptional Financial Support framework (EFS).

The Capitalisation Direction permits the Council to charge to capital, expenditure which would otherwise be revenue expenditure and then to finance the capitalised revenue expenditure from capital resources. The Council has utilised £30.4m of the capitalisation direction for 2024/25 to fund revenue expenditure from capital resources.

6. Events after the Balance Sheet Date

The Strategic Director of Resources (Section 151 Officer) authorised the Statement of Accounts on 30 June 2025. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

No material post balance sheet events requiring adjustment to the 31st March 2025 balance sheet have been identified.

7. Expenditure and Funding Analysis 2024/25

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

		1 April 2023 – 31 March 2024			1 April 2024 – 31 March 2025			
Net Expenditure Chargeable to the General Fund and HRA Balances	£000	Adjustments between Funding and Accounting Bases		Net Expenditure in the C&ES	Other Adjustments*	£000	Net Expenditure in the C&ES	
		£000	£000					£000
22,079	42,424	(5,128)	59,375	Place	20,457	30,358	2,266	53,081
168,084	6,360	13,290	187,734	People	188,454	8,831	22,956	220,241
9,944	9,377	2,190	21,512	Resources	9,750	443	(2,692)	7,501
22,737	(35,466)	19,342	6,614	Corporate Budgets	5,522	(619)	8,871	13,774
5,521	-	1,185	6,706	oneSource Shared	5,323	417	6	5,746
(18,112)	22,416	(2,570)	1,734	Non-Shared LBH	(1,450)	2,638	(36)	1,152
210,253	45,111	28,310	283,674	Net Cost of Services	228,056	42,068	31,371	301,495
(215,901)	7,040	(22,568)	(231,429)	Other Income and Expenditure	(238,911)	19,426	(33,698)	(253,183)
(5,648)	52,151	5,741	52,245	(Surplus) or Deficit	(10,855)	61,494	(2,327)	48,312
32,981				Opening General Fund and HRA Balance	38,629			
5,648				Less/Plus Surplus or Deficit on General Fund and HRA Balance in Year**	10,855			
38,629				Closing General Fund and HRA Balance at 31 March	49,484			

*This represents the movement in Earmarked Reserves. See Note 10.

** For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement.

7a. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2024/25

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

Adjustments between Funding and Accounting Basis 2023/24

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

Note 1 Adjustments for Capital Purposes

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

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

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

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

Note 2 Net Change for the Pensions Adjustments

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

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Note 3 Other Differences

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

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

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

8. Expenditure and Income Analysed by Nature

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

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

9. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

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

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

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

2024/25	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred from the Pensions Reserve)	8,031	918				(8,949)
Financial instruments (transferred to the Financial Instruments Adjustments Account)		(326)				326
Transfer to negative DSG reserve	(19,426)					19,426
Council tax and NNDR (transfers to or from Collection Fund)	(7,114)					7,114
Holiday pay (transferred to the Accumulated Absences Reserve)	(180)					180
Transfer of capital funding to finance capitalisation directive	(30,400)					30,400
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(14,497)	(50,558)			(26,917)	91,972
Total Adjustments to Revenue Resources	(63,586)	(49,966)	0	0	(26,917)	140,469
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	5,484	12,772	(18,256)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(131)	131			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	44		(44)			0
Posting of HRA resources from revenue to the Major Repairs Reserve		10,655		(10,655)		0
Use of Capital Receipts To Repay Debt			1,458			(1,458)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) / HRA Voluntary repayment of debt	12,189	2,800				(14,989)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	6,041	500				(6,541)
Total Adjustments between Revenue and Capital Resources	23,758	26,596	(16,711)	(10,655)	0	(22,988)
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			16,600			(16,600)
Use of the Major Repairs Reserve to finance capital expenditure				10,673		(10,673)
Application of capital grants to finance capital expenditure	(12,498)	14,201			24,679	(26,382)
Total Adjustments to Capital Resources	(12,498)	14,201	16,600	10,673	24,679	(53,655)
Total Adjustments	(52,326)	(9,169)	(111)	18	(2,238)	63,826

2023/24	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred from the Pensions Reserve)	4,153	785				(4,938)
Financial instruments (transferred to the Financial Instruments Adjustments Account)		329				(329)
Transfer to negative DSG reserve	(7,038)					7,038
Council tax and NNDR (transfers to or from Collection Fund)	2,481					(2,481)
Holiday pay (transferred to the Accumulated Absences Reserve)	(330)	(14)				344
Transfer of capital funding to finance capitalisation directive	(18,100)					18,100
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(7,102)	(61,330)			(23,143)	91,575
Total Adjustments to Revenue Resources	(25,936)	(60,230)	0	0	(23,143)	109,309
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,458	11,604	(14,063)			1
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(86)	86			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)						0
Posting of HRA resources from revenue to the Major Repairs Reserve		10,426		(10,426)		0
Use of Capital Receipts To Repay Debt			154			(154)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	6,177					(6,177)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,934	500				(2,434)
Total Adjustments between Revenue and Capital Resources	10,569	22,444	(13,823)	(10,426)	0	(8,764)
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			45,646			(45,646)
Use of the Major Repairs Reserve to finance capital expenditure				6,095		(6,095)
Application of capital grants to finance capital expenditure	(4,060)	5,061			23,730	(24,731)
Cash payments in relation to deferred capital receipts						0
Total Adjustments to Capital Resources	(4,060)	5,061	45,646	6,095	23,730	(76,472)
Total Adjustments	(19,427)	(32,725)	31,823	(4,331)	587	24,073

10. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance as earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2024/25. The movement on HRA earmarked reserves and schools balances is also shown in this note.

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

In previous years this note shows combined reserve balances.

General Fund Earmarked Reserves

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

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

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

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

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

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

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

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

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

Legal Reserve – This reserve provides funding for legal cases.

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

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

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

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

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

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

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

HRA Earmarked Reserves

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

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

Schools Balances

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

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

Centrally Held Schools Balances – The Authority's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). Details of the deployment of DSG receivable for 2024/25 are shown at Note 34. An overdrawn balance on the DSG account of £19.4m has been transferred to a unusable negative reserve in accordance with guidance to separate the balance from the Council General Fund.

11. Other Operating Expenditure

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

12. Financing And Investment Income And Expenditure

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

13. Taxation And Non-Specific Grant Income

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

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

14. Property, Plant and Equipment

Movements in Balances 2024/25

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Gross Book Value	£000	£000	£000	£000	£000	£000	£000
At 31 March 2024	689,261	616,339	40,652	4,978	1,738	60,267	1,413,235
Additions	54,065	12,361	4,576	445	0	28,149	99,596
Revaluation increases/(decreases) to :							
Revaluation Reserve	(3,178)	(10,556)	0	0	0	0	(13,734)
Revaluation gains to the CI&ES	(30,398)	(7,997)	0	0	0	0	(38,395)
Derecognition - Disposals	(5,097)	(145)	(5,523)	0	0	0	(10,765)
Derecognition - other	0	0	0	0	0	0	0
Reclassifications & Transfers	0	7,344	0	0	0	(8,929)	(1,585)
At 31 March 2025	704,653	617,346	39,705	5,423	1,738	79,487	1,448,352
Accumulated Depreciation and Impairment							
At 31 March 2024	0	1,322	16,232	579	0	0	18,133
Depreciation Charge	10,365	7,136	6,988	88	0	0	24,577
Depreciation written out upon Revaluation:							
Revaluation Reserve	(10,365)	(6,253)	0	0	0	0	(16,618)
CI&ES	0	(908)	0	0	0	0	(908)
Derecognition - Disposals	0	0	(5,523)	0	0	0	(5,523)
Reclassifications	0	0	0	0	0	0	0
At 31 March 2025	0	1,297	17,697	667	0	0	19,661
Net book value at 31 March 2025	704,653	616,049	22,008	4,756	1,738	79,487	1,428,691
Net book value at 31 March 2024	689,261	615,017	24,420	4,399	1,738	60,267	1,395,102

