



Havering
LONDON BOROUGH



Draft
Statement of
Accounts
2025/26

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Dear Residents,

Havering Council continues to face significant financial challenges as we work to provide the services residents rely on in an increasingly difficult environment. Like councils across the country, we are managing rising demand for services, increasing costs and continuing pressures on local government funding, while remaining focused on protecting the services that matter most to our communities.

For 2026/27, the Council has again had to set a legally balanced budget against a backdrop of sustained pressure, particularly in adult social care, children's services and housing, including homelessness and temporary accommodation. These statutory services account for the majority of the Council's spending, and the increasing level and complexity of need means that costs continue to rise faster than the funding available. While the Council has delivered substantial savings over many years and continues to look for efficiencies wherever possible, there are now very limited options to reduce spending further without affecting frontline services.

Although the Government funding settlement for this year was improved, it still falls far short of Havering's changing population or the real cost of delivering services in the borough. As a result, the Council has had to rely on a combination of Council Tax, Government grant funding and Exceptional Financial Support to balance its budget for 2026/27. This is not a sustainable long-term position, and the Council will continue to make the case for a fairer funding system for outer-London boroughs such as Havering, whilst continuing to strive to make the council even more efficient.

Despite these challenges, the Council continues to deliver a wide range of vital services for residents. This includes support for adults and children who need care, maintaining weekly rubbish and recycling collections, keeping streets, parks and public spaces clean and well managed, investing in roads and pavements, supporting community safety, and continuing work to provide homes for local people.

Alongside this, the Council remains committed to improving efficiency, making best use of resources and supporting those residents who are most in need.

The following pages provide more detail on how public money has been used and the financial position of the Council during the year.

Yours sincerely,

Andrew Blake-Herbert
Chief Executive, London Borough of Havering

2025/26: 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 2024, the population of Havering was estimated to be 276,274¹. 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 vision, “The Havering you want to be part of”, is at the heart of the current [Havering Corporate Plan](#). This plan sets out the organisation’s vision and the overall direction for the Borough, providing clear strategic objectives to guide the Council’s actions. The current Corporate Plan helps residents hold the Council accountable for its performance and challenges the Council to continually improve what we do.

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

The Corporate Plan and vision will be renewed in 2026 following the local elections in May.

Performance

Havering Council remains focused on delivering its strategic objectives and being accountable to residents through robust performance reporting. Performance information supports Members and officers in understanding whether priorities are being achieved and where corrective action is required.

Performance against the Corporate Plan is monitored quarterly and reported through interactive Power BI dashboards. These dashboards provide insight not only into Corporate Plan delivery but also into key areas such as Finance, IT, Social Care, and Housing, supporting effective decision-making by managers and Members.

As of the end of Q4 (31st March 2026) 121 metrics were included in the Corporate Plan. Of these 38 were narrative updates, and 16 did not have a target set. Of the remaining 67 performance metrics: 44.8% (30) of them have a RAG status of Green (above the annual target), 14.9% (10) have a RAG status of Amber (below target, but within the variable tolerance) with the remaining 27 (40.3%) below target and outside of the variable tolerance (Red RAG Rated).

Current Performance information is available on the Council’s [data intelligence hub](#).

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 2025/26 financial year, 74% of the actions in the HCCAP were completed, which is an increase of 44% compared to last year.

Financial Performance

Havering's Balance Sheet

As can be seen below, Havering has a significant asset base. 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.

	31/03/2024	31/03/2025	31/03/2026
	£'000s	£'000s	£'000s
Long-term assets	1,677,506	1,728,868	1,769,498
Current assets	143,355	205,347	157,493
Current liabilities	(141,489)	(426,201)	(290,671)
Long-term liabilities	(547,766)	(364,169)	(499,334)
Net Assets	1,131,604	1,143,845	1,136,986
funded by:			
Usable reserves	181,163	196,676	261,239
Unusable reserves	950,441	947,169	875,747
Total Reserves	1,131,604	1,143,845	1,136,986
Borrowing	454,100	609,924	632,885
Debt to Equity Ratio	40.2%	53.3%	55.6%

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.

The Council used Exceptional Financial Support to balance the overspends for both 2023/24 (£18.1m) and 2024/25 (£30.4m) For 2025/26 the Council set a budget with the expectation that it would need £88m of support to balance the budget and finance the expected overspend at year end based on a worst-case scenario.

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. The Council has acted robustly again 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 £37.7m overspend against the original budget without exceptional financial support. This table also provides a comparison to the Period 10 forecast which was submitted to Cabinet in March

Revenue Outturn 2025/26

Directorate	Revised Budget £m	Final Actual £m	Variance to Budget £m	Period 10 Forecast Outturn £m
Resources	30.0	30.0	0.0	0.5
People	200.2	196.4	(3.8)	3.2
Place	19.7	14.7	(5.0)	(3.4)
Corporate	24.7	1.0	(23.7)	(17.7)
Worst Case contingent budget	17.8	0.0	(17.8)	(17.8)
TOTAL	292.4	242.1	(50.3)	(35.2)
Capitalisation requirement	(88.0)	(37.7)		
TOTAL BUDGET	204.4	204.4		
Settlement Funding Assessment	(40.1)	(40.1)		
Council Tax	(164.3)	(164.3)		
Total Funding	0.0	0.0		

The revenue overspend was financed by using £37.7m of Exceptional Financial support as agreed with the Government in February 2025.

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 2025/26 is illustrated below.

Financing	25/26 £m	25/26 %
Capital Receipts	27.4	20.2
Revenue & Reserves	13.4	9.9
CIL& S106	2.7	2.0
Grants	25.3	18.7
Borrowing	66.6	49.2
Total Funding	135.4	

Treasury Management

The Authority's debt portfolio as at 31st March 2026 totals £630m and is fixed at an average rate of 3.67% with an average duration of 11.9 years. Proceeds from PWLB issuance (£320m) were received to refinance maturing debt of £297m and to part finance borrowing as a result of the capital programme. The Authority where possible has balanced the need to minimise costs from external borrowing 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.

Total cash, cash equivalents and Treasury investments for the Authority on 31st March 2026 amounted to £55m (£117m on 31st March 2025). The Authority's cash investments fell during the year as a result of in year capital

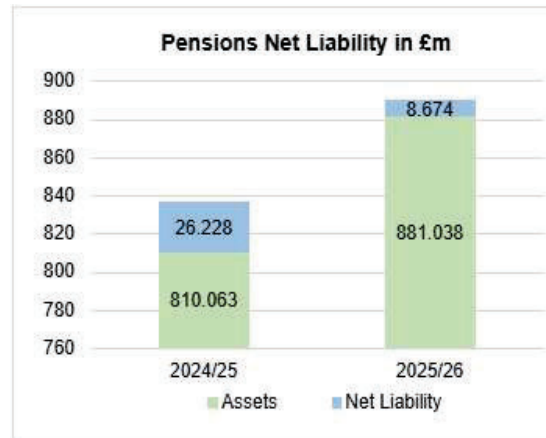
spend funded from borrowing and the EFS being higher than the increase in the amount of actual external borrowing. The average yield from the Authority's cash investments for 2025/26 was 4.48% (5.26% for 2024/25) and this exceeded the benchmark of 4.01% (Sterling Overnight Index Average).

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.

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 £8.7m as at 31st March 2026 compared with £26.2m as at 31st March 2025. 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 assets increased in 2025/26, from £810m to £881m due to investment market increases in 2025/26 and the liability increased from £836m to £890m mainly due to higher pension liability estimates. 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 2026 the Pension Fund received the results of its 2025 valuation. In comparison to the 2022 valuation the overall Funding level saw a significant improvement, increasing from 80% to 101%. This enables all employers within the Fund to benefit from a 3% contribution rate reduction. The next Triennial Review will take place during 2028.

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 2025/26, despite Havering benefiting from the revised funding formula, through the implementation of the Fair Funding 2.0 consultation, the Council continues to face significant demand challenges for social care services, particularly for children and vulnerable adults. We continue to develop sustainable solutions through intervening in the market, where possible, by creating our own Children's homes. We continue to invest in new assets to support those who have unfortunately ended up needing Temporary Accommodation and opened the Family Welcome centre in June 2026. Unfortunately, despite the increase in funding and the council developing innovative approaches to service provision, we are still forecasting a budget gap that we cannot close without further financial support from the Government. The

roll out of the food waste service, mandated by Government legislation, has been delayed due to the national shortage of vehicles but the Council will receive limited funding from the Government which will not cover the full cost of implementing the service. We are still awaiting 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, whilst also incorporating the 15 CIPFA recommendations. The plan involves working with residents, community groups, and health partners to meet its objectives. Significant progress has been made over the past year, but further work is needed, including reducing reliance on hotel accommodation and managing rising demand and costs through a Family Welcome Centre, which will provide emergency accommodation for vulnerable families in Havering.

The Havering Climate Change Action Plan aims for the Council to achieve carbon neutrality by 2040. 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 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 £69m and estimated to increase to further in 2026/27. In the Final Local Government Settlement, the government announced a High Needs Stability Grant that would cover 90% of the accumulated deficit, which is dependent on the LA's SEND Reform Plan being approved in 2026/27. However, the remaining 10% will require a local contribution to be made in the future. This is forecast to be £6.9m should the plan be approved by the DfE

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 £15.1m to £20.1m on 31 March 2026. The Council has a further planned contribution built into the 2026/27 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 2026-2029

In March 2026 Full Council agreed a balanced budget for 2026/27. In setting the 2026/27 budget the Council has also developed its Medium Term Financial Strategy (MTFS) 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 still be significant despite Council Tax increases and any future savings.

The budget report to Council in March 2026 included a snapshot of the MTFS 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 MTFS to establish the extent of savings and efficiencies that will be needed to balance the following year's budget.

The table below shows the MTFS set out in the February 2026 budget report to Council.

2026-2029 MTFS	2026/27 (£m)	2027/28 (£m)	2028/29 (£m)
Underlying 25/26 base budget position	64.1		
Demographic and unit cost pressures	15.8	17.1	22.0
Other service pressures /Reductions	(0.8)	1.6	0.1
Inflation and Pay award	3.2	5.5	5.6
Investment and Growth	5.6	0.3	0.6
Capital Financing	4.2	7.2	0.3
Other Corporate Pressures /Reductions	1.2	(0.6)	(3.9)
One off items in 2025/26 budget	2.4	1.5	0.0
Worst Case contingent budget	11.1	0.0	0.0
TOTAL PRESSURES	106.8	32.7	24.7
Savings	(10.0)	(2.4)	(10.6)
Government funding	(15.6)	(11.8)	(11.7)
Fees and Charges	(1.9)	(0.7)	(0.7)
Council Tax 4.99%	(8.2)	(8.7)	(9.2)
Underlying Budget gap (mid case)		65.9	81.6
Financing costs of Underlying Budget Gap	6.0	6.6	8.2
TOTAL GAP before EFS Support	77.0	92.7	93.4

The 2026/27 budget position was underpinned by Exceptional Financial Support agreed with the Government of £77m, 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 budget included a package of £10.0m 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

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Council also plans for contractual inflation on our main contracts and social care providers. Growth has been built into the 2026/27 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. 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

In 2025 the Government announced the outcome of the long-awaited Fair Funding Review. The review updated the data and methodology used to distribute funds between local authorities. The review was beneficial to Havering as it updated the data used to calculate relative need which meant that Havering's rapidly increasing population and relative demand was taken into account in the revised formula.

The Government announced a three-year settlement in December 2025 which included the phasing in of the fair funding updates over that period. Havering will gain around £40m in additional grant over the three-year period. The settlement however only provided a modest increase in funding across local Government for the three-year period leaving a significant national shortfall in the funding required to address the nation's social care and housing demands

The local government finance settlement once again confirmed that Council tax should rise by 3% generally and supplemented by a 2% precept for Adult Social Care. The fair funding allocations for each authority are based on an assumption that this increase will be applied locally

In conclusion the new funding system is fairer and has provided much needed additional funds for Havering but still falls far short of providing the funds the Council will need to balance its budget without exceptional financial support

- 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 2026/27 budget and Medium-Term Financial Strategy, the Council has included planned contributions to increase general balances to £25m 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 2026-2031

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 £1bn and is set out in the table below:

	2026/27	2027/28	2028/29	2029/30	2030/31	Total
	£m	£m	£m	£m	£m	£m
People	23.530	32.728	0.000	0.000	0.000	56.257
Place (excluding HRA)	123.506	60.018	65.792	63.020	27.918	340.255
Resources	3.712	0.000	0.000	0.000	0.000	3.712
Total GF	150.748	92.745	65.792	63.020	27.918	400.225
Place (HRA)	141.031	128.790	127.727	149.460	102.966	649.974
Total Capital Expenditure	291.780	221.535	193.519	212.481	130.884	1,050.199

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.

Additional inspection and reporting requirements following on from 2024 Ofsted review, CQC reviews and Housing Inspectorate.