14. Property, Plant and Equipment

Movements in Balances 2023/24

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Gross Book Value / NBV	£000	£000	£000	£000	£000	£000	£000
At 31 March 2023	681,311	633,965	26,930	4,039	2,144	85,016	1,433,405
Additions	60,519	6,914	13,722	0	0	22,263	103,418
Revaluation increases/(decreases) to :							
Revaluation Reserve	(34,445)	(28,187)	0	939	(201)	0	(61,894)
Revaluation gains to the CI&ES	(50,278)	(3,942)	0	0	0	0	(54,220)
Derecognition - Disposals	(6,816)	(454)	0	0	(205)	0	(7,475)
Derecognition - other	0	0	0	0	0	0	0
Reclassifications & Transfers	38,970	8,043	0	0	0	(47,012)	1
At 31 March 2024	689,261	616,339	40,652	4,978	1,738	60,267	1,413,235
Accumulated Depreciation and Impairment							
At 31 March 2023	0	1,190	10,796	491	0	0	12,477
Depreciation Charge	10,231	7,043	5,436	88	3	0	22,801
Depreciation written out upon Revaluation:							
Revaluation Reserve	(5,299)	(6,321)	0	0	0	0	(11,620)
CI &ES	(4,932)	(572)	0	0	0	0	(5,504)
Derecognition - Disposals	0	(18)	0	0	(3)	0	(21)
Reclassifications	0	0	0	0	0	0	0
At 31 March 2024	0	1,322	16,232	579	0	0	18,133
Net book value at 31 March 2024	689,261	615,017	24,420	4,399	1,738	60,267	1,395,102
Net book value at 31 March 2023	681,311	632,775	16,134	3,548	2,144	85,016	1,420,928

14a. Highways Infrastructure Assets

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

Movement on Balances

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

Reconciliation of Highways and Other PPE assets to Balance Sheet figure

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

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

14b. Property, Plant & Equipment continued

Capital Commitments

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

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

Revaluations

The following statement shows the progress of the Authority's rolling programme for the revaluation of fixed assets. The valuations are reviewed in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Assets Valuation Standards Committee of the Royal Institution of Chartered Surveyors. The basis for valuation is set out in the statement of accounting policies. Valuations are carried out by our external valuers, Wilks Head and Eve, and by the Authority's Property Strategy Manager on the basis of a five year rolling programme; the most recent of which was carried out on 31 March 2025.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	-	-	22,008	129,609	4,756	-	79,487	235,860
Valued at fair value as at:								
31 March 2025	704,653	564,198	-	-	-	1,738	-	1,270,589
31 March 2024	-	18,807	-	-	-	-	-	18,807
31 March 2023	-	10,359	-	-	-	-	-	10,359
31 March 2022	-	8,468	-	-	-	-	-	8,468
31 March 2021	-	14,217	-	-	-	-	-	14,217
Total cost or valuation	704,653	616,049	22,008	129,609	4,756	1,738	79,487	1,558,300

15. Heritage Assets

Carrying value of heritage assets held by the Authority

Cost or Valuation	Civic Regalia £'000	Heritage Buildings £'000	Total Assets £'000
31 March 2020	110	22	132
Depreciation	0	(1)	(1)
Revaluation	0	2,150	2,150
Transfers	0	38	38
31 March 2021	110	2,209	2,319
Depreciation	0	95	95
Revaluation	0	(27)	(27)
31 March 2022	110	2,277	2,387
Additions	0	4	4
Depreciation	0	(29)	(29)
Revaluation	0	0	0
31 March 2023	110	2,252	2,362
Additions	0	17	17
Depreciation	0	(29)	(29)
31 March 2024	110	2,240	2,350
Additions	0	727	727
Depreciation	0	(29)	(29)
Transfers from Property, Plant & Equipment	0	1,584	1,584
31 March 2025	110	4,522	4,632

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

16. Investment Properties and Joint Ventures Investment

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

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

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or

b) The following table summarises the movement in the fair value of investment properties over the year.

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

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

c) Investment Properties within the group balances

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

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

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

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

Fair Value Hierarchy

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

31st March 2025

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2025 £000
Office units	0	3,841	0	3,841
Commercial Units	0	34,094	0	34,094
Land	0	8,448	0	8,448
Misc	0	346	0	346
Total	0	46,729	0	46,729

31st March 2024 Comparative Figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2024 £000
Office units	0	3,490	0	3,490
Commercial Units	0	35,803	0	35,803
Land	0	8,282	0	8,282
Misc	0	346	0	346
Total	0	47,921	0	47,921

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between Levels during the year.

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

Valuation Process for Investment Properties

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

Group Investment Properties

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

d) Investment in Subsidiaries and Joint Ventures

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

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

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

Joint Ventures

The following is a Council joint venture:

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

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

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

17. Intangible Assets

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

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

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

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

18. Financial Instruments

(a) Financial Instruments - Classification

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

(b) Financial Instruments - Balances

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

31 March 2024		Financial Liabilities	31 March 2025	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
		Loans at amortised cost:		
		PWLB		
425,124	1,199	- Principal borrowed	303,096	297,029
		- Accrued interest		2,217
		Market Loan		
7,000	106	- Principal borrowed	7,000	
		- Accrued interest		107
		Other Loans		
265	20,000	- Principal borrowed	472	
	405	- Accrued interest		2
432,389	21,710	Total borrowing *	310,568	299,355
		Liabilities at amortised cost:		
		Trade payables		
	57,357	- Trade Creditors		63,690
0	57,357	Included in creditors	0	63,690
432,389	79,067	Total financial liabilities	310,568	363,045

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

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

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

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

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

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

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

* Not financial instruments but included to reconcile to note 12

Gains and losses in 2023/24 were as follows:

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

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

* Not financial instruments but included to reconcile to note 12

(d) Financial Instruments - Fair Values

Financial assets classified as available for use are carried in the Balance Sheet at fair value. For most assets, including bonds the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows as at 31 March 2024. LINK, the Council's adviser have provided the fair value calculations.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2025, using the following methods and assumptions:

- The value of "Lender's Option Borrower's Option" (LOBO) loans have been calculated using the PWLB new market loan discount rate. This involves using level two inputs.
- The fair values of Public Works Loan Board (PWLB) loans are calculated using the premature repayment rate published by the PWLB at 31st March 2025.
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

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

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

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

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

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

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

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

(e) Financial Instruments - Risks

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

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

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

The main risks covered are:

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

Credit Risk: Investments

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

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £70.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recovery applies to all of the Authority's deposits, but there was no evidence at the 31 March 2025 that this was likely to crystallise.