The Council's in-year savings targets may impact on delivery of priorities if not achieved.

Severe Weather and Environmental change negatively impacting residents, Borough Sustainability and Council operations. - Failure to adapt to the potential impacts of climate change and meet Council's carbon neutral ambition for 2040

Organisational Culture and Governance and Capability - There is a risk that weaknesses in organisational culture and compliance with statutory and internal governance frameworks may undermine the borough's ability to deliver strategic objectives, maintain public trust, and ensure effective service delivery, particularly in the context of financial constraints and transformation ambitions.

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.

Loss of Organisational Capacity and Knowledge - a decline in organisational capacity, continuity, and institutional knowledge due to the loss of key personnel, challenges in staff retention, and reduced workforce motivation. This could impact service delivery, strategic planning, and compliance with statutory responsibilities.

Significant operational disruption to the Council's critical services.

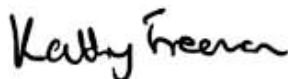
Technology: Cyber Security (Technical Controls and Platforms), Information Security and Risk Management

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: 30 June 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 2026 and its income and expenditure for the year ended 31 March 2026.

Chair, Audit Committee
30th June 2026

Strategic Director of Resources,
Chief Financial (Section 151) Officer
30th June 2026

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

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Authority Comprehensive Income and Expenditure Statement 2025/26

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

1 April 2024 – 31 March 2025					1 April 2025 – 31 March 2026		
£000 Gross Expenditure	£000 Gross Income	£000 Net		Notes	£000 Gross Expenditure	£000 Gross Income	£000 Net
			Gross expenditure, gross income and net expenditure of continuing operations				
162,825	(109,744)	53,081	Place		195,122	(114,973)	80,148
496,808	(276,567)	220,241	People		541,006	(299,279)	241,727
31,686	(24,185)	7,501	Resources		40,701	(25,255)	15,446
13,982	(208)	13,774	Corporate Budgets		10,039	(768)	9,272
6,801	(1,055)	5,746	oneSource Shared		2,275	(945)	1,330
48,311	(47,159)	1,152	Non-Shared LBH		42,790	(38,443)	4,347
760,413	(458,918)	301,495	Cost of services		831,932	(479,663)	352,270
		7,410	Other operating expenditure	11			6,892
		9,578	Financing and investment income and expenditure	12			10,671
		(270,171)	Taxation and non-specific grant income	13			(337,640)
		48,312	(Surplus)/Deficit on provision of services				32,193
		(2,884)	(Surplus)/Deficit on revaluation of property, plant and equipment assets	25a			(21,331)
		(57,667)	Actuarial losses/(gains) on pension assets / liabilities net of asset ceiling adjustment	25e			(4,003)
		(60,551)	Other comprehensive income and expenditure				(25,334)
		(12,239)	Total comprehensive income and expenditure				6,859

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

Group Comprehensive Income and Expenditure Statement 2025/26

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

1 April 2024 – 31 March 2025				1 April 2025 – 31 March 2026		
£000	£000	£000		£000	£000	£000
Gross Expenditure	Gross Income	Net		Gross Expenditure	Gross Income	Net
			Gross expenditure, gross income and net expenditure of continuing operations			
163,533	(112,454)	51,079	Place	196,677	(117,942)	78,734
496,808	(276,567)	220,241	People	541,006	(299,279)	241,727
31,686	(24,185)	7,501	Resources	40,701	(25,255)	15,446
13,982	(208)	13,774	Corporate Budgets	10,039	(768)	9,272
6,801	(1,055)	5,746	oneSource Shared	2,275	(945)	1,330
48,311	(47,159)	1,152	Non-Shared LBH	42,790	(38,443)	4,347
761,121	(461,628)	299,493	Cost of services	833,487	(482,632)	350,856
		7,623	Other operating expenditure			7,015
		11,952	Financing and investment income and expenditure			13,403
		(270,171)	Taxation and non-specific grant income			(338,083)
		48,897	(Surplus)/Deficit on provision of services			33,191
		4,920	Joint Venture accounted for on an equity basis			2,316
		53,817	Group (Surplus)/ Deficit			35,507
		(2,711)	(Surplus)/Deficit on revaluation of property, plant and equipment assets			(21,331)
		(57,667)	Actuarial losses/(gains) on pension assets / liabilities			(4,009)
		(60,378)	Other comprehensive income and expenditure			(25,340)
		(6,561)	Total comprehensive income and expenditure			10,167

Balance Sheet as at 31 March 2026

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 2025 Authority £000	31 March 2025 Group £000		Notes	31 March 2026 Authority £000	31 March 2026 Group £000
1,558,299	1,597,518	Property, plant and equipment	14a	1,587,166	1,628,714
4,632	4,632	Heritage assets	15	3,251	3,251
46,729	110,093	Investment property	16b	48,373	120,566
1,374	1,374	Intangible assets	17	2,598	2,598
8,518	8,518	Right of Use Assets	39	8,030	8,030
44,786	0	Long term investments in subsidiaries	16d	48,801	0
64,530	11,340	Long term debtors	19	71,279	7,724
1,728,868	1,733,475	Long-term assets		1,769,498	1,770,883
76,018	76,018	Short-term investments	18	50,276	50,276
465	465	Inventories		465	465
74,740	67,537	Short-term debtors	19	87,829	80,942
54,124	54,808	Cash and cash equivalents	20	18,923	19,696
205,347	198,828	Current assets		157,493	151,379
(299,356)	(299,356)	Short-term borrowing	18	(168,435)	(168,435)
(126,845)	(127,748)	Short-term creditors	22	(122,236)	(123,702)
(426,201)	(427,104)	Current liabilities		(290,671)	(292,137)
(9,174)	(9,963)	Provisions	23	(8,132)	(8,478)
(310,568)	(310,210)	Long-term borrowing	18	(464,450)	(464,469)
(4,102)	(4,102)	Long-term lease liability		(3,778)	(3,778)
(26,228)	(26,228)	Other long-term liabilities	42	(8,674)	(8,674)
(14,097)	(14,097)	Capital grants receipts in advance	35b	(14,300)	(14,300)
(364,169)	(364,600)	Long-term liabilities		(499,334)	(499,699)
1,143,845	1,140,599	Net assets		1,136,986	1,130,426
196,676	185,652	Usable reserves	24	261,239	247,273
947,169	954,947	Unusable reserves	25	875,747	883,153
1,143,845	1,140,599	Total Reserves		1,136,986	1,130,426

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2026 and its income and expenditure for the year ended 31 March 2026.

Kathy Freeman

Authorised for Issue
Kathy Freeman
30th June 2026

Authority Movement in Reserves Statement 2025/26

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 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)		(48,312)
Other comprehensive expenditure and income							0	60,551	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
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
Movement in reserves during 2025/26									
(Deficit)/surplus on provision of services	(23,877)		(8,316)				(32,193)		(32,193)
Other comprehensive expenditure and income							0	25,334	25,334
Total comprehensive expenditure and income	(23,877)	0	(8,316)	0	0	0	(32,193)	25,334	(6,859)
Transfer of capital funding to finance capitalisation (note 9)	(37,720)						(37,720)	37,720	0
Other adjustments between accounting basis and funding basis under regulations (Note 9)	71,810	0	12,657	(4,158)	1,087	53,079	134,475	(134,475)	0
Net (decrease)/increase before transfers to earmarked reserves	10,213	0	4,341	(4,158)	1,087	53,079	64,562	(71,421)	(6,859)
Transfers to/from Earmarked Reserves (Note 10)	(5,214)	5,214	0				0		0
(Decrease)/Increase in Year	4,999	5,214	4,341	(4,158)	1,087	53,079	64,562	(71,421)	(6,859)
Balance at 31 March 2026	20,112	51,635	38,712	20,561	9,260	120,954	261,238	875,748	1,136,986

* 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 2025/26

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 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
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
Movement in reserves during 2025/26										
(Deficit)/surplus on provision of services	(23,877)		(8,316)				(32,193)		(3,314)	(35,507)
Other comprehensive expenditure and income							0	25,334	0	25,334
Total comprehensive expenditure and income	(23,877)	0	(8,316)	0	0	0	(32,193)	25,334	(3,314)	(10,173)
Transfer of capital funding to finance capitalisation direction (note 9)	(37,720)						(37,720)	37,720		0
Other adjustments between accounting basis and funding basis under regulations	71,810	0	12,657	(4,158)	1,087	53,079	134,475	(134,475)		0
Net (decrease)/increase before transfers to earmarked reserves	10,213	0	4,341	(4,158)	1,087	53,079	64,562	(71,421)	(3,314)	(10,173)
Transfers to/(from) Earmarked Reserves	(5,214)	5,214	0				0			0
(Decrease)/Increase in Year	4,999	5,214	4,341	(4,158)	1,087	53,079	64,562	(71,421)	(3,314)	(10,173)
Balance at 31 March 2026	20,112	51,635	38,712	20,561	9,260	120,954	261,238	875,748	(6,560)	1,130,426

* 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 2026

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.

2024/25 Authority £000	2024/25 Group £000		Note	2025/26 Authority £000	2025/26 Group £000
(48,312)	(53,817)	Net surplus on the provision of services		(32,193)	(35,507)
65,347	71,253	Adjust net surplus or deficit on the provision of services for non-cash movements	26	70,338	73,006
(46,746)	(46,746)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(104,362)	(104,362)
(29,711)	(29,310)	Net cash flows from Operating Activities		(66,217)	(66,863)
(99,757)	(104,159)	Investing activities	27	12,699	1,957
155,824	159,934	Financing activities	28	18,317	29,794
26,356	26,465	Net increase /(decrease) in cash and cash equivalents		(35,201)	(35,112)
27,768	28,343	Cash and cash equivalents at the beginning of the reporting period	20	54,124	54,808
54,124	54,808	Cash and cash equivalents at the end of the reporting period	20	18,923	19,696

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 (MTFS) 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 2026, the budget for 2026/27 was agreed relying on £10m of new planned savings and £77m 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 has been adopted. The Council has continued to implement a number of spending controls to ensure that only essential spend takes place. These include a recruitment panel, a debt board, spending panels and regular reviews of agency costs. This helped reduce spend in 2025/26 and will continue to help services stay within budget in 2026/27 and also minimise future pressures moving forward.

The Council has needed Exceptional Financial Support in the last three years and again, for 2026/27, has required £77m 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 2026/27 budget the Council identified new pressures totalling over £36m in addition to the underlying budget gap of £64.0m brought forward from 2025/26. 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 £65.9m gap for 2026/27 on a most likely case rising to £77m worst case scenario. The Council has presented this position to MHCLG who have provisionally agreed exceptional financial support of £77m for 2026/27 in order to balance the budget.

The Government has announced wide ranging reforms which commenced 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 17 December 2025. This announcement has 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 again 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 2025/26 financial year and its position at the year ending 31 March 2026. 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 2025/26* (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 2025/26 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). Prebuy loans and investments in the Bridge Close subsidiary are held at FVPL.

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.

The pre buy-out loans and investments in the Bridge Close subsidiary are valued at FVPL rather than amortised cost.

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 and therefore carried on the Balance Sheet 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

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 (EUSSH);
- 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 every five years and adjusted by the application of an appropriate index in the years that an asset is not subject to valuation. Increases in valuations and indexation adjustments 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 and indexation adjustments 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 and indexation adjustments 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 and indexation adjustments 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 and indexation adjustments 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 and

updated in 2020 and 2024.

The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is 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.

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. The Authority may defer to the estimated useful economic life periods specified in the MRP guidance but reserves the right to determine such periods and prudent MRP. 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.

Since the amendments to the regulation in 2008, there is no statutory provision that excludes borrowing used to finance capital expenditure on housing assets from the duty to make MRP. However, as local authorities are required to charge depreciation to the surplus or deficit on the provision of service in the HRA, a local Authority may determine that no further charge for MRP is required, provided it has determined that through its duty to charge depreciation and hold a Major Repairs Reserve, that prudent provision has been made.

On the above basis no HRA MRP will be made for expenditure on housing assets. Any accounting event that would lead to debt not being set aside for repayment however, would be reviewed to assess the need for any voluntary MRP contribution from the HRA.

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 providing the loan repayment means the debt will be repaid.

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 Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified.

The standards introduced by the 2026/27 Code where disclosures are required in the 2025/26 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

1. Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage Assets) issued in March 2024.
2. Amendments to the classification and measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024.
3. Annual improvements to IFRS accounting standards - Volume 11 issued in July 2024.
4. Contracts referencing nature-dependent electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024.

Work on the implementation of the Code changes is still ongoing and the full impact on the Council's single entity and group accounts has not been fully assessed yet however, it is likely that the items will have no significant impact on the amounts to be reported in the Council's financial statements.

There are no other new accounting requirements introduced in the 2026/27 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.
- the accounting treatment of the Council's cumulative Dedicated Schools Grant (DSG) deficit is prescribed by the statutory override set out in Regulation 30L of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which requires the deficit to be held outside the General Fund until 31 March 2028. Judgement has been applied in considering the financial implications of the Government's February 2026 announcement of proposed support for local authorities with DSG deficits. As the detailed design, eligibility criteria and allocation methodology of this funding have not yet been confirmed, the Council has concluded that the recognition criteria for income under the Code of Practice on Local Authority Accounting have not been met at 31 March 2026. Accordingly, no asset or income has been recognised in the financial statements. This judgement is significant as the level and structure

of future Government support may have a material impact on the Council's financial position once the statutory override ends.

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 2026 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 with the use of indexation adjustments in the years between valuations. In the current economic climate, the Balance Sheet valuation of £1,587m 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. It is estimated that the annual depreciation charge for Assets would increase by £2.8m for every year that useful lives had to be reduced.</p> <p>If the asset valuation of all property plant and equipment were to fall by 1% a reduction in value of £15.8m 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</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>

	techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 16 and 18 below.	
Provisions	The Authority has made a provision of £3m for the settlement of insurance claims based upon an actuarial assessment of the current level of liability.	An increase over the forthcoming year of 10% in the value of claims to be settled would have the effect of adding £0.3m to the provision required.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £12.7m. However, the assumptions interact in complex ways. During 2025/26, the Authority's actuary advised that changes in actuarial assumptions gave rise to a net gain of £17.6m. The gain in 2024/25 was £57.7m net of a £88m asset ceiling adjustment. These amounts are taken to the Consolidated Income and Expenditure Statement.
Arrears	At 31 March 2026, the Authority had a gross debtor's balance of £149m (£141m at 31 March 2025). A review of significant balances suggested that an impairment of doubtful debts of 42% (£62.4m) was appropriate.	If collection rates were to deteriorate, a 25% increase in the amount of the impairment of doubtful debts would require an additional £15.6m to be set aside as an allowance.
NNDR Appeals	At 31 March 2026, the Authority had a provision of £1.7m 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 £0.43m.

5. Material Items of Income and Expense

On 20 February 2025 the Ministry for Housing, Communities and Local Government (MHCLG) agreed in principle to provide the council with £88.0m of support for 2025/26, 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 £37.7m of the capitalisation direction for 2025/26 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 2026. 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 2026, 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 31 March 2026 Balance Sheet have been identified.

7. Expenditure and Funding Analysis 2025/26

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 2024 – 31 March 2025				Service	1 April 2025 – 31 March 2026			
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Bases £000	Other Adjustments* £000	Net Expenditure in the CI&ES £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between Funding and Accounting Bases £000	Other Adjustments* £000	Net Expenditure in the CI&ES £000
20,457	30,358	2,266	53,081	Place	18,269	28,315	33,564	80,148
188,454	8,831	22,956	220,241	People	207,441	(1,108)	35,394	241,727
9,750	443	(2,692)	7,501	Resources	14,467	(168)	1,147	15,446
5,522	(619)	8,871	13,774	Corporate Budgets	(4,786)	(15,625)	29,682	9,271
5,323	417	6	5,746	oneSource Shared	1,381	(51)	0	1,330
(1,450)	2,638	(36)	1,152	Non-Shared LBH	3,309	1,133	(95)	4,347
228,056	42,068	31,371	301,495	Net Cost of Services	240,081	12,496	99,692	352,269
(238,911)	19,426	(33,698)	(253,183)	Other Income and Expenditure	(249,421)	34,251	(104,906)	(320,076)
(10,855)	61,494	(2,327)	48,312	(Surplus) or Deficit	(9,340)	46,747	(5,214)	32,193
38,629				Opening General Fund and HRA Balance	49,484			
10,855				Less/Plus Surplus or Deficit on General Fund and HRA Balance in Year**	9,340			
49,484				Closing General Fund and HRA Balance at 31 March	58,824			

*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 2025/26

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		28,772	(1,169)	712	28,315
People		5,984	(6,818)	(275)	(1,108)
Resources		(1)	(240)	72	(169)
Corporate Budgets	(37,720)	26,971	(5,256)	380	(15,625)
oneSource Shared		0	(68)	17	(51)
Non-Shared LBH		1,131	0	3	1,133
Net Cost of Services	(37,720)	62,857	(13,551)	909	12,495
Other income and expenditure from the Expenditure and Funding Analysis *				34,251	34,251
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(37,720)	62,857	(13,551)	35,160	46,746

*This is the other income and expenditure relating to DSG Unusable reserves. Further details can be found in note 34.

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

*This is the other income and expenditure relating to DSG Unusable reserves. Further details can be found in note 34.

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:

2024/25 £000	Expenditure/Income	2025/26 £000
	Expenditure	
249,674	Employee related expenses	261,542
433,285	Other services expenses	463,324
79,415	Depreciation, amortisation, impairment	106,627
20,599	Interest payments	23,700
18,907	Precepts and levies	18,772
(44)	Payments to Housing Capital Receipts Pool	(231)
(11,453)	(Gain)/Loss on the disposal of assets	(11,648)
790,383	Total expenditure	862,087
	Income	
(163,330)	Fees, charges and other service income	(167,140)
(7,741)	Interest and investment income	(7,131)
(188,070)	Income from council tax and non-domestic rates	(210,957)
(382,930)	Government grants and contributions	(444,665)
(742,071)	Total income	(829,893)
48,312	Surplus or Deficit on the Provision of Services	32,194

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.

2025/26	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)	12,586	965				(13,551)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	379	(627)				248
Transfer to negative DSG reserve	(34,251)					34,251
Council tax and NNDR (transfers to or from Collection Fund)	(754)					754
Holiday pay (transferred to the Accumulated Absences Reserve)	130	(36)				(94)
Transfer of capital funding to finance capitalisation directive	(37,720)					37,720
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)	49,066	(91,374)			(79,056)	121,364
Total Adjustments to Revenue Resources	(10,564)	(91,072)	0	0	(79,056)	180,692
Adjustments between Revenue and Capital Resources:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,671	22,067	(23,738)			0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)		(373)	373			0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	231		(231)			0
Posting of HRA resources from revenue to the Major Repairs Reserve		10,833		(10,833)		0
Use of Capital Receipts To Repay Debt			371			(371)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) / HRA Voluntary repayment of debt	13,472	1,423				(14,895)
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)	1,891	1,733				(3,624)
Total Adjustments between Revenue and Capital Resources	17,265	35,683	(23,225)	(10,833)	0	(18,890)
Adjustments to Capital Resources:						
Use of the Capital Receipts Reserve to finance capital expenditure			27,383			(27,383)
Use of the Major Repairs Reserve to finance capital expenditure				9,746		(9,746)
Application of capital grants to finance capital expenditure	(40,791)	42,801			25,977	(27,987)
Cash payments in relation to deferred capital receipts		(69)				69
Total Adjustments to Capital Resources	(40,791)	42,732	27,383	9,746	25,977	(65,047)
Total Adjustments	(34,090)	(12,657)	4,158	(1,087)	(53,079)	96,755

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

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 2025/26. The movement on HRA earmarked reserves and schools balances is also shown in this note.

	Balance as at 31 3 2024	Transfers (from)/to Revenue	Balance as at 31 3 2025	Transfers (from)/to Revenue	Balance as at 31 3 2026
	£000	£000	£000	£000	£000
General Fund Earmarked Reserves					
Corporate Transformation reserve	76	(57)	19	0	19
Business Risk reserve	5,292	158	5,450	(974)	4,476
Provision for future IT Digital	0	3,500	3,500	0	3,500
Homes for Ukraine	0	2,519	2,519	800	3,319
Business Rates reserve	2,886	(18)	2,868	2,374	5,242
Regeneration	978	(489)	489	(271)	218
ICT Refresh	1,643	0	1,643	0	1,643
OneSource reserve	877	(122)	755	0	755
Insurance reserve	4,952	(164)	4,788	2,921	7,709
Reserves for future capital schemes	7,095	(1,183)	5,912	334	6,246
Legal reserve	179	0	179	0	179
Crematorium and Cemetery reserves	593	(60)	533	(32)	501
Children's reserve	958	591	1,549	146	1,695
Public Health reserve	2,306	(156)	2,150	(154)	1,996
Adults Social Care reserve	1,824	(692)	1,132	(451)	681
Whole life costing Transport Fleet reserve	214	(25)	189	40	229
Household Support Fund	2,125	0	2,125	0	2,125
Afghan Resettlement	0	0	0	2,715	2,715
Other reserves	3,390	860	4,250	857	5,107
Total General Fund Earmarked Reserves	35,388	4,662	40,050	8,305	48,355
Housing Revenue Account Earmarked Reserves					
HRA Major works	5,199	0	5,199	0	5,199
HRA Reserve for Future Capital	0	257	257	0	257
Total Housing Revenue Account Earmarked Reserve	5,199	257	5,456	0	5,456
Schools Balances					
General Balances	957	(431)	526	51	577
Schools Balances	2,549	(2,160)	389	(3,142)	(2,753)
Total Schools Balances	3,506	(2,591)	915	(3,091)	(2,176)
Total Earmarked Reserves	44,093	2,328	46,421	5,214	51,635

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 Councils 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.

Afghan Resettlement - This reserve is to fund Afghan resettlements.

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' Deficit – 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 2025/26 are shown at Note 34. An overdrawn balance on the DSG account of £34.2m 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

2024/25 £000		2025/26 £000
18,907	Levies	18,772
(44)	Payments to the Government Housing Capital Receipts Pool	(231)
(11,453)	(Gain) / Loss on the disposal of non-current assets	(11,649)
7,410	Total	6,892

12. Financing And Investment Income And Expenditure

2024/25 £000		2025/26 £000
16,456	Interest payable and similar charges	22,602
4,143	Pensions net interest on the net defined benefit liability	1,098
(7,741)	Interest receivable and similar income	(7,131)
(4,472)	Income and expenditure in relation to investment properties (note 16a)	(4,254)
1,192	Changes in the fair value of investment properties	(1,644)
9,578	Total	10,671

13. Taxation And Non-Specific Grant Income

2024/25 £000		2025/26 £000
(157,049)	Council tax income	(164,553)
(47,329)	National non-domestic rates income ¹	(46,404)
(37,172)	Non ring-fenced government grants	(45,617)
(28,621)	Capital grants and contributions	(81,066)
(270,171)	Total	(337,640)

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

14. Property, Plant and Equipment

Movements in Balances 2025/26

	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 2025	704,653	617,346	39,705	5,423	1,738	79,487	1,448,352
Additions	67,390	8,704	6,293	575	0	27,565	110,527
Revaluation increases/(decreases) to :							
Revaluation Reserve	(15,652)	19,463	0	523	(58)	0	4,276
Revaluation gains to the CI&ES	(68,006)	(1,410)	0	(523)	0	0	(69,939)
Derecognition - Disposals	(10,425)	(947)	(5,915)	0	0	0	(17,287)
Reclassifications & Transfers	1,704	2,406	0	0	0	(4,110)	0
At 31 March 2026	679,664	645,562	40,083	5,998	1,680	102,942	1,475,929
Accumulated Depreciation and Impairment							
At 31 March 2025	0	1,297	17,697	667	0	0	19,661
Depreciation Charge	10,555	7,224	6,504	103	0	0	24,386
Depreciation written out upon Revaluation:							
Revaluation Reserve	(10,707)	(7,299)	0	0	0	0	(18,006)
CI&ES		(965)	0	0	0	0	(965)
Derecognition - Disposals		(12)	(5,915)	0	0	0	(5,927)
Reclassifications	152	(152)	0	0	0	0	0
At 31 March 2026	0	93	18,286	770	0	0	19,149
Net book value at 31 March 2026	679,664	645,469	21,797	5,228	1,680	102,942	1,456,780
Net book value at 31 March 2025	704,653	616,049	22,008	4,756	1,738	79,487	1,428,691

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)
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)
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

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

	2024/25	2025/26
	£000	£000
Net Book Value (modified historical cost)		
at 1 April	130,029	129,609
Additions	7,140	8,778
Depreciation	(7,560)	(8,000)
at 31 March	129,609	130,387

Reconciliation of Highways and Other PPE assets to Balance Sheet figure

	31 March 2025	31 March 2026
	£000	£000
Net Book Value (modified historical cost)		
Infrastructure Asset	129,609	130,387
Other PPE Assets	1,428,691	1,456,780
Total PPE Assets	1,558,300	1,587,167

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 2026/27.

31 March 2025 £000		31 March 2026 £000
	General Fund	
935	Arts, culture, sport and leisure	3,524
10,797	Roads, footways and bridges	8,964
17,834	Education capital schemes	44,041
116,793	Town centre and environmental Improvements	112,088
15,516	Office accommodation, equipment, ICT and vehicles	17,335
2,562	Other smaller General Fund schemes	282
164,437	Total General Fund commitments	186,234
234,852	Housing Revenue Account	149,114
399,289	Total commitments	335,348

Revaluations

Up to 31 March 2025, the accounting code required that assets included in the Balance Sheet at current value were re-valued sufficiently regularly to ensure that their carrying amount was not materially different from their current value at the year end, but as a minimum every 5 years. From 1 April 2025 the requirement is to revalue assets every 5 years, with indexation in the years that a valuation is not carried out. The change in policy is applied prospectively, meaning the carrying amounts of Property, Plant and Equipment assets at 31 March 2025 have not been adjusted and indexation has been applied for the first time to establish carrying amounts at 31 March 2026.