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

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

The table below summarises the credit risk exposures of the Authority's investment portfolio by credit rating for investments outside the Council's group:

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

Credit Risk: Receivables

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

- revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- most accruals are automatically generated by the feeder system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de minimis for 2024/25 is £50,000.

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

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

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

Liquidity Risk

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

Refinancing Risk

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

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

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

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

Market Risks: Interest Rate Risk

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

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

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

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

	2024/25 £000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	0
Impact on comprehensive income and expenditure	0
Decrease in fair value of loans and receivables *	0
Decrease in fair value of fixed rate borrowing liabilities *	(25,386)

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

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

19. Debtors

Short-Term Debtors

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

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

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

Debtors for Local Taxation

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

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

Long-Term Debtors

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

20. Cash and Cash Equivalents

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

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

21. Contingent Liabilities

MMI Scheme of Arrangement

Municipal Mutual Insurance Limited (MMI), a company limited by guarantee formed by Local Authorities, is subject to a contingent scheme of arrangement which became effective on 21 January 1994. The company has been the subject of an orderly run off since that time. However, the schemes administrators, Ernst and Young, triggered the scheme of arrangement during 2012/13. A 15% levy was imposed based upon the result of an actuarial valuation of claims as at 31 December 2012. In accordance with the Scheme of Arrangement, the Levy Notice was received dated 1 January 2014 and a payment made of £338,000 in respect of the 15% levy due. Following a further review of assets and liabilities a further levy of 10% was made and an additional £285,000 paid by 12 May 2016. This brings the total levy to 25% for past and future claims. Outstanding claims will continue to be paid with a 25% contribution from the Authority in respect of the ongoing levy under the terms of the scheme of arrangement. The total levy to 31 March 2025 is £760,547 with estimated scheme liabilities at the same date of £735,937. Additional demands for further levy contributions above the 25% for past and future liabilities may be made. The Authority has made provision for the levy within the Insurance Earmarked Reserve.

22. Short-Term Creditors

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

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

23. Provisions

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

Self-Insurance Provision

The Authority's insurance cover is arranged with Zurich Municipal with substantial excesses for which a self-insurance provision is maintained. The self-insurance provision has been set up to meet the excesses on the Authority's public and employer's liability, property and motor vehicle insurance policies. It is not possible to determine the precise timing of the settlement of claims relating to this provision. The excess levels for 2024/25 were; public and employer's liability (£125,000), motor vehicles (£25,000) and property (£100,000; up to 30th June 2024 £50,000).

Collection Fund Provision

As part of the changes in business rate retention, the Authority is required to create a provision in respect of outstanding appeals. These appeals are currently with the Valuation Office Agency for review or have been identified as very likely to have a proposal raised by an interested party and as a result, it is not possible to determine the precise timing of the settlement of claims relating to this provision. Based on estimates on the likely settlement year, we could assume that 20% (£0.4 million) will be settled within the next financial year, but this is a very high-level estimate. Only the Authority's 30% share of the appeals is recorded within the provision note.

Water Rates Provision

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

24. Usable Reserves

31 March 2024 £000		31 March 2025 £000
10,113	General Fund balance	15,113
44,093	Earmarked Reserves	46,421
28,517	Housing Revenue Account balance	34,372
65,637	Capital Grants Unapplied	67,875
24,609	Capital Receipts Reserve	24,720
8,194	Major Repairs Reserve	8,175
181,163	Total usable reserves	196,676

25. Unusable Reserves

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

a) Revaluation Reserve

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

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

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

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

b) Capital Adjustment Account

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

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

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

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

c) Financial Instruments Adjustment Account

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

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

d) Pensions Reserve

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

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

2023/24 £000		2024/25 £000
(136,692)	Balance at 1 April	(92,844)
38,910	Actuarial gains or (losses) on pensions assets and liabilities	145,653
0	Actuarial asset ceiling adjustment	(87,986)
(29,548)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(26,822)
34,486	Employer's pensions contributions and direct payments to pensioners payable in the year	35,771
(92,844)	Balance at 31 March	(26,228)

e) Deferred Capital Receipts Reserve

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

2023/24 £000		2024/25 £000
69	Balance at 1 April	69
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
69	Balance at 31 March	69

f) Collection Fund Adjustment Account

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

2023/24 £000		2024/25 £000
2,419	Balance at 1 April	4,900
2,481	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(7,113)
4,900	Balance at 31 March	(2,213)

g) Accumulated Absences Account

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

2023/24 £000		2024/25 £000
(3,639)	Balance at 1 April	(3,983)
3,639	Settlement or cancellation of accrual made at the end of the preceding year	3,983
(3,983)	Amounts accrued at the end of the current year	(4,162)
(344)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(179)
(3,983)	Balance at 31 March	(4,162)

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

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

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

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

27. Cash Flow Statement – Investing Activities

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

28. Cash Flow Statement – Financing Activities

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

29. Trading Operations

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

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

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

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

30. Pooled Budgets

Mental Health

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

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

Adult Services – Better Care Fund

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

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

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

The pooled budget is accounted for under a joint arrangement.

Expenditure in 2024/25 was as follows:

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

31. Members' Allowances

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

32. Officers' Remuneration

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

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

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

Senior Officers Remuneration

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

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

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

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

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

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

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

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

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

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

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

The comparative figures for 2023/24 are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

33. External Audit Costs

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

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

*the comparative figure has been restated

34. Dedicated Schools Grant

The Authority's expenditure on schools is funded by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately. An overdrawn balance on the DSG account of £19.426million has been transferred to a negative unusable reserve in 2024/25 to emphasise the balance is separate from Council general fund balances. The total negative unusable reserve balance carried forward is now £34.722 million.

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

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

Comparative figures for 2023/24 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure	Individual Schools Budget	Totals
	£000	£000	£000
Final DSG for 2023/24 before academy and high needs recoupment			285,562
Less academy and high needs figure recouped for 2023/24			(135,689)
Total DSG after academy and high needs recoupment for 2023/24			149,873
Plus: brought forward from 2022/23			0
Less: Carry-forward to 2024/25 agreed in advance			0
Agreed initial budgeted distribution for 2023/24	44,890	104,983	149,873
In year adjustments		(195)	(195)
Final budgeted distribution for 2023/24	44,890	104,788	149,678
Less: Actual central expenditure	(51,928)		(51,928)
Less: Actual ISB deployed to schools		(104,788)	(104,788)
Plus: Local authority contribution for 2023/24			0
In year carry forward to 2023/24 (negative DSG Reserve)	(7,038)	0	(7,038)
DSG unusable reserve at the end of 2022/23			(8,258)
Net position at the end of 2023/24			(15,296)

35. Grants and Other Income

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

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

Current Liabilities

b) Capital Grants – receipts in advance:

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

36. Related Parties

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

Members

Members of The Authority have direct control over its financial and operating policies. The total of Members' allowances paid in 2024/25 is shown in Note 31.