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 and indexation opinions are carried out by our external valuers, Wilks Head and Eve, and reviewed by the appropriate officers.

The following table shows which asset classes are subject to revaluations and indexation and which are valued at historic cost.

	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			21,797	130,387	5,228		102,942	260,354
Valued at fair value and treated to indexation:	679,664	645,469				1,680		
Total cost or valuation	679,664	645,469	21,797	130,387	5,228	1,680	102,942	260,354

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 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
Additions	0	132	132
Depreciation	0	(79)	(79)
Revaluation	0	(1,434)	(1,434)
31 March 2026	110	3,141	3,251

16. Investment Properties and Joint Ventures Investment

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

2024/25 £000		2025/26 £000
4,711	Rental income from investment property	4,620
(239)	Direct operating expenses arising from investment property	(366)
4,472	Net gain	4,254

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.

2024/25 £000		2025/26 £000
47,921	Opening Balance	46,729
(1,192)	Revaluation gains/(loss) from fair value adjustment	1,644
0	Disposal of investment properties	0
46,729	Balance at the end of the year	48,373

The valuation of the Authority's investment property portfolio in 2025/26 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 £73.193m of investment properties on an open market value for existing use basis.

The Council has a property joint venture with Wates Construction Ltd of which the Council holds a stake of property under development. At 31 March 2026, the Council share of the developments under construction were 50% of Havering & Wates Regeneration LLP (12 Estates) (£27.0m). The Bridge Close wholly controlled subsidiary has £38.88m of property work in progress shown under property, plant and equipment in the group balance sheet. The 100% owned Rainham & Beam Park scheme has £2.67m of property work in progress.

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

2024/25 £000		2025/26 £000
63,364	Mercury Land Holdings (Investment Properties)	72,193
36,863	Bridge Close LLP	38,881
2,357	Rainham & Beam Park LLP	2,667
102,584	Balance at the end of the year	113,741

In addition the Council has a 50% stake of £27m 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 31st March 2026 and 2025 are as follows:

31st March 2026

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2026
	£000	£000	£000	£000
Office units	0	3,879	0	3,879
Commercial Units	0	35,409	0	35,409
Land	0	8,828	0	8,828
Misc.	0	256	0	257
Total	0	48,372	0	48,373

31st March 2025 Comparative Figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2025
	£000	£000	£000	£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

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 £72.9m 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

Joint Ventures

The following is a Council joint venture:

Name	Country 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:

2024/25 £000	Investments in subsidiary companies and Joint Ventures:	2025/26 £000
35,562	Opening Balance	44,786
9,224	Additions	4,015
44,786	Closing Balance	48,801

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:

2024/25 £000	Intangible fixed assets software and system development	2025/26 £000
1,848	Gross carrying amounts	3,123
(1,692)	Less accumulated amortisation	(1,748)
156	Net carrying amount at start of year	1,375
1,275	additions	1,530
(56)	Less amortisation for the period	(307)
1,375	Net carrying amount at end of year	2,598
	Comprising:	
3,123	Gross carrying amounts	3,119
(1,748)	Less accumulated amortisation	(521)

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 - Liabilities

The financial liabilities disclosed in the Balance Sheet are measured at amortised cost and are analysed across the following categories:

31 March 2025		Financial Liabilities	31 March 2026	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
		Loans at amortised cost:		
		PWLB		
303,096	297,029	- Principal borrowed	456,571	166,525
	2,217	- Accrued interest		1,788
		Market Loan		
7,000	107	- Principal borrowed	7,000	107
		- Accrued interest		
		Other Loans		
472		- Principal borrowed	879	
	2	- Accrued interest		15
310,568	299,355	Total borrowing *	464,450	168,435
		Liabilities at amortised cost:		
		Trade payables		
	63,690	- Trade Creditors		76,858
0	63,690	Included in creditors	0	76,858
310,568	363,045	Total financial liabilities	464,450	245,293

* The total short-term borrowing includes £1.895m (2024/25: £2.324m) representing accrued interest on long-term borrowing (PWLB £1.788m & LOBO Market Loan £107k)

(b) Financial Instruments - Assets

The financial Assets disclosed in the Balance Sheet are measured at:

- 1) Amortised Cost - Where cash flows are solely payments of principal and interest, and the council's business model is to collect those cash flows
- 2) Fair Value through other comprehensive income - where cash flows are solely payments of principal and interest and the council's business model is to both collect those cash flows and to sell the instrument)
- 3) Fair Value through profit and loss - assets not held under the above 2 categories

31 March 2025		Financial Assets	31 March 2026	
Long-Term	Short-Term		Long-Term	Short-Term
£000	£000		£000	£000
		At Amortised Cost		
	75,000	- Treasury Deposits		50,000
	1,018	- Accrued interest		276
41,928		- Investment in subsidiary	45,759	
		At Fair Value Through Profit & Loss		
2,858		- Investment in subsidiary	3,042	
44,786	76,018	Total Investments	48,801	50,276
		At Amortised Cost		
	12,124	- Cash (including bank accounts)		13,923
	42,000	- Cash equivalents		5,000
0	54,124	Total cash and cash equivalents	0	18,923
		At Amortised Cost		
13,054		- Amortised cost soft loans to group entities	17,358	
38,517		- Amortised cost other loans to group entities	37,372	7,811
		At Fair Value Through Profit & Loss		
12,959		- Fair Value Through P&L - other loans to group entities	16,549	
		At Amortised Cost		
	56,613	- Trade receivables		69,239
64,530	56,613	Included in debtors	71,279	77,050
109,316	186,755	Total Financial Assets	120,080	146,249

31 March 2025		Financial Assets Valued at:	31 March 2026	
Long-Term	Short-Term		Long-Term	Short-Term
£000	£000		£000	£000
51,571	186,755	Amortised Cost	100,489	146,249
0	0	Fair Value through Other Comprehensive Income	0	0
15,817	0	Fair Value through P&L	19,591	0
67,388	186,755	Total Financial Assets	120,080	146,249

(d) Group Financial Assets

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

31 March 2025		Group Financial Assets	31 March 2026	
Long-Term £000	Short-Term £000		Long-Term £000	Short-Term £000
	75,000	- Principal at amortised cost		50,000
	1,018	- Accrued interest		276
0	76,018	Total investments	0	50,276
	12,808	- Cash (including bank accounts)		14,696
	42,000	- Cash equivalents at amortised cost		5,000
0	54,808	Total cash and cash equivalents	0	19,696
69	48,701	- Trade receivables	0	61,705
69	48,701	Included in debtors	0	61,705
69	179,527	Total financial assets	0	131,677

(e) Financial Instruments - Gains and Losses

Gains and losses in 2025/26 were as follows:

	Financial Liabilities		Financial Assets		2025/26 Total
	Amortised Cost	Fair Value through CI&ES	Amortised Cost	Fair Value through CI&ES	
	£000	£000	£000	£000	£000
Interest expense	22,602				22,602
Interest payable and similar charges	22,602	0	0	0	22,602
Interest income			(7,131)		(7,131)
Interest and investment income from Financial Instruments	0	0	(7,131)	0	(7,131)
Changes in value of investment properties				(1,644)	(1,644)
Income and expenditure relating to investment properties				(4,254)	(4,254)
Pensions Net Interest		1,098			1,098
Impact in Other Comprehensive Income *	0	1,098	0	(5,898)	(4,800)
Net gain (loss) for the year	22,602	1,098	(7,131)	(5,898)	10,671

* Not financial instruments but included to reconcile to note 12

f) Gains and losses in 2024/25 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		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)
Interest and investment income from Financial Instruments	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

(g) 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 2025. 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 2026, 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 2026.
- 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 2025		Fair Value Level	31 March 2026	
Balance Sheet £000	Fair Value £000		Balance Sheet £000	Fair Value £000
		Financial liabilities held at amortised cost:		
602,342	532,279	- Loans from PWLB	624,884	523,157
7,107	6,753	- Long-term LOBO loans	7,107	4,276
474	474	- Other long-term loans	894	894
609,923	539,506	Total	632,885	528,327
63,690	63,690	Liabilities for which fair value is not disclosed	76,858	76,858
673,613	603,196	Total Financial Liabilities	709,743	605,185

(h) Financial Instruments - Fair Values (continued)

31 March 2025		Fair Value Level	31 March 2026	
Balance Sheet £000	Fair Value £000		Balance Sheet £000	Fair Value £000
			Recorded on balance sheet as:	
63,690	63,690		76,858	76,858
299,356	302,493		168,435	165,452
310,568	237,013		464,450	362,875
673,614	603,196	Total Financial Liabilities	709,743	605,185

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

31 March 2025		Fair Value Level	31 March 2026	
Balance Sheet £000	Fair Value £000		Balance Sheet £000	Fair Value £000
			Financial assets held at amortised cost:	
41,928	41,928	3	45,759	45,759
51,571	51,571	2	54,730	54,730
76,018	76,018	2	50,276	50,276
			Financial assets held at fair value through profit & Loss:	
2,858	2,858	3	3,042	3,042
12,959	12,959	3	24,360	24,360
			Cash and Cash equivalents	
12,124	12,124		13,923	13,923
42,000	42,000		5,000	5,000
239,458	239,458	Total	197,090	197,090
56,613	56,613		69,239	69,239
296,071	296,071	Total Financial Assets	266,329	266,329
			Recorded on balance sheet as:	
44,786	44,786		48,801	48,801
0	0			
64,530	64,530		71,279	71,279
56,613	56,613		77,050	77,050
76,018	76,018		50,276	50,276
54,124	54,124		18,923	18,923
296,071	296,071	Total Financial Assets	266,329	266,329

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

(i) 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 2026 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 2025		Credit Rating	31 March 2026	
Long-term £000	Short-term £000		Long-term £000	Short-term £000
0	0	AAA	0	0
0	0	AA+	0	0
0	37,000	AA	0	0
0	0	AA-	0	0
0	0	A+	0	0
0	0	A	0	0
0	0	A-	0	0
0	80,000	Unrated Local Authorities & Police	0	50,000
0	0	Unrated Corporate Bonds	0	0
0	117,000	Total Investments	0	50,000

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 2025/26 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 2025 £000		Gross balance of debtors £000	Average % default based on past experience %	Average % default based on current experience %	Credit risk exposure 31 March 2026 £000
0	Capital	678	0	0	0
11,376	Housing	16,579	70	68	11,197
4,203	Social Services	20,476	19	23	4,736
22,962	Parking	25,401	91	90	22,962
0	Other local authorities	4,043	0	0	0
0	Health authorities	4,969	0	0	0
3,137	Other sundry debtors	31,840	16	11	3,386
41,678	Total	103,986	43	41	42,281

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 2025 £000	Time to maturity (years)	31 March 2026 £000
297,029	Not over 1	166,625
16,525	Over 1 but not over 2	187,504
52,512	Over 2 but not over 5	51,533
66,099	Over 5 but not over 10	49,574
30,000	Over 10 but not over 20	30,000
0	Over 20 but not over 30	11,543
32,960	Over 30 but not over 40	28,318
105,000	Over 40	105,000
7,472	Uncertain date	878
607,597	Total	630,975

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:

	2025/26 £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 *	20,428

* 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 2025 £000				31 March 2026 £000		
Gross	Impairment Allowance	Net		Gross	Impairment Allowance	Net
			Collection Fund Debtors			
23,376	(16,906) *	6,470	Council Tax payers	23,263	(18,312) *	4,951
1,267	(483) *	784	Business Rate payers	792	(443) *	349
			Other Debtors			
9,112	0 *	9,112	Government departments	12,260	0 *	12,260
2,839	0	2,839	Capital	678	0	678
14,195	(11,376)	2,819	Housing	16,579	(11,197)	5,382
8,920	(7,159) *	1,761	Housing Benefit	8,176	(7,146) *	1,030
19,251	(4,203)	15,048	Social Services	20,476	(4,736)	15,740
24,860	(22,962)	1,898	Parking Enforcement	25,401	(22,962)	2,439
2,531	0	2,531	Other local authorities	4,043	0	4,043
6,725	0	6,725	Health authorities	4,969	0	4,969
7,912	0	7,912	Mercury Land Holdings	7,534	0	7,534
19,978	(3,137)	16,841	Other sundry debtors	31,840	(3,386)	28,454
140,966	(66,226)	74,740	Total Short-Term debtors	156,011	(68,182)	87,829

* 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 2025 £000	Age of Debtors	31 March 2026 £000
6,756	Less than 1 year	7,032
4,111	Between 1 and 2 years	4,098
2,915	Between 2 and 3 years	2,990
10,861	More than 3 years	9,935
24,643	Balance at end of the year	24,055

Long-Term Debtors

31 March 2025 £000		31 March 2026 £000
30,254	Mercury Land Holdings	37,372
18,157	Havering and Wates Regeneration LLP JV	16,549
16,050	Bridge Close LLP	17,358
69	Other	0
64,530	Total Long-Term Debtors	71,279

20. Cash and Cash Equivalents

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

31 March 2025 £000		31 March 2026 £000
4,726	Bank current accounts	4,236
42,000	Short-term deposits	5,000
7,398	Schools – under the LMS cheque book scheme	9,687
54,124	Total cash and cash equivalents	18,923

21. Contingent Assets and Liabilities

Contingent Asset

Special Educational Needs and Disabilities (SEND): Dedicated Schools Grant (DSG) Deficits

In February 2026, the Government announced its intention to provide financial support to local authorities with Dedicated Schools Grant (DSG) deficits, with initial funding expected from 2026/27 in respect of deficits accumulated to 31 March 2026.

Based on information available at the reporting date, this includes a proposed High Needs Stability Grant which is expected to cover approximately 90% of the High Needs element of the DSG deficit accrued to 31 March 2026. However, the final allocation is expected to be determined with reference to the authority's overall net DSG deficit position, taking account of surpluses or deficits across all DSG funding blocks. The Council's net DSG deficit as at 31 March 2026 is £68.97m. Based on current information and assumptions, this could result in an indicative funding allocation of approximately £62.07m, although the final allocation remains subject to confirmation by the Department for Education.

Contingent Liability

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 2026 is £846,038 with estimated scheme liabilities at the same date of £727,612. 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 2025 £000		31 March 2026 £000
	Collection Fund creditors	
17,706	Council Tax payers *	8,565
3,544	Business Rates payers *	1,792
6,726	Greater London Authority *	1,133
5,550	Central Government (NNDR)*	2,058
	Other Creditors	
8,667	Central Government *	6,945
4,799	HMRC *	5,727
16,163	Pension Fund *	19,158
4,260	Capital creditors	2,798
4,631	Right of Use Assets Liability	4,373
47,386	Other sundry creditors	61,677
7,413	Income in advance	8,010
126,845	Total	122,236

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

23. Provisions

2025/26	Self-Insurance £000	Collection Fund £000	Water Rates Provision £000	Audit Fee £000	Total £000
Balance at 31 March 2025	3,757	2,193	3,224	0	9,174
Additional provisions made in year		1,856		112	1,968
Amounts used in year	(727)	(2,283)			(3,010)
Balance at 31 March 2026	3,030	1,766	3,224	112	8,132

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 2025/26 were; public and employer's liability (£125,000), motor vehicles (£25,000) and property (£100,000).

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.

Audit Fee Provision

Provision has been made for unbilled audit fees.

24. Usable Reserves

31 March 2025 £000		31 March 2026 £000
15,113	General Fund balance	20,113
46,421	Earmarked Reserves	51,635
34,372	Housing Revenue Account balance	38,712
67,875	Capital Grants Unapplied	120,955
24,720	Capital Receipts Reserve	20,562
8,175	Major Repairs Reserve	9,262
196,676	Total usable reserves	261,239

25. Unusable Reserves

31 March 2025 £000		31 March 2026 £000
386,232	Revaluation Reserve	404,360
630,446	Capital Adjustment Account	558,572
(2,253)	Financial Instruments Adjustment Account	(2,501)
(26,228)	Pension Reserve	(8,674)
69	Deferred Capital Receipts Reserve	0
(2,213)	Collection Fund Adjustment Account	(2,968)
(34,722)	Dedicated School Grant Reserve (see note 34)	(68,973)
(4,162)	Accumulated Absences Account	(4,069)
947,169	Total unusable reserves	875,747

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 2025 £000		31 March 2026 £000
386,041	Balance at 1 April	386,232
2,884	Net gain/(deficit) on revaluation of fixed assets	21,331
(2,660)	Excess of Fair Value Depreciation over Historical costs depreciation	(2,804)
(33)	Removal of Revaluation balance upon sale	(399)
386,232	Balance at 31 March	404,360

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.

2024/25 £000		2025/26 £000
673,482	Balance at 1 April	630,446
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(37,879)	Net charges for depreciation of non-current assets	(37,084)
(37,488)	Net charges for impairment of non-current assets	(69,457)
0	Net charges for de-recognition of non-current assets	3,656
(56)	Amortisation of intangible assets	(307)
(6,672)	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	(15,304)
	Adjusting amounts written out of the Revaluation Reserve	
2,660	Excess of Fair Value Depreciation over Historical costs depreciation	2,804
33	Removal of Revaluation balance upon sale	399
(79,402)	Net written out amount of the cost of non-current assets consumed in the year	(115,293)
	Capital financing applied in the year:	
16,600	Use of the Capital Receipts Reserve to finance new capital expenditure	27,383
10,673	Use of the Major Repairs Reserve to finance new capital expenditure	9,746
26,382	use of Capital Grants and Contributions to finance new capital expenditure	27,987
14,989	Statutory provision for the repayment of debt	14,895
1,458	Use of receipts to repay debt	371
6,541	Capital expenditure charged against the General Fund and HRA balances	3,624
76,643	Capital financing applied in year	84,006
(5,885)	Revenue expenditure funded from capital under statute	(3,088)
(1,192)	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	1,644
(2,800)	Movements in the fair value of Financial Instruments	(1,423)
(30,400)	Capitalisation Direction	(37,720)
630,446	Balance at 31 March	558,572

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.

2024/25 £000		2025/26 £000
(1,926)	Balance at 1 April	(2,253)
(327)	Gain from revaluation of group loans	(248)
(2,253)	Balance at 31 March	(2,501)

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 2025/26 showed the £61.7m pension surplus at March 2025 had reduced slightly to a £56.3m surplus, however this surplus is restricted by a £65.0m asset ceiling adjustment that results in a deficit of £8.7m 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.

2024/25 £000		2025/26 £000
(92,844)	Balance at 1 April	(26,228)
145,653	Actuarial gains or (losses) on pensions assets and liabilities	(24,036)
(87,986)	Actuarial asset ceiling adjustment	28,039
(26,822)	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	(21,548)
35,771	Employer's pensions contributions and direct payments to pensioners payable in the year	35,099
(26,228)	Balance at 31 March	(8,674)

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.

2024/25 £000		2025/26 £000
69	Balance at 1 April	69
0	Transfer from the Capital Receipts Reserve	(69)
69	Balance at 31 March	0

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.

2024/25 £000		2025/26 £000
4,900	Balance at 1 April	(2,213)
(7,113)	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	(755)
(2,213)	Balance at 31 March	(2,968)

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. This is a notional calculation under accounting standards.

2024/25 £000		2025/26 £000
(3,983)	Balance at 1 April	(4,162)
3,983	Settlement or cancellation of accrual made at the end of the preceding year	4,162
(4,162)	Amounts accrued at the end of the current year	(4,069)
(179)	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	93
(4,162)	Balance at 31 March	(4,069)

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2024/25 Authority £000	2024/25 Group £000		2025/26 Authority £000	2025/26 Group £000
75,367	75,367	Depreciation, impairment and downward revaluation	102,885	102,885
56	56	Amortisation	307	307
3,517	5,626	Movement in creditors	(5,489)	(5,062)
0	0	Movement in long-term creditors	(324)	(324)
(6,515)	(6,652)	Movement in debtors	(12,209)	(12,139)
1,856	1,856	Movement in long-term debtors	(6,749)	(6,749)
52	52	Movement in inventories	0	0
(8,949)	(8,949)	Movement in pension liability	(13,551)	(13,552)
1,356	1,356	Increase / (decrease) in provisions	(1,042)	(1,042)
(4,416)	(4,416)	Movement in Right of Use Assets and Lease Liability	488	488
6,672	6,672	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	15,304	15,304
(3,649)	285	Other non-cash items charged to the net surplus or deficit on the provision of services	(9,282)	(7,110)
65,347	71,253	Net cash flows from operating activities	70,338	73,006

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

2024/25 Authority £000	2024/25 Group £000		2025/26 Authority £000	2025/26 Group £000
(28,621)	(28,621)	Capital grants credited to the Consolidated Income and Expenditure Statement	(81,066)	(81,066)
(18,125)	(18,125)	Proceeds from sale of fixed assets	(23,296)	(23,296)
(46,746)	(46,746)	Adjustment for items included in the net surplus or deficit on the provisions of services that are investing and financing activities	(104,362)	(104,362)

27. Cash Flow Statement – Investing Activities

2024/25 Authority £000	2024/25 Group £000		2025/26 Authority £000	2025/26 Group £000
(109,038)	(113,440)	Purchase of property, plant and equipment, investment property and intangible assets	(115,277)	(126,019)
(9,361,351)	(9,361,351)	Purchase of short-term and long-term investments	(10,340,284)	(10,340,284)
18,125	18,125	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	23,296	23,296
26,003	26,003	Capital grants received	81,420	81,420
9,326,504	9,326,504	Proceeds from short-term and long-term investments	10,363,544	10,363,544
(99,757)	(104,159)	Net cash flows from investing activities	12,699	1,957

28. Cash Flow Statement – Financing Activities

2024/25 Authority £000	2024/25 Group £000		2025/26 Authority £000	2025/26 Group £000
583,936	588,046	Cash receipts of short-term and long-term borrowing	93,694	105,171
(428,112)	(428,112)	Repayments of short-term and long-term borrowing	(70,746)	(70,746)
0	0	Principal repayment of the lease liability	(4,631)	(4,631)
155,824	159,934	Net cash flows from financing activities	18,317	29,794

29. Trading Operations

2024/25 (Surplus)/ Deficit £000		2025/26 Income £000	2025/26 Expenditure £000	2025/26 (Surplus)/ Deficit £000
338	a) Open Air Market The Authority operates an open air market three days a week	(328)	459	131
(215)	b) Other Trading Accounts Schools/Welfare Catering	0	0	0

Open Air Market - The Market trading position has improved comparable to 2024/25 due to higher income receipts, and the one-off adverse costs in 2024/25 is no longer continuing to 2025/26. The market still operates three days a week.

Schools/Welfare Catering - From 2025/26, the Borough Catering Service is no longer operated as a traded service. As a result, Schools/Welfare Catering is no longer recognised as a council income stream and is instead reflected within General Fund reserves.

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

2024/25 £000		2025/26 £000
	Funding	
1,149	Section 75 Joint Pooled Budget between London Borough of Havering and North East London Foundation Trust	1,478
119	Recharges (excluded from the Pooled Budget)	134
4,280	Non Pooled Budget codes	5,418
5,015	Total funding	6,858
5,548	Final outturn	7,030

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 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 2025/26 was as follows:

Section 75 Joint Pooled Budget between LBH and ICB	2024-25			2025-26		
	£000	£000	£000	£000	£000	£000
	CCG	LBH	Total	ICB	LBH	Total
Funding						
Capital						
Disability Facility Grant Allocation		2,552	2,552		2,732	2,732
Revenue						
Social Care/ iBCF		6,825	6,825			
Minimum ICB Contribution	24,060		24,060	28,178		28,178
Local Authority Better Care Grant					8420	8,420
Additional Contribution		874	874		874	874
ASC Discharge Fund	3,728	1,595	5,323			
Physical Capacity	736		736	253		253
Other Contributions				259		259
Total	28,524	11,846	40,370	28,690	12,026	40,716
Expenditure						
Capital						
Disability Facility Grant Allocation		2,552	2,552		2,338	2,338
Revenue						
Social Care/ iBCF		6,825	6,825			
Minimum ICB Contribution	14,434	9,626	24,060	18,241	9,937	28,178
Local Authority Better Care Grant					8,420	8,420
Additional Contribution		874	874		874	874
Hospital Discharge	3,728	1,595	5,323			
Physical Capacity		736	736		249	249
Other Contributions					259	259
Total	18,162	22,208	40,370	18,241	22,077	40,318

31. Members' Allowances

Payments in year were £901,016 including expenses (£905,020 in 2024/25). Additionally, payments to co-opted members totaled £1,300 (£1,300 in 2024/25).