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

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

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

Officers

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

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

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

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

Note 11	Other operating expenditure: levies;
Note 13	Taxation and Non-specific Grant Income;
Note 30	Pooled budgets;
Note 34	Dedicated Schools Grant; and
Note 35	Grant Income

Entity controlled or significantly influenced by the Authority

Joint Committee with London Borough of Newham (oneSource)

oneSource is a public sector shared back-office support arrangement which is supported by members through a joint committee. The joint committee receive key reports and make strategic decisions about oneSource's operation. oneSource was set up with a view to making savings by eliminating duplication, reducing senior management costs and introducing more efficient processes. oneSource started on 1 April 2014, when the London Boroughs of Havering and Newham contributed almost all their support services including HR, ICT, Finance, Legal services, Exchequer and Transactional services, Asset Management and Business services. During 2022/23, each borough's Cabinets agreed that HR, Pensions & Treasury, Procurement and Asset Management were to return to their sovereign boroughs over the course of 2023/24, leaving ICT, Exchequer & Transactional and Legal services under oneSource's management during 2024/25. Over the course of 2025/26 it is expected that ICT will return to each borough's sovereign control.

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

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

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

Mercury Land Holdings Ltd

The Authority controls Mercury Land Holdings Ltd through its ownership of 100% of the shares in the company. Further details are included as part of the Group Primary Statements and note 16, investments and note 19, debtors.

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

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

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

Havering and Wates Regeneration LLP

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

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

Bridge Close Regeneration LLP

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

The Council took full control over the joint venture during 2021/22 by buying First Base/Savill's 50% share of the LLP through a wholly owned company, Bridge Close Regeneration Nominee Company Limited. For the financial year ended 31st March 2025, Bridge Close had a small loss of £8k, £140k cumulatively. The balance sheet includes the Council's and nominee company's funding in the LLP, £35.2m as at 31st March 2025 split between investments and long-term debtors.

Rainham & Beam Park LLP Joint Venture

The LLP was incorporated on 9th February 2018 as a Limited Liability Partnership. The LLP was set up to partially purchase ten derelict industrial sites in Rainham and Beam Park in the London Borough of Havering for the development of a high density residential scheme. The scheme will consist of 774 units of mixed tenures. The scheme is currently at planning stage, with limited activities on-going. The Council's £2.456m investment is shown on the balance sheet along with a £140k loan to fund the 2024/25 buy-out of the scheme. In 2024/25 the Council acquired the other 50% share of the scheme. The negative goodwill in the buy-out of the scheme had no value at 31 March 2025.

Pension Fund

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

37. Capital Expenditure and Capital Financing

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

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

38. Trust Funds

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

	Richard Ballard Charity £	Lucas Children's Play Site Charity £
Balance 31 March 2024	6,500	157,206
Receipts	319	7,746
Payments	(319)	0
Balance at 31 March 2025	6,500	164,952

The Richard Ballard Charity

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

The Lucas Children's Play Charity

The income from this charity may be applied towards the provision, maintenance and improvements of children's playgrounds and equipment in the borough.

39. Leases

Change in Accounting Policies for Leases – Council as Lessee

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

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

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

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

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

Council as Lessee

Right-of-use assets

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

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

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

Lease transactions under leases

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

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

Maturity analysis of lease liabilities

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

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

40. Termination Benefits

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

Exit Package cost band (including special payments)	Number of Compulsory Redundancies		Number of Departures Agreed		Total Number of exit packages by Cost Band		Total Cost of exit packages in each band	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
£0 - £20,000	14	9	4	7	18	16	139,554	116,590
£20,001 - £40,000	3	1	4	4	7	5	215,628	120,757
£40,001 - £60,000	0	0	0	1	0	1	0	56,238
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
>£150,000	0	0	0	0	0	0	0	0
Total	17	10	8	12	25	22	355,182	293,585

41. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers Pensions

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

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

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

NHS Pension Scheme

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

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

42. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered by London Borough of Havering. This is a funded defined benefit final salary scheme, meaning that Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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

1. Legal & General Investment Management (LGIM)
2. London CIV (Collective Investment Vehicle) Sub funds:
 - Absolute Return Fund
 - Global Alpha Paris Aligned Fund
 - Global Bond Fund
 - Infrastructure Renewables Fund
 - Passive Equity Progressive Paris Aligned (PEPPA) Fund
 - Pooled Property Fund
3. Royal London Asset Management
4. UBS
5. Stafford Capital
6. JP Morgan
7. Churchill
8. Permira
9. Russell Investments

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

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-employment Benefits

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

Virgin Media Case

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal. The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, the Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

Local Government Pension Scheme assets comprised:								
2023/24			2024/25					
Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %	Asset Category	Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %
0		0	0.00	Debt Securities			0	
21,259		21,259	3.00	Corporate bonds (investment grade)	41,885		41,885	2.00
		0	0.00	UK Government			0	
				Other				
44,008		44,008	6.00	Real Estate			45,181	5.00
28,927		28,927	4.00	UK Property	27,848		27,848	3.00
				Overseas Property				
454,696		454,696	59.00	Investment Funds and Unit Trusts			479,140	53.00
100,820		100,820	7.00	Equities	105,650		105,650	12.00
98,279		98,279	9.00	Bonds	99,092		99,092	11.00
75,369		75,369	9.00	Infrastructure	67,835		67,835	9.00
				Other				
(103)		(103)	0.00	Derivatives			2,694	0.00
79		79	0.00	Foreign Exchange	101		101	0.00
41,883		41,883	3.00	Cash and Cash Equivalents			27,897	5.00
865,217		865,217	100.00	All	897,322		897,322	100.00
				Totals				

Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Authority Fund being based on the latest full valuation of the scheme as at 31 March 2025

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

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

Change in assumptions at 31 March 2025	Approximate % increase to Employer Liability	Approximate Monetary amount £000
0.1% increase in Real Discount Rate	2%	13,339
1 Year increase in life expectancy	4%	33,452
0.1% increase in the Salary Increase Rate	0%	516
0.1% increase in the Pension Increase Rate (CPI)	2%	13,189

Impact on the Authority's Cash Flows

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

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

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

Housing Revenue Account

Housing Revenue Account Income and Expenditure Statement 2024/25

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

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

Movement on the Housing Revenue Account Balance during 2024/25

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

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

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

Notes to the Housing Revenue Account

1. Information on Housing Fixed Assets

a) Number of Dwellings

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

b) Balance Sheet Value of HRA Tangible Fixed Assets

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

c) Valuation of Council Dwellings at Year End

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

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

2. Movement on Major Repairs Reserve

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

3. a) Total Capital Expenditure and Funding

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

b) HRA Capital Receipts

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

4. Depreciation and Impairment Charge

The depreciation charged to the HRA breaks down as follows:

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

5. Rent Income, Arrears and Bad Debts

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

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

Collection Fund Account

Collection Fund 2024/25

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

Income and Expenditure Statement 2024/25

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

Notes to the Collection Fund Account

1. Income from Council Tax

Council Tax is based partly on the valuation of domestic properties and is partly a Personal Tax with discounts for single occupiers. The Authority set the level of council tax in 2024/25 at £2,207.92 for band D properties. The number of band D equivalent properties in each band making up the council tax base was as follows:

Band	Number of Band D Equivalent Properties
A1	2
A	2,204
B	5,666
C	21,299
D	31,532
E	17,238
F	8,767
G	4,816
H	676
Allowance for losses in collection 1.30%	(1,200)
Tax Base	91,000

2. Income from Business Rates

Under the arrangements for uniform business rates, the Authority collects Non-Domestic Rates (NNDR) for its area. These are based on local rateable values of £222.3m at 31 March 2025 (£223.1m at 31 March 2024) multiplied by uniform rates for large and small businesses. In 2024/25 the rate was 54.6p for large businesses (51.2p in 2023/24) and 49.9p for small businesses (49.9p in 2023/24). The total amount, less certain reliefs and other deductions, are shared between Central Government, Havering and The Greater London Authority (GLA). In addition to the multiplier used to calculate business rates, all London local authorities are required to collect from businesses with a rateable value in excess of £75,000 an additional 2p supplement, which is payable to the GLA. Under these arrangements the amounts included in these Accounts can be analysed as follows

2a) Income collectable from Non Domestic Rates

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

2b) Income collectable from Business Rate Supplement

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

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

3. Collection Fund Surplus/Deficit

The deficit on the Collection Fund will be met by the precepting authority and the billing authority in the following proportions and will be recovered by adjusting the level of precepts and demands in future financial year.

3a) Council Tax

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

3b) Business Rates

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

Pension Fund Account

London Borough of Havering
Statement of Accounts 2025/26

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

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

The financial statements summarise the transactions and the net assets of the London Borough of Havering Pension Fund ("the Fund"). They do not take account of obligations to pay pensions and other benefits which fall due after the financial year end. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard IAS19 basis is disclosed at Note 19 of these accounts.

Notes to the Pension Fund Accounts

1 Description of the Fund

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

a) General

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

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

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

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

b) Membership

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

Organisations participating in the Fund include:

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

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

The membership profile is detailed below:

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

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the year ended 31 March 2025. Employer contributions are set based on triennial actuarial funding valuations as at 31 March 2022. Current employer contribution rates range from 0% to 41.0% of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the LGPS became a Career Average Revalued Earnings (CARE) scheme, whereby members accrue benefits based on their average salary over their entire career, with each year's pension revalued to account for inflation (Consumer Prices Index).

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website – see link below.

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

2 Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2024/25 financial year and its position at year end, 31 March 2025. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 "(the Code)" which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector, and Guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 19.

The administering authority is satisfied that Havering Pension Fund is a going concern and the financial statements for 2024/25 have been prepared on a going concern basis as follows:

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

There is sufficient flexibility in the investment strategy to be able to respond to short term market fluctuations. The Fund is comparatively low risk with smaller proportion of its assets held in volatile equities.

Following the latest triennial actuarial valuation, the Fund was assessed as 80% funded. A significant improvement on the funding level of 70% at 31 March 2019 and includes a recovery period necessary to make good any potential increases in the funding deficit. It is important to remember that that the Fund does not need to be 100% funded to be a going concern, it simply needs to be able to meet benefit obligations each month as they fall due. The Fund held cash of £31.7m at the Balance Sheet date, equivalent to 3% of the fund assets. In addition, the Fund held £722m in Level 1 and Level 2 investment assets which could be realised within 3 months if required. Based upon review of its operational cash flow projections the Fund is satisfied it has sufficient cash to meet its obligations to pay pensions, for at least 12 months from the date of authorisation of these accounts, without the need to sell any investments.

3 Summary of Significant Accounting Policies**Fund Account – revenue recognition****a) Contribution income**

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

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

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

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

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement. The date set for the transfer of assets and liabilities is the date it becomes recognised in the fund account.

c) Investment Income**i) Interest Income**

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

ii) Dividend Income

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

iii) Distribution from Pooled Funds

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

iv) Property - Related Income

Property related income consists primarily of rental income and is recognised at the date of issue.

v) Movement in the Net Market Value of Investments

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense Items**d) Benefits payable**

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

e) Taxation

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

f) Management Expenses**i) Administrative Expenses**

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

ii) Oversight and Governance Costs

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

iii) Investment Management Fees

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 10a and grossed up to increase the change in value of investments.

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

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

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

g) Lifetime Allowances

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

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

Net Assets Statement**h) Financial Assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund. Any amounts due or payable in respect of trades entered but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 12a.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the code and IFRS13 (see Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

i) Foreign Currency Transactions

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

j) Derivatives

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

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

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

k) Cash and Cash Equivalents

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

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

l) Financial Liabilities

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

m) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised benefits by way of a note to the Net Asset Statement (Note 19).

n) Additional Voluntary Contributions

The fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 22.

o) Contingent assets and contingent liabilities

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

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

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in Note 25.

4 Critical Judgements in Applying Accounting Policies

Pension Fund Liability

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

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

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

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

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

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

Item	Uncertainties	Effect if Actual Results differ from Assumptions	Approximate monetary amount (£m)
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, and expected returns on Fund's assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied	The effects on the present value of promised retirement benefits of changes in actuarial assumptions can be significant. Changes in assumptions could have the approximate following impacts on the Fund's employer liability as follows: 0.1% p.a. decrease in the Real Discount Rate could result in an increase of 2% 0.1% p.a. increase in the Pension Increase Rate (CPI) could result in an increase of 2% 0.1% p.a increase in the Salary Increase Rate could result in a 0% increase 1 Year increase in member life expectancy could result in a 4% increase	15 15 1 37
Level 3 Investments (Note 15a)	Level 3 investments can be determined by Fund Managers in accordance with guidelines and principles set out in the International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Level 3 investments total £270m, which represents 27% of the total Fund value of £1,008m.	Sensitivity Analysis shows that the £270m valuation could decrease or increase within the range of £254m and £284m

6 Events after the Reporting Date

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

London Borough of Havering
Statement of Accounts 2025/26

7 Contributions Receivable

By category

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

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

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

By authority

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

London Borough of Havering
Statement of Accounts 2025/26

8 Benefits Payable

By category

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

By authority

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

9 Payments To and On Account of Leavers

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

London Borough of Havering
Statement of Accounts 2025/26

10 Management Expenses

By category

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

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

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

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

London Borough of Havering
Statement of Accounts 2025/26

10a Investment Management Expenses

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

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

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

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

London Borough of Havering
Statement of Accounts 2025/26

11 Investment Income

By category

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

* Fees and charges income

London Borough of Havering
Statement of Accounts 2025/26

12 Analysis of Investments

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

London Borough of Havering
Statement of Accounts 2025/26

12a Reconciliation of movements in investments and derivatives

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

London Borough of Havering
Statement of Accounts 2025/26

	Market Value at 31 March 2023	In year purchases and derivative payments	In year sales and derivative receipts	Change in Market Value	Market Value at 31 March 2024
	£000	£000	£000	£000	£000
Fixed Interest Securities	351	736	(1,097)	10	0
Index-linked Securities	26,737	8,352	(7,786)	(3,484)	23,819
Pooled Investment Vehicles	671,330	29,052	(22,998)	55,934	733,317
Other Investments	166,982	11,350	(8,509)	(3,954)	165,869
	865,400	49,490	(40,390)	48,505	923,005
Derivatives – forward currency contracts	1,551	6,042	(12,873)	5,165	(115)
	866,951	55,532	(53,263)	53,670	922,890
Other Investment Balances:					
Cash Deposits (fund managers)	12,066			(148)	22,822
Investment income due	185			-	89
Spot FX	-			3	-
	879,202			53,525	945,801

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

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

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £0.597m (2023/24 £0.361m). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

London Borough of Havering
Statement of Accounts 2025/26

12b. Investments analysed by Fund Manager

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

London Borough of Havering
Statement of Accounts 2025/26

12c. Assets with greater than 5% holding

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

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

12d. Stock Lending

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

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

All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending. As at 31 March 2025, the value of quoted equities on loan was £194.5m (31 March 2024 £163.4m) These equities continue to be recognised in the fund's financial statements.