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:

		2024/25			2025/26		
Lower Band	Upper Band	Schools	Other	Total	Schools	Other	Total
£50,000	- £55,000	143	150	293	111	161	272
£55,000	- £60,000	93	114	207	138	150	288
£60,000	- £65,000	14	71	85	62	89	151
£65,000	- £70,000	27	30	57	18	38	56
£70,000	- £75,000	7	20	27	21	35	56
£75,000	- £80,000	10	15	25	8	12	20
£80,000	- £85,000	8	16	24	6	11	17
£85,000	- £90,000	10	1	11	11	16	27
£90,000	- £95,000	6	8	14	7	2	9
£95,000	- £100,000	5	5	10	5	8	13
£100,000	- £105,000	3	5	8	6	6	12
£105,000	- £110,000	1	4	5	4	5	9
£110,000	- £115,000	3	3	6	1	8	9
£115,000	- £120,000	1	1	2	1	1	2
£120,000	- £125,000	1	1	2	4	0	4
£125,000	- £130,000	0	1	1	1	1	2
£130,000	- £135,000	1	0	1	0	0	0
£135,000	- £140,000	0	3	3	0	0	0
£140,000	- £145,000	0	1	1	1	1	2
£145,000	- £150,000	0	0	0	0	4	4
£150,000+		0	6	6	0	7	7
		333	455	788	405	555	960

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 2025/26 £	Employer's pension contribution £	Total Remuneration including pension contributions 2025/26 £
Chief Executive - Andrew Blake-Herbert		208,128		208,128	34,341	242,469
Strategic Director of People - Barbara Nicholls		179,040		179,040	29,542	208,582
Strategic Director of Place - Neil Stubbings		179,040		179,040	0	179,040
Strategic Director of Resources - Kathy Freeman		179,040		179,040	29,542	208,582
Director of Ageing Well (Adults)		149,540		149,540	24,674	174,214
Director of Living Well - Patrick Odling-Smee		154,809		154,809	25,543	180,352
Director of Starting Well - Tara Geere		154,809		154,809	25,543	180,352
Director of Environment		145,110		145,110	23,943	169,053
Director of Exchequer & Transactional Services - Sarah Bryant		155,267		155,267	25,619	180,886
Director of I.T., Digital & Customer Services		143,468		143,468	23,672	167,140
Director of Planning and Public Protection		145,110		145,110	23,943	169,053
Deputy Director of Legal Services (Monitoring Officer)	1	109,971		109,971	18,145	128,116
Head of Communications and Engagement		99,134		99,134	16,357	115,491
Director of Public Health		145,110		145,110	24,495	169,605
Total		2,147,576	0	2,147,576	325,360	2,472,936

Note 1 The Deputy Director of Legal Services (Monitoring officer) left on 12/04/26. His interim replacement joined on 11/03/2026.

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

The comparative figures for 2024/25 are as follows:

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.

33. External Audit Costs

Fees payable in relation to external audit for 2025/26:

2024/25 £000 Restated		2025/26 £000
605	Scale fees payable with regard to external audit services carried out by appointed auditor *	577
21	Fees payable for the certification of grant claims and returns for the year	0
0	Fees payable in respect of other services provided during the year	0
626	Total for year	577

*the comparative figure has been restated to include a fee variation of £152k

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 £34.251million has been transferred to a negative unusable reserve in 2025/26 to emphasise the balance is separate from Council general fund balances. The total negative unusable reserve balance carried forward is now £68.973 million.

Details of the deployment of DSG receivable for 2025/26 are as follows:

	Schools Budget Funded by Dedicated School Grant		
	Central Expenditure	Individual Schools Budget	Totals
	£000	£000	£000
Final DSG for 2025/26 before academy and high needs recoupment			357,889
Less academy and high needs figure recouped for 2025/26			161,467
Total DSG after academy and high needs recoupment for 2025/26			196,422
Less: Carry-forward to 2026/27 agreed in advance			0
Agreed initial budgeted distribution for 2025/26	54,425	141,997	196,422
In year adjustments	0	(124)	(124)
Final budgeted distribution for 2025/26	54,425	141,873	196,298
Less: Actual central expenditure	(88,676)		(88,676)
Less: Actual ISB deployed to schools		(141,873)	(141,873)
In year carry forward to 2025/26 (negative DSG Reserve)	(34,251)	0	(34,251)
DSG unusable reserve at the end of 2024/25			(34,722)
Net position at the end of 2025/26			(68,973)

Comparative figures 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)
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)

35. Grants and Other Income

a) The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2025/26:

2024/25 £000		2025/26 £000
Credited to Taxation and Non Specific Grant Income		
2,025	Revenue Support Grant	2,119
35,147	Non ring-fenced Grants	43,498
28,621	Capital Grants	81,066
65,793	Total	126,683
Credited to Services		
24,008	Rent Allowances	17,015
22,514	Rent Rebates	19,577
13,059	Public Health Grant	14,201
170,868	Dedicated Schools Grant	199,922
9,626	Better Care Fund	9,937
3,838	Hospital Discharge Fees	2,531
5,474	Pupil Premium Grant	5,501
8,186	Universal Free School Meals	8,361
2,023	Other Children's and Education Funding	1,533
1,149	Unaccompanied Asylum Seeking Children Funding	2,540
3,426	Homelessness Prevention Grant	5,703
3,978	Teachers' Pension and Pay Grants	1,441
2,905	Homes for Ukraine	2,464
1,419	Havering College Adult Education (HCAE)	1,420
797	Household Support Fund	2,905
8,257	Other	5,922
	Other Contributions	
5,425	Contributions from Integrated Care Board (ICB)	4,580
4,265	Contributions from Other Local Authorities	5,936
291,217	Total	311,488

Current Liabilities

b) Capital Grants – receipts in advance:

2024/25 £000		2025/26 £000
14,715	Brought forward	14,097
1,086	Amounts received in year	2,213
(1,704)	Amounts applied to meet new capital investment	(2,010)
14,097	Carried forward	14,300

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 2025/26 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	16,033	457	116	
BETRA	Councillor Paul McGeary	288	74	6	
Centre for Engineering and Manufacturing Excellence Ltd (CEME)	Councillor Paul McGeary	94		2	
East London Waste Authority	Councillor Barry Mugglestone	18,506		1,092	
Elm Park Community Association	Councillor Stephanie Nunn	10		0	
Empower Learning Academy Trust	Councillor John Tyler	5,829		148	48
Havering Association for People with Disabilities	Councillor Christine Smith	74		3	
Havering Citizen's Advice	Councillor Mandy Anderson Councillor Jane Keane	405		47	
Havering Museum Ltd	Councillor Jane Keane	55			
Integrated Care Board	Councillor Gillian Ford	1,496	4	15,572	
Langtons Infant's School	Councillor Paul Middleton	1,843		1,535	11
Local Government Information Unit Ltd	Councillor Ray Morgon	42			
Local London	Councillor Ray Morgon Councillor Gillian Ford			549	248
London & Quadrant Housing Trust	Councillor David Taylor			43	
London Borough of Barking and Dagenham	Councillor Patricia Brown	734		1,221	21
London Borough of Newham	Councillor Katharine Tumilty	2,829		697	
London Councils	Councillor Ray Morgon Councillor Gillian Ford Councillor Graham Williamson Councillor Oscar Ford Councillor Barry Mugglestone	960		31	
London Riverside (BID Ltd)	Councillor Graham Williamson Councillor Osman Dervish	419		28	
Mardyke Youth & Community Association	Councillor Trevor McKeever	6		8	1
Metropolitan Police	Councillor Robby Misir	373		0	
Notting Hill Genesis	Councillor James Glass			2	
Ogilby Housing Association	Councillor Philippa Crowder Councillor John Crowder			3	3
Romford BID	Councillor Jason Frost			27	
Romford Town Management Partnership	Councillor Graham Williamson	637			
Thames Freeport Limited	Councillor Ray Morgon			10	
The Havering Theatre Trust Ltd	Councillor Gillian Ford Councillor Trevor McKeever Councillor John Wood Councillor Paul McGeary Councillor Paul Middleton	288		31	
The Learning Federation - Mead and Broadford Schools	Councillor Mandy Anderson Councillor Paul McGeary	12,205		6	
The MCA Trust	Councillor Sue Osprey	-		2	
Transport for London	Councillor Joshua Chapman	902		88	58
Unite	Councillor Matthew Stanton Councillor Patricia Brown Councillor Keith Darvill	3			

Officers

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

Organisation	Officer	Payments to Organisations by the Authority £000	Balance Outstanding £000	Income £000	Income Outstanding £000
Centre for Engineering and Manufacturing Excellence Ltd (CEME)	Mr N Stubbings	94	-	2	-

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, IT Services, 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 IT Services, Exchequer & Transactional and Legal services under oneSource's management during 2024/25. During 2025/26 IT Services returned to each borough's sovereign control with the final team transitioning on 1st December 2025. However, for part of the year the budgets remained within oneSource.

2024/25 £000	oneSource	2025/26 £000
	Net Expenditure	
6,176	Exchequer and Transactional Services	7,571
4,336	Legal and Governance	4,607
14,272	IT Services	6,543
24,784	Total Net Expenditure	18,721
	Cost Sharing:	
12,519	London Borough of Newham	8,589
12,265	London Borough of Havering	10,132

As at 31st March 2026, the Authority owed £2.073m to the London Borough of Newham in relation to the 2025/26 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 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 2026, the share of the profit and loss account is a £8.8m loss. A 50% share of the assets and liabilities of the joint venture is shown within the group accounts, this is predominantly a £27m property development in progress. The Council's balance sheet includes the Council's loan to the LLP, £22.445m as at 31st March 2026 - provision has been made for a possible £4.2m 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 2026, Bridge Close had a loss of £165k, £328k cumulatively. The balance sheet includes the Council's and nominee company's funding in the LLP, £37.3m as at 31st March 2026 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 £2.95m investment is shown on the balance sheet. 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 2026.

Queens Letting and Management CIC

The CIC was formed to take sub-leases for properties that the Council has leased from Urban Impact Ltd and other accommodation providers. This enables the properties to be let as assured tenancies, thereby reducing the losses to the council. The Company was created in March 2025 however it will not start trading until the beginning of 2026/7. The directors are Patrick Odling-Smee, Richard Tyler and Mark Butler.

Havering London Ltd

Havering London Ltd is a wholly owned company of the council, established to develop and promote arts and culture in the borough. The company was founded in August 2024 and the board members are: Barbara Nicholls, Patrick Odling-Smee, Manny Manoharan, Matthew Russell and David Shearing.

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:

2024/25 £000	Capital Expenditure	2025/26 £000
106,737	Property, Plant and Equipment	119,306
727	Heritage	132
1,275	Intangible	1,530
5,885	Revenue expenditure funded from capital under statute	3,088
30,400	Capitalisation Direction	37,720
15,626	Financial Instruments	11,297
160,650	Total capital expenditure	173,073
	Less financed from	
(16,600)	Capital receipts	(27,383)
(10,673)	Major repairs	(9,746)
(6,541)	Revenue funds	(3,624)
(26,382)	Grants and contributions	(27,987)
100,454	Increase in need to borrow	104,333
14,200	IFRS 16 Liability - Additions/Disposals	4,049
(5,468)	Minimum Revenue Provision - IFRS16	(4,631)
(6,721)	Minimum Revenue Provision - Capital Expenditure	(8,841)
(2,800)	Minimum Revenue Provision - Financial Instruments	(1,423)
(1,458)	Use of Receipts to repay Debt	(371)
98,207	Change in Capital Financing Requirement	93,116

*The comparative figures have been restated

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 2025	6,500	164,952
Receipts	261	6,653
Payments	(261)	0
Balance at 31 March 2026	6,500	171,605

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

From 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 IFRS16 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. Leases for items of low value and leases that expire on or before 31 March 2026 are exempt from IFRS16.

As per the code, the following has been applied:

- lease liabilities are measured at the present value of the remaining lease payments at 1 April 2025, 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 5.41%.

Council as Lessee

Right-of-use Assets

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

	Land and Buildings £000s	Vehicles, Plant and Equipment £000s	Total £000s
Balance at 1 April 2024	14,603	179	14,782
Additions	125	374	499
Depreciation charge	(5,612)	(100)	(5,712)
Disposals	(1,051)	0	(1,051)
Balance at 1 April 2025	8,065	453	8,518
Additions	7,574	132	7,706
Depreciation charge	(4,478)	(141)	(4,619)
Disposals	(3,571)	(3)	(3,574)
Balance at 31 March 2026	7,590	441	8,031

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

2024/25 £000s	Comprehensive Income and Expenditure Statement	2025/26 £000s
	Leases (within the scope of IFRS 16)	
668	Interest expense on lease liabilities	357
5,468	Principal element of lease payments that is applied to write down the lease liability	4,631
	Leases (outside of the scope of IFRS 16)	
49	Expense relating to leases of low value items	55
6,185	Total Cash Outflow for leases	5,043

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):

31st March 2025 £000s	Maturity analysis of lease liabilities	31st March 2026 £000s
4,631	Less than one year	4,373
4,101	One to five years	3,778
8,732	Total undiscounted liabilities	8,151

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	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
£0 - £20,000	9	5	7	12	16	17	116,590	133,648
£20,001 - £40,000	1	1	4	3	5	4	120,757	110,629
£40,001 - £60,000	0	0	1	0	1	0	56,238	0
Total	10	6	12	15	22	21	293,585	244,277

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 2025/26 the Authority paid £13.08m (£12.1m 2024/25) to Teachers Pensions in respect of teachers' pension contributions. This represented a contribution rate of 28.68% (28.68% in 2024/25).