London Borough of Havering
Statement of Accounts 2025/26

13 Analysis of derivatives

Objectives and policies for holding derivatives

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

Forward foreign currency

The Fund currently has exposure to forward currency contracts and the purpose of this is to reduce the Fund's exposure to fluctuations in exchange rates. The Fund managers who use forward currency contracts are Royal London and Russell. A breakdown of forward contracts held by the Fund as at 31 March 2025 and prior year is shown below:

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value (Unrealised Gain)	Liability Value (Unrealised Loss)
		000	000		£000	£000
One to six months	GBP	56,803	EUR	(67,793)	44	(219)
One to six months	GBP	68,136	USD	(86,982)	823	(80)
One to six months	GBP	5,126	AUD	(10,368)	117	(0)
One to six months	EUR	6,542	GBP	(5,497)	9	(6)
One to six months	USD	5,702	GBP	(4,453)	5	(40)
Up to one month	GBP	38,107	USD	(46,798)	1,847	-
Up to one month	GBP	2,809	AUD	(5,521)	143	-
Up to one month	GBP	24,309	EUR	(28,609)	329	-
Up to one month	USD	558	GBP	(453)	-	(20)
Up to one month	AUD	471	GBP	(236)	-	(9)
Up to one month	EUR	162	GBP	(136)	-	(0)
One to six months	AUD	363	GBP	(177)	-	(2)
Open forward currency contracts at 31 March 2025					3,317	(376)
Net forward currency contracts at 31 March 2025						2,941
Open forward currency contracts at 31 March 2024					334	(449)
Net forward currency contracts at 31 March 2024						(115)

14 Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, where possible using market based information.

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

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

Level 1

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

Level 2

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

Level 3

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

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

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled quoted investments	Level 2	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled unquoted investments	Level 2	Developed using market data	No material difference between the value of assets & liabilities and their fair value	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
UK Pooled instruments property funds	Level 3	Valuations carried out by the property funds external valuers, Knight Frank LLP	Market value in accordance with the "RICS" Appraisal and Valuation standards	Valuations could be affected by significant differences in rental value and rental growth
Overseas Pooled instruments property funds (CBRE)	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	Estimated fair values are determined by the Advisor at valuation date and independently appraised and adjusted on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. The appropriateness of each approach depends on the type of asset or business being valued.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount

London Borough of Havering
Statement of Accounts 2025/26

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Overseas Pooled instruments Infrastructure Funds (Stafford Capital)	Level 3	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Fair Value is determined by the Fund manager in accordance with guidelines and principles set out by International Private Equity and Venture Capital Valuations.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount
Overseas Pooled instruments Private Debt (Churchill)	Level 3	Valuations undertaken quarterly and determined by the Investment Manager. To determine the value the manager relies on guidance by various regulatory and industry organisations and authorised to use independent third party pricing services and valuation firms.	Unobservable inputs are determined by the Investment Manager and shall take into account items that it reasonably believes would impact the valuation (such as expenses and reserves).	Significant increases (decreases) in discount yields could result in lower (higher) fair value measurement. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Private Debt (Permira)	Level 3	Fair Value is determined by the AIFM based on advice from Portfolio Manager and based on the International Private Equity and Venture Capital guidelines or other standards agreed by the Senior Fund Advisory Committee.	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant impact on the valuations. Timing difference between the date of the last reported valuation and the date of the Fund's financial statements means that valuation may have increased or decreased by a significant amount.
Overseas/UK Pooled instruments Renewable Infrastructure	Level 3	Fair Values are calculated in whole or in part using techniques based on assumptions using Investment Association Statement of Recommended Practice (IA SORP)	Unobservable inputs are determined by the Investment Manager.	Use of estimates and changes in assumptions may have significant impact on the valuations. Timing difference between the date of the last reported valuation and the date of the Fund's financial statements means that valuation may have increased or decreased by a significant amount.

London Borough of Havering
Statement of Accounts 2025/26

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent performance measurement service, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025.

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

	Assessed valuation range (+/-)	Value at 31 March 2024	Value on increase	Value on decrease
	%	£000	£000	£000
Private Debt	6.99	84,551	90,461	78,641
Pooled Property	7.19	81,318	87,164	75,471
Infrastructure	5.71	110,252	116,548	103,957
Total		276,121	294,173	258,069

15a Fair Value Hierarchy

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

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

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

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

London Borough of Havering
Statement of Accounts 2025/26

15b Reconciliation of Fair Value Measurement within Level 3

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

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

There were no transfers between levels.

London Borough of Havering
Statement of Accounts 2025/26

16 Financial Instruments

(a) Classification of financial instruments

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

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

London Borough of Havering
Statement of Accounts 2025/26

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

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

17 **Nature and Extent of Risks Arising from Financial Instruments**

Risk and Risk Management

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

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

(a) Market Risk

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

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

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

Other Price Risk

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

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

London Borough of Havering
Statement of Accounts 2025/26

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movements during the financial year, in consultation with Pensions & Investments Research Consultants (PIRC), it has been determined that the following movements in market price risk are reasonably possible for 2024/25, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2025	Potential market movements	Value on Increase	Value on Decrease
	£000	%	£000	£000
Pooled Equities	538,208	12.09	603,277	473,139
Fixed income	165,723	9.67	181,748	149,697
Infrastructure	111,308	6.03	118,020	104,596
Pooled Property	82,032	6.07	87,015	77,049
Private Debt	76,198	4.69	79,772	72,624
Cash	18,421	1.61	18,718	18,124
Total	991,890		1,088,550	895,229

Asset Type	Value as at 31 March 2024	Potential market movements	Value on Increase	Value on Decrease
	£000	%	£000	£000
Pooled Equities	687,758	12.49	773,659	601,857
Pooled Overseas Unit Trusts	130,110	6.99	139,205	121,015
Pooled Property	81,318	7.19	87,164	75,471
Total Bonds	23,819	5.65	25,164	22,473
Cash	22,796	0.85	22,990	22,602
Total	945,801		1,048,182	843,418

Interest Rate Risk

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

Interest Rate Risk Sensitivity Analysis

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

Assets exposed to Interest Rate Risk

Assets exposed to interest rate risk	Asset Values as at 31 March 2025	Potential movement on 1% change in interest rates	Value on increase	Value on Decrease
	£000	£000	£000	£000
Bond Securities	47,143	471	47,615	46,672
Cash and Cash Equivalents	15,299	153	15,452	15,146
Cash Balances	16,163	162	16,325	16,001
Total Change in Asset Value	78,605	786	79,391	77,819

Assets exposed to interest rate risk	Asset Values as at 31 March 2024	Potential movement on 1% change in interest rates	Value on increase	Value on Decrease
	£000	£000	£000	£000
Bond Securities	23,819	238	24,057	23,581
Cash and Cash Equivalents	22,822	228	23,050	22,594
Cash Balances	24,276	243	24,519	24,034
Total Change in Asset Value	70,917	709	71,626	70,209

Currency Risk

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

Following analysis of historical data in consultation with PIRC, it has been determined that a likely volatility associated with foreign exchange rate movements is 6.5% over a rolling 36 month period.

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

A 6.5% strengthening and weakening of the pound against the various currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits as follows:

Currency Risk – Sensitivity Analysis

Assets exposed to currency risk	Asset Values as at 31 March 2025	Potential Market movement	Value on increase	Value on Decrease
	£000	6.50%	£000	£000
Overseas Pooled	153,816	9,998	163,814	143,818
Overseas Cash	11,632	756	12,388	10,876
Total change in assets	165,448	10,754	176,202	154,694

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

(b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties.

Cash not needed to settle immediate financial obligations are invested by the administering authority in accordance with the Treasury Investment Strategy. The Treasury Investment Strategy sets out the criteria for investing and selecting investment counterparties and details the approach to managing risk.

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments.

The Fund's cash holding under its treasury management arrangements as at 31 March 2025 was £16.163m (31 March 2024 £24.163m). The Fund has immediate access to its cash holdings that are invested by the Authority and periodic cash flow forecasts are prepared to manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund's cash management policy and in line with the Fund's investment strategy holds assets that are considered readily realised.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2025 the value of liquid assets was £739m, which represented 73% of the total Fund (31 March 2024 £670m, which represented 72% of the total fund assets).

(d) Refinancing Risk

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

**London Borough of Havering
Statement of Accounts 2025/26**

18 Funding Arrangements

Actuarial Statement for 2024/25

This statement has been prepared in accordance with Regulation 57(1) (d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the administering authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The Funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated January 2024. In summary, the key funding objectives are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants;
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement to members and their dependants
- where appropriate, ensure stable contribution rates;
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy; and
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The FSS sets out how the administering authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £920 million, were sufficient to meet 80% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £229 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

London Borough of Havering
Statement of Accounts 2025/26

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
	%
Discount Rate for Period	3.5
Salary increases assumption	3.4
Benefit increase assumption (CPI)	2.7

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the Continuous Mortality Investigation (CMI) 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.7 years	24.3 years
Future Pensioners*	22.6 years	25.8 years

* Aged 45 at the 2022 Valuation

Copies of the 2022 valuation report and FSS are available on request from the administering authority to the Fund.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

London Borough of Havering
Statement of Accounts 2025/26

19 Actuarial Present Value of Promised Retirements

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

31 March 2024	Year Ended	31 March 2025
£m		£m
(1,074)	Present Value of Promised Retirement Benefits	(936)
969	Fair Value of Scheme assets (bid Value)	1,008
(105)	Net Liability	72

The promised retirement's benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the classes of members may not be reliable. However the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, the actuary has not made any allowance for unfunded benefits.

It should be noted that the above figures are appropriate for the administering authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2025 and 31 March 2024. It is estimated that the impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £168m. It is estimated that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £2m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2024	Year Ended (% p.a)	31 March 2025
% p.a.		% p.a.
2.80	Pension Increase Rate (CPI)	2.80
3.50	Salary Increase Rate	3.50
4.80	Discount Rate	5.80

Demographic assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.1 years	23.8 years
Future Pensioners (assumed to be aged 45 at the latest valuation)	22.0 years	25.3 years

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions at 31 March 2025	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	15
1 year increase in member life expectancy	4%	37
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	15

London Borough of Havering
Statement of Accounts 2025/26

20 Current Assets

2023/24 £000		2024/25 £000
70	Contributions due - employers	199
261	Contributions due - employees	621
113	Pension Fund Bank Account Balances	305
24,163	Cash deposit with LB Havering	16,163
99	Receivables control account	18
24,706	Current Assets	17,306

21 Current Liabilities

2023/24 £000		2024/25 £000
(447)	Benefits Payable	(148)
(270)	Sundry Creditors	(330)
(293)	Holding Accounts	(278)
(1,010)	Current Liabilities	(756)

22 Additional Voluntary Contributions

Contributions Paid	Market Value	AVC Provider	Market Value	Contributions Paid
2023/24 £000	2023/24 £000		2024/25 £000	2024/25 £000
47	807	Prudential	784	32
-	97	Standard Life	86	-

London Borough of Havering
Statement of Accounts 2025/26

23 Agency Services

The Fund pays discretionary awards to the former employees of Havering. The amounts paid are not charged to the pension fund.

2023/24 £000		2024/25 £000
1,330	Payments on behalf of Havering Council	1,364

24 Related Party Transactions

The Fund is required to disclose material transactions with bodies or individuals that have the potential to control or influence the Fund, or to be controlled or influenced by the Fund.

The Fund is administered by the London Borough of Havering. During the reporting period, the council incurred costs of £1.216m (2023/24 £1.077m) in relation to the administration and management of the fund and was reimbursed by the Fund for these expenses.

As the largest employer in the Fund, the administering authority contributed in 2024/25 £34.644m (2023/24 £33.396m) to the Pension Fund in respect of employer's contributions. All amounts due to the Fund were settled within the year.

Part of the Pension Fund internal cash holdings are invested on the money markets by the treasury management operations of London Borough of Havering, through a service level agreement. As at 31 March 2025 cash holdings totalled £16.163m (2023/24 £24.163m), earning interest over the year of £1.025m (2023/24 £0.989m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.150m at 31 March 2025 (2023/24 £0.150m) included as long term investments in the net asset statement. London CIV manage a divers portfolio of pension fund investments, as detailed in Note 12b. During 2024/25 the Fund incurred costs of £1.546m were charged to the Fund by the London CIV in respect of investment management services (2023/24 £1.578m).

Governance

Responsibility for management of the Fund has been delegated to the Pensions Committee and the day to day operations of the Fund have been delegated to the Statutory Section 151 officer and the Managing Director of oneSource.

No members of the Pension Fund Committee are in receipt of pension benefits from the Havering Pension Fund.

Each member of the Pensions Committee and Local Pension Board are required to declare their interests at each meeting.

During the year no Member or Council officer with direct responsibility for Fund issues has undertaken any declarable material transactions with the Pension Fund.

The members of the Pensions Committee receive an attendance allowance for each meeting and these costs are included within Note 10.

The members of the Local Pension Board receive an attendance allowance for each meeting and these costs are included within Note 10.

24a Key Management Personnel

Paragraph 3.9.4.4 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members allowances detailed in section 3.4 of the Code (which are derived from the requirements of Schedule 1 of The Accounts and Audit Regulations 2015 satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 244. This applies in equal measure to the accounts of the Havering Pension Fund.

The disclosures required by the above legislation can be found in the main accounts of Havering Council.

25 Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2025 were £36.63m (31 March 2024 £50.24m). These commitments relate to outstanding capital call payments due on unquoted limited partnership funds held in Private Debt and Infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing.

Following the Freedom and Choice provisions announced in the 2014 Budget, the Pension Fund has seen some enquiries from members about transferring benefits out of the LGPS. There are potential liabilities of £0.402m (2023/24 £0.003m) in respect of individuals transferring out of the Pension Fund upon whom the Fund is awaiting final decisions. Information is not available which shows how much of this is attributable to Freedom and Choice provisions.

Five admitted bodies in the Pension Fund hold insurance bonds or guarantees in place to guard against the possibility of being unable to meet their pension obligations. These bonds total £2.587m and are drawn down in favour of the Pension Fund. Payment will only be triggered in the event of employer default.

One admitted body, awaiting entry into the Fund, is subject to a pending legal agreement, they will hold a bond or guarantee totalling £0.010m.