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 2025/26 the Authority paid £31,714 (£34,769 in 2024/25) to NHS Pensions in respect of public health pension contributions. This represented 16.88% of pensionable pay (16.88% in 2024/25).

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.

2024/25 Restated £000		2025/26 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
	Service Cost Comprising:	
22,278	Current service cost	19,034
401	Past service costs	1,416
	Financing and Investment Income and Expenditure	
4,143	Net interest expense	1,098
26,822	Total post-employment benefits charged to the surplus or deficit on the provision of services	21,548
	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	
	Re-measurement of the net defined benefit liability comprising:	
9,961	Return on plan assets (excluding the amount included in the net interest expense)	6,855
(55,958)	Actuarial gains and losses arising on changes in financial assumptions	(53,298)
(11,670)	Other	42,440
(57,667)	Total post-employment Benefits charges to the Comprehensive Income and Expenditure Statement	(4,003)
	Movements in Reserves Statement	
(26,822)	Reversal of net charges made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(21,548)
	Actual amount charged against the General Fund Balance for pensions in the year:	
35,771	Employers' contributions payable to scheme	35,099
8,949	Net movement in Pensions Reserve	13,551

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:

2024/25		2025/26
£000		£000
	Local Government Pension Scheme	
(836,291)	Present value of the defined benefit obligation	(889,712)
810,063	Fair value of plan assets	881,038
(26,228)	Net liability arising from defined benefit obligation	(8,674)

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

2024/25		2025/26
£000		£000
	Local Government Pension Scheme	
865,217	Opening fair value of scheme assets	810,063
41,531	Interest income	52,165
	Re-measurement gain (loss):	
(9,961)	The return on plan assets, excluding the amount included in the net interest expense	(6,855)
35,771	Contributions from employer	35,099
7,894	Contributions from employees into the scheme	8,703
(42,403)	Benefits paid	(41,076)
(87,986)	Asset ceiling adjustment	22,939
810,063	Closing fair values of scheme assets	881,038

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

2024/25		2025/26
£000		£000
	Funded liabilities: Local Government Pension Scheme	
958,061	Opening balance at 1 April	836,291
22,278	Current service cost	19,034
45,674	Interest cost	48,163
7,894	Contributions from scheme participants	8,703
	Re-measurement (gains) and losses:	
(143,944)	Actuarial (gains)/ losses arising from changes in financial assumptions	(25,259)
(11,670)	Other	42,440
401	Past service cost (Including curtailments)	1,416
(42,403)	Benefits paid	(41,076)
836,291	Closing balance at 31 March	889,712

Local Government Pension Scheme assets comprised:

2024/25				Asset Category	2025/26			
Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %		Quoted Prices in Active Markets £000	Quoted Prices not in Active Markets £000	Total £000	Percentage of Total assets %
				Debt Securities				
41,885		41,885	2.00	Corporate bonds (investment grade) UK Government	42,097		0 42,097	4.00
				Real Estate				
45,181		45,181	5.00	UK Property	44,006		44,006	5.00
27,848		27,848	3.00	Overseas Property	27,318		27,318	3.00
				Investment Funds and Unit Trusts				
479,140		479,140	53.00	Equities	522,332		522,332	55.00
105,650		105,650	12.00	Bonds	103,920		103,920	11.00
99,092		99,092	11.00	Infrastructure	100,254		100,254	11.00
67,835		67,835	9.00	Other	64,755		64,755	7.00
				Derivatives				
2,694		2,694	0.00	Other	8		8	0.00
101		101	0.00	Foreign Exchange	(1,968)		(1,968)	0.00
				Cash and Cash Equivalents				
27,897		27,897	5.00	All	43,363		43,363	4.00
897,322		897,322	100.00	Totals	946,085		946,085	100.00

Basis for Estimating Assets and Liabilities

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

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

2024/25 £000		2025/26 £000
	Local Government Pension Scheme	
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
21.2 years	Men	21.6 years
23.8 years	Women	24.2 years
	Longevity at 65 for future pensioners:	
22.0 years	Men	22.4 years
25.3 years	Women	25.4 years
2.80%	Rate of inflation (CPI)	3.00%
3.50%	Rate of increase in salaries	3.70%
2.80%	Rate of increase in pensions	3.00%
5.80%	Rate for discounting scheme liabilities	6.20%

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 2026	Approximate % increase to Employer Liability	Approximate Monetary amount £000
0.1% increase in Real Discount Rate	1%	12,675
1 Year increase in life expectancy	4%	35,588
0.1% increase in the Salary Increase Rate	0%	483
0.1% increase in the Pension Increase Rate (CPI)	1%	12,184

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 13 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2028.

The Authority anticipates paying £26.171m contributions to the scheme in 2026/27.

The weighted average duration of the defined benefit obligation for scheme members is 15 years as 31st March 2026 (17 years 31 March 2025).

Housing Revenue Account

Housing Revenue Account Income and Expenditure Statement 2025/26

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.

2024/25 £000		Notes	2025/26 £000
	Income		
(61,948)	Dwelling rents		(62,178)
(496)	Non-dwelling rents		(552)
(11,945)	Charges for services and facilities		(11,725)
(16,114)	Contributions towards expenditure		(44,950)
(90,503)	Total Income		(119,405)
	Expenditure		
14,342	Repairs and maintenance		14,944
27,334	Supervision and management		27,886
658	Rents, rates, taxes and other charges		758
250	Increased provision for bad/doubtful debts		(115)
41,361	Depreciation and Impairment of tangible fixed assets		79,325
0	Debt management		147
83,945	Total Expenditure		122,945
(6,558)	Net expenditure or income of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		3,540
229	HRA Services' share of Corporate and Democratic Core		239
(6,329)	Net Expenditure of HRA Services		3,779
	HRA Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
(6,243)	Net gain on disposal of HRA assets		(11,070)
13,866	Interest payable and similar charges		18,101
(1,107)	Interest and investment income		(4,545)
3,126	Fair value gain/loss on Financial Instruments		2,051
3,313	Deficit/(Surplus) for the year on HRA Services		8,316

Movement on the Housing Revenue Account Balance during 2025/26

2024/25 £000		2025/26 £000
(28,515)	Housing Revenue Account balance brought forward	(34,372)
3,313	(Surplus)/deficit for the year on the HRA Income and Expenditure Account	8,316
(9,170)	Adjustments between accounting basis and funding basis under regulations	(12,656)
(34,372)	HRA balance before transfer to earmarked reserves	(38,712)
0	Transfers to earmarked reserves	0
(34,372)	Housing Revenue Account balance carried forward	(38,712)

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

2024/25 £000		2025/26 £000
Items included in the HRA Income and Expenditure but excluded from the movement in the HRA balance		
Adjustments to the Revenue Resources		
918	Pensions costs (transferred from the Pensions Reserve)	965
0	Holiday pay (transferred to the Accumulated Absences Reserve)	(35)
(50,558)	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)	(91,374)
(326)	Services in relation to fair value changes in Bridge Close and HWR loan notes	(627)
(49,966)	Total Adjustments to Revenue Resources	(91,071)
Adjustments between Revenue and Capital Resources		
12,771	Receipts Reserve	21,998
(131)	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(373)
10,655	Posting of HRA resources from revenue to the Major Repairs Reserve	10,833
2,800	Voluntary provision for the repayment of debt	1,423
500	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,733
0	Deferred Capital Receipt	0
26,595	Total Adjustments between Revenue and Capital Resources	35,614
14,201	Total Adjustments to Capital Resources:	42,801
(9,170)	Adjustments between accounting basis and funding basis under regulations	(12,656)

Notes to the Housing Revenue Account

1. Information on Housing Fixed Assets

a) Number of Dwellings

2024/25 Number		2025/26 Number
	Flats	
2,739	1 bedroom	2,661
2,265	2 bedrooms	2,262
366	3 bedrooms	369
23	4 & 5 bedrooms	23
	Houses	
320	1 bedroom	320
1,074	2 bedrooms	1,057
2,307	3 bedrooms	2,291
188	4 & 5 bedrooms	192
9,282	Total Number of Dwellings	9,175

b) Balance Sheet Value of HRA Tangible Fixed Assets

2024/25 £000		2025/26 £000
	Operational	
704,653	Council Dwellings	679,663
13,989	Other Land & Buildings	12,981
187	Vehicles, Plant, Furniture & Equipment	1,468
406	Infrastructure	302
59,584	Assets Under Construction	81,079
778,819		775,493

c) Valuation of Council Dwellings at Year End

2024/25 £m		2025/26 £m
2,819	Vacant Possession Value	2,719
2,114	Excess of Vacant Possession over Balance Sheet Value	2,039
705	Balance Sheet value	680

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

2. Movement on Major Repairs Reserve

2024/25 £'000		2025/26 £'000
8,194	Balance brought forward at start of year	8,175
10,654 (10,673)	Total depreciation from Capital Adjustment Account less MRR used to fund Capital Expenditure on HRA Dwellings	10,833 (9,746)
8,175	Balance carried forward at end of year	9,262

3. a) Total Capital Expenditure and Funding

2024/25 £'000		2025/26 £'000
	Capital expenditure on HRA property and other assets:	
54,065	Dwellings	69,073
722	Other land buildings	789
13,416	Assets Under Construction	19,437
187	Vehicles, Plant, Furniture & Equipment	1,318
0	REFCUS	3
6,613	Investments	3,140
75,003	Total expenditure	93,760
	Financed from:	
10,673	Major Repairs Reserve	9,746
9,557	Grants and contributions	15,230
500	Revenue contributions	1,733
16,600	Capital receipts	22,535
37,673	Borrowing	44,516
75,003	Total funding	93,760

b) HRA Capital Receipts

2024/25 £'000		2025/26 £'000
7,450	Right to Buy sales	21,196
5,190	Other property sales	499
12,640	Total cash receipts	21,695
44	Transferred for Pooling	231
12,684	Total income	21,926

4. Depreciation and Impairment Charge

The depreciation charged to the HRA breaks down as follows:

2024/25 £'000		2025/26 £'000
10,365	Dwellings	10,556
136	Other buildings	136
0	Equipment	37
154	Infrastructure	103
10,655	Total HRA depreciation	10,832
30,706	Revaluation credit/debit	68,492
41,361	Total HRA depreciation and Revaluation charge	79,324

5. Rent Income, Arrears and Bad Debts

2024/25 £'000	Rent	2025/26 £'000
128.10	Average weekly rent (including services charges unpooled)	131.38

31 March 2025 £000	Arrears and Bad Debts	31 March 2026 £000
4,942	Rent arrears at 31 March	5,087
(4,860)	Bad debts provision at 31 March	(4,660)
81	Total	427

Collection Fund Account

Collection Fund 2025/26

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 2025/26

2024/25			2025/26	
Business Rates	Council Tax		Business Rates	Council Tax
£000	£000		£000	£000
		Income		
(77,901)	(203,881)	Income from Council Tax		(215,554)
		Income from Business Rates	(83,695)	
(882)		Transitional relief	638	
(2,048)		Income collectable from Business Rate Supplement	(1,802)	
		Previous Year Deficit recognised in the CI&ES		
	0	London Borough of Havering	(1,234)	0
		Central Government	(1,358)	
	0	Greater London Authority	(1,522)	0
(80,831)	(203,881)	Total Income	(88,973)	(215,554)
		Expenditure		
		Previous Year Surplus recognised in the CI&ES		
4,336		London Borough of Havering		
4,770		Central Government		
5,348		Greater London Authority		
		Precepts		
25,124	158,023	London Borough of Havering	27,297	164,361
27,636		Central Government	30,027	
30,986	42,897	Greater London Authority	33,666	44,208
		Charges to Collection Fund		
823	168	Write-offs	299	5,000
(285)	4,030	Increase/(decrease) in bad debt provision	(132)	1,742
11		Increase/(decrease) in provision for appeals	(1,424)	
264		Cost of collection	264	
235		Interest paid	330	
		Business Rate supplement		
2,042		Payment to Greater London Authority	1,796	
6		Cost of Collection	6	
101,296	205,118	Total Expenditure	92,129	215,311
20,465	1,237	Movement in fund balance	3,156	(243)
(14,062)	(866)	Net deficit/(surplus) at start of year	6,403	371
6,403	371	Net deficit/(surplus) carried forward (notes 3a & 3b)	9,559	128

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 2025/26 at £2,313.55 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	3
A	2,127
B	5,996
C	21,552
D	31,349
E	17,304
F	9,022
G	4,875
H	710
Allowance for losses in collection 3.0%	(2,787)
Tax Base	90,151

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 £218.7m at 31 March 2026 (£222.3m at 31 March 2025) multiplied by uniform rates for large and small businesses. In 2025/26 the rate was 55.5p for large businesses (54.6p in 2024/25) and 49.9p for small businesses (49.9p in 2024/25). 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