The administering authority, in conjunction with the other shareholders in the London CIV, has entered into an exit payment agreement with the London CIV, acting as guarantor. The Fund will meet any exit payments due should the London CIV cease its admission arrangements with the City of London. Should the amount become due the Fund will meet 1/32 of the costs. The exact amount would only be determined at the time of cessation.

Glossary

Accounting Policies Those principles, bases, conventions, rules and practices applied by an entity that specify how the effect of transactions and other events are to be reflected in its financial statements through:

- (i) recognising
- (ii) selecting measurement bases for, and
- (iii) presenting assets, liabilities, gains, losses and charges to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Accruals The amounts by which receipts or payments are increased (or reduced) in order to record the full income and expenditure incurred in an accounting period.

Actuary An independent consultant who advises on the financial position of the Pension Fund.

Actuarial Valuation Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Authority on the Fund's financial position and recommended employers' contribution rates.

Agency Arrangement An arrangement whereby an authority (the agent) acts on behalf of another (the principal) to collect income or incur expenditure on the behalf of the principal. Such income or expenditure is not included in the agent's accounts other than any commission paid by the principal.

Amortisation The writing off of an intangible asset or loan balance over a period of time.

Appropriation The transfer of ownership of an asset from one service to another at an agreed (usually market) value.

Balance Sheet A statement of all the assets, liabilities and other balances of the Authority at the end of an accounting period.

Bid Price The purchase price that a buyer is willing to pay for an asset.

Budget A forecast of future expenditure plans for the Authority. Detailed revenue budgets are prepared for each year and it is on the basis of these figures that the council tax is set. Budgets are revised towards the year end to take account of inflation, changes in patterns of services, and other factors.

Capital Expenditure Expenditure on the acquisition of fixed assets or expenditure which adds to the value of an existing fixed asset.

Capital Financing Requirement The measure of an authority's capital borrowing need under the Prudential Code and the Local Government Act 2003. It is made up of the total value of the Authority's fixed assets and intangible assets less the sums accumulated in the revaluation reserve, deferred grant reserve and capital adjustment accounts.

Capital Receipt Income received from the sale of a capital asset such as land or buildings.

Code of Practice on Local Authority Accounting in the United Kingdom (The Code) Local authorities in the United Kingdom are required to keep their accounts in accordance with 'proper practices'. This includes, for the purposes of local government legislation, compliance with the terms of the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code), prepared by the CIPFA/LASAAC Local Authority Accounting Code Board. The Code is reviewed continuously and is issued annually.

Collection Fund A Statutory Account which receives council tax and non-domestic rates to cover the costs of services provided by Havering and its precepting authorities.

Community Assets Assets that the Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of Community Assets are parks and historic buildings.

Comprehensive Income and Expenditure Statement A statement showing the income and expenditure for the year of all the functions for which the Authority is responsible and complies with accounting practices as required under International Financial Reporting Standards (IFRS).

Contingent Assets A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent Liability A possible liability to future expenditure at the balance sheet date dependent upon the outcome of uncertain events.

Defined Benefit Scheme A pension scheme which defines benefits independently of the contributions payable. Benefits are not directly related to the investments of the Pension Fund.

Depreciation The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Earmarked Reserves Amounts earmarked to fund known items of anticipated expenditure for which the liability is not chargeable to the current year's Accounts.

Effective Interest Rate The rate of interest needed to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount at the initial recognition.

Finance Lease A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Asset A right to future economic benefits controlled by the Authority that is represented by:

- Cash
- An equity instrument of another entity
- A contractual right to receive cash (or other financial asset) from another entity.
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

Financial Instrument A contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another

Financial Liability An obligation to transfer economic benefits controlled by the Authority that is represented by:

- A contractual obligation to deliver cash (or other financial asset) to another entity
- A contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

General Fund (GF) Havering's main Revenue Account from which is met the cost of providing most of the Authority's services.

General Fund Working Balance Revenue Funds which are uncommitted and available to support general funding pressures not otherwise specifically covered by planned budget or earmarked reserves.

Historic Cost The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Revenue Account (HRA) A Statutory Account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Impairment The reduction in value of a tangible or intangible fixed asset reflecting either (i) the consumption of economic benefits such as obsolescence or physical damage or (ii) a general fall in prices. In the former case, the impairment is a charge to the revenue account; in the latter, the impairment is a charge to the Revaluation Reserve or Capital Adjustment Account.

Infrastructure Assets Assets which have an indeterminate life and although valuable do not have a realisable value e.g. roads.

London Collective Investment Vehicle (CIV) was launched in December 2015, is the first fully authorised and regulated investment management company set up by Local Government in the UK. They have been established as a collective vehicle for investments for Local Government Pension Scheme Funds.

Long Term Assets – assets that yield benefit to the Authority and the services it provides for a period of more than one year. Fixed Assets are sub-divided into **Tangible** and **Intangible**; the former are physical assets such as land, buildings and equipment; the latter are assets such as computer software or marketable research and development. Long term assets were previously called **fixed assets** on the balance sheet.

Minimum Revenue Provision (MRP) The Authority is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance). The MRP is based on the Council's capital financing requirement.

Movements in Reserves Statement (MiRS) This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services.

Net Book Value The amount at which fixed assets are included in the balance sheet after depreciation has been provided for.

Net Current Replacement Cost The current cost of replacing or recreating an asset in its existing use, adjusted for the notional depreciation required to reflect the asset's existing condition and remaining useful life.

Net Realisable Value The open market value of the asset less the expenses to be incurred in realising the asset.

Non-Operational Assets Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of its services. Examples include investment and surplus properties.

Non Distributed Costs Costs which are not chargeable to services and comprise of:

- Retirement benefit costs (past service costs, settlements and curtailments)
- Unused share of IT facilities

The costs of shares of long term unused but unrealisable assets.

oneSource A partnership between the London Boroughs of Havering and Newham through a joint-committee arrangement to deliver support services. This will release resources to be applied to the protection of front-line services.

Operational Assets Fixed assets held, occupied, used or consumed by the Authority in the direct delivery of its services.

Operating Lease A lease other than a finance lease, i.e. a lease which permits the use of the asset without substantially transferring the risks and rewards of ownership.

Outturn The actual level of expenditure and income for the financial year.

Post Balance Sheet Events Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts are approved for issue by the Section 151 Officer

Precept The charge made by one authority (e.g. Greater London Authority) on another authority (e.g. Havering) to finance its net expenditure.

Provisions Amounts set aside to fund known liabilities chargeable to the current year's Accounts where the exact amount or timing of the payment are not yet certain.

Prudential Code Since April 2004 local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities freedom to determine how much capital investment they can afford to fund through borrowing. The objectives of the code are to ensure that authorities' capital spending plans are affordable, prudent and sustainable, with authorities being required to set specific prudential indicators.

Public Works Loans Board (PWLb) Central Government Agency which funds much of Local Government borrowing.

Revenue Expenditure The day to day expenditure of the Authority, e.g. salaries, depreciation, goods and services.

Revenue Expenditure Funded from Capital Under Statute Expenditure which would otherwise be classified as revenue, but which is classified as capital expenditure for control purposes. Examples include items such as improvement grants and loan redemption expenses.

Revenue Support Grant The main grant paid by the Government to local authorities.

Supported Borrowing supported by central government grant towards the financing costs, mainly through Revenue Support Grant.