2024/25 £000		2025/26 £000
112,082	Gross NNDR due in year	112,276
(34,181)	Less: allowances and other adjustments	(28,581)
77,901	Net NNDR Yield	83,695

2b) Income collectable from Business Rate Supplement

2024/25 £000		2025/26 £000
2,116	Gross Supplement due in year	2,118
(68)	Less: allowances and other adjustments	(321)
2,048	Net Business Rate Surplus Yield	1,802

For 2024/25 and 2025/26, 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

2024/25 £000		2025/26 £000
292	London Borough of Havering	101
79	Greater London Authority	27
371	(Surplus) / Deficit	128

3b) Business Rates

2024/25 £000		2025/26 £000
1,921	London Borough of Havering	2,867
2,142	Central Government	3,183
2,340	Greater London Authority	3,508
6,403	Deficit	9,558

Pension Fund Account

2024/25 £000	FUND ACCOUNT	Notes	2025/26 £000
	Dealings with members, employers and others directly involved in the fund		
54,202	Contributions receivables	7	54,593
4,872	Transfers in from other pension funds		8,764
59,074			63,357
(48,938)	Benefits	8	(50,481)
(6,198)	Payments to and on account of leavers	9	(7,923)
(55,136)			(58,405)
3,938	Net additions from dealings with members		4,952
(5,943)	Management expenses	10	(6,246)
(2,005)	Net additions/(deductions) including fund management expenses		(1,294)
	Returns on investments		
20,118	Investment income	11	16,693
20,829	Profit and losses on disposal of investments and changes in the market value of investments	12a	90,130
40,947	Net returns on investments		106,823
38,942	Net increase in the net assets available for benefits during the year		105,529
969,498	Opening net assets of the Fund at start of year		1,008,440
1,008,440	Closing net assets of the Fund at end of year		1,113,969

2024/25 £000	NET ASSET STATEMENT	Notes	2025/26 £000
150	London CIV Shareholding	12	220
992,902	Investment Assets	12	1,096,298
(1,162)	Investment Liabilities	12	(2,362)
991,890	Total net investments		1,094,156
17,306	Current Assets	20	20,294
(756)	Current Liabilities	21	(482)
1,008,440	Net assets of the Fund available to fund benefits at end of the reporting period		1,113,969

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

Note 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.

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-25		31-Mar-26
65	Number of employers with active members	65
	Number of employees in scheme	
5,271	London Borough of Havering	5,000
2,566	Scheduled bodies	2,326
152	Admitted bodies	167
7,989	Total	7,493
	Number of pensioners and dependants	
6,555	London Borough of Havering	6,681
608	Scheduled bodies	684
39	Admitted bodies	47
7,202	Total	7,412
	Deferred pensioners	
5,926	London Borough of Havering	6,078
1,475	Scheduled bodies	1,581
42	Admitted bodies	51
7,443	Total	7,710
22,634	Total number of members in pension scheme	22,615

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 2026. 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/>

Note 2 Basis of Preparation

The Statement of Accounts summarise the Fund's transactions for the 2025/26 financial year and its position at year end, 31 March 2026. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 "(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 Note 19.

The administering authority is satisfied that Havering Pension Fund is a going concern and the financial statements for 2025/26 have been prepared on a going concern basis as follows:

Investment returns were 10.13% in 2025/26 and +7.02% over the three years to 31 March 2026. Invested asset values have increased by £102.1m 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.

At the latest triennial valuation, March 2025, the Fund was assessed as 101% funded. This represents a significant improvement on the funding level of 80% at March 2022 and indicates that, at the valuation date, the Fund was in surplus on a funding basis.

While funding levels may fluctuate over time due to market conditions and actuarial assumptions, it is important to note that the Fund does not need to be fully funded at all times in order to be a going concern. Instead, it must be able to meet benefit obligations as they fall due.

At the Balance Sheet date, the Fund held cash of £51.1m, equivalent to 5% of the fund assets. In addition, the Fund held £784.5m 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.

Note 3 Summary of Significant Accounting Policies

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.

Note 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.

Note 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	<p>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:</p> <p>0.1% p.a. decrease in the Real Discount Rate could result in an increase of 2%</p> <p>0.1% p.a. increase in the Pension Increase Rate (CPI) could result in an increase of 2%</p> <p>0.1% p.a increase in the Salary Increase Rate could result in a 0% increase</p> <p>1 Year increase in member life expectancy could result in a 4% increase</p>	<p>16</p> <p>15</p> <p>1</p> <p>41</p>
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 £278m, which represents 25% of the total Fund value of £1,114m.	Sensitivity Analysis shows that the £278m valuation could decrease or increase within the range of £267m and £289m

Note 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 be reflected in the statement of accounts. There are no events after the reporting date that need to be disclosed as part of the financial statement.

Note 7 Contributions Receivable

By category

2024/25 £000		2025/26 £000
	Employees' contributions	
	Normal:	
7,907	London Borough of Havering	8,710
2,280	Scheduled Bodies	2,332
245	Admitted Bodies	328
	Additional contributions:	
7	London Borough of Havering	6
1	Scheduled Bodies	3
-	Admitted Bodies	-
10,440	Total Employees' Contribution	11,379
	Employers' contributions	
	Normal:	
21,320	London Borough of Havering	23,193
7,812	Scheduled bodies	8,224
968	Admitted bodies	1,156
30,099	Total Primary Contributions	32,573
	Secondary contributions:	
	Employer contribution to deficit	
13,033	London Borough of Havering	10,010
278	Scheduled bodies	301
11	Admitted bodies	6
	Employer reduction to surplus	
(36)	Scheduled bodies	(40)
(31)	Admitted bodies	(30)
13,255	Total Secondary Contributions	10,247
43,355	Total Employer Payroll Contributions	42,820
	Augmentation	
291	London Borough of Havering	394
116	Scheduled bodies	
407	Total Augmentation contributions	394
43,762	Total Employers' Contributions	43,214
54,202	Total Contributions Receivable	54,593

By authority

2024/25 £000		2025/26 £000
42,559	London Borough of Havering	42,313
10,450	Scheduled bodies	10,820
1,193	Admitted Bodies	1,460
54,202	Total Contributions Receivable	54,593

Note 8 Benefits Payable

By category

2024/25 £000		2025/26 £000
	Pensions	
38,152	London Borough of Havering	39,461
2,137	Scheduled Bodies	2,415
251	Admitted Bodies	275
40,540	Pensions Total	42,151
	Commutation and Lump Sum Retirements	
5,347	London Borough of Havering	6,429
1,253	Scheduled Bodies	1,024
146	Admitted Bodies	138
6,746	Commutation and Lump Sum Retirements Total	7,591
	Lump Sum Death Benefits	
1,467	London Borough of Havering	717
185	Scheduled Bodies	22
1,652	Lump Sum Death Benefits Total	739
48,938	Total Benefits Payable	50,481

By authority

2024/25 £000		2025/26 £000
44,966	London Borough of Havering	46,607
3,575	Scheduled Bodies	3,461
397	Admitted Bodies	413
48,938	Total Benefits Payable	50,481

Note 9 Payments To and On Account of Leavers

2024/25 £000		2025/26 £000
90	Return of Contributions	120
5,918	Transfer Values Paid Out	7,625
190	Interest Paid on Short Term Borrowing	178
6,198	Payments to and on Account of Leavers	7,923

Note 10 Management Expenses

By category

2024/25 £000		2025/26 £000
1,004	Administrative Costs	1,070
4,264	Investment Management Expenses	4,335
552	Oversight and Governance Costs	734
114	Oversight and Governance - External Audit costs	101
9	Local Pension Board	7
5,943	Total Management Expenses	6,246

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 to pooled fund investments.

Note 10a Investment Management Expenses

2025/26	Management fees	Performance Related fees	Transaction cost	2025/26 Total
	£000	£000	£000	£000
Bonds	326		11	337
Infrastructure	960			960
Global Equity	1,561		106	1,667
Other Investments				
Pooled Property	475		151	625
Private Debt	535		137	673
Derivatives - Forward Currency Cont	34		-	34
	3,890	0	405	*4,295
Custody fees				40
Performance Measurement fees				-
Investment Management Expenses				4,335

*Includes £1.541m charged for assets in the London CIV asset pool (£1.546m In 2024/25)

2024/25	Management fees	Performance Related fees	Transaction cost	2024/25 Total
	£000	£000	£000	£000
Bonds	280	0	11	291
Diversified Growth Funds	862	0	0	862
Infrastructure				0
Global Equity	1,513	0	123	1,636
Other Investments				0
Pooled Property	378	32	145	555
Private Debt	536	0	318	854
Derivatives - Forward Currency Cont	37	0	0	37
	3,606	32	597	*4,235
Custody fees				29
Performance Measurement fees				-
Investment Management Expenses				4,264

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

Note 11 Investment Income

By category

2024/25		2025/26
£000		£000
16,653	Pooled Investments - unit trusts and other managed funds	13,665
249	Bonds	476
1,540	Pooled Property Investments	1,717
110	Income from Derivatives (Foreign Exchange Gains/(losses))	-
1,510	Interest on Cash Deposits	799
56	Other income*	37
20,118	Investment Income	16,693

* Fees and charges income

Note 12 Analysis of Investments

2024/25 £000		2025/26 £000
	Investment Assets	
150	LCIV Shareholding	220
150		220
	Bonds	
47,048	Index-Linked Securities*	-
47,048		0
	Pooled Investment	
118,674	Fixed Interest Unit Trust	122,378
538,059	Global Equity	614,700
111,308	Infrastructure	118,060
	Index-Linked Securities*	49,574
768,041		904,712
	Other Investments	
82,032	Pooled Property	83,477
76,198	Private Debt	76,257
158,230		159,734
3,317	Derivatives - Forward Currency Contracts	45
15,281	Cash deposits Managers	31,798
871	Amounts receivable for sales	-
114	Investment income due	9
19,583		31,852
993,052	Total Investment Assets	1,096,519
	Investment Liabilities	
(376)	Derivatives - Forward Currency Contracts	(2,362)
(786)	Amounts payable for purchases	-
(1,162)	Total Investment Liabilities	(2,362)
991,890	Total Net Investments	1,094,156

* In 24/25 the Fund directly held index linked securities, during 2025/26 these holdings transitioned to a new manager who holds the index linked securities in a pooled arrangement.

Note 12a Reconciliation of movements in investments and derivatives

	Market Value at 31 March 2025	In year purchases and derivative payments	In year sales and derivative receipts	Change in Market Value	Market Value at 31 March 2026
	£000	£000	£000	£000	£000
Index-linked Securities	47,049	108,172	(108,726)	(46,495)	0
LCIV Shareholding	150	70	0	0	220
Pooled Investment Vehicles	768,041	7,732	(5,698)	134,637	904,712
Other Investments	158,230	8,617	(9,053)	1,940	159,734
	973,470	124,591	(123,477)	90,082	1,064,666
Derivatives – forward currency contracts	2,941	7,688	(12,936)	(11)	(2,318)
	976,411	132,279	(136,413)	90,071	1,062,348
Other Investment Balances:					
Cash Deposits (fund managers)	15,281			61	31,799
Investment income due	985			0	9
Spot FX contracts	0			(2)	0
Amounts payable for purchases	(786)			0	0
	991,891			90,130	1,094,156

* The LCIV Shareholding has been separated from pooled investment vehicles to improve asset classification

	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	(110,943)	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

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.

Note 12b Investments analysed by Fund Manager

The investments analysed by fund managers and the market value of assets under their management at the year end date were as follows:

Value 31 March 2025		Manager	Mandate	Value 31 March 2026	
£000	%			£000	%
Investments managed by London CIV asset Pool:					
150	0.02	London CIV	Equities Unquoted	220	0.02
126,164	12.72	Ruffer	Pooled Absolute Return Fund	135,923	12.42
17,995	1.81	Foresight, Blackrock, Quinbrook & Stonepeak	Pooled Infrastructure Renewables	19,913	1.82
133,802	13.49	Baillie Gifford	Pooled Global Alpha Growth Paris Aligned Fund	145,911	13.34
58,880	5.94	State Street Global Advisors	Pooled Passive Equity Progressive Paris Aligned (PEPPA)	66,746	6.10
47,854	4.82	PIMCO	Global Bonds	47,746	4.36
384,846	38.80			416,459	38.06
PLUS Investments aligned with London CIV asset pool:					
219,214	22.10	Legal & General Investment Management (LGIM)	Passive Global Equities/ Emerging Markets/Future World	266,120	24.32
0	0.00	Legal & General Investment Management (LGIM)	Index linked gilts	49,574	4.53
31,281	3.15	CBRE	Global Pooled Property	32,170	2.94
635,340	64.05	London CIV Total		764,323	69.85
Investments managed outside of the London CIV asset Pool:					
70,821	7.14	Royal London Multi Asset Credit	Fixed Interest Unit Trust	74,684	6.83
47,489	4.79	Royal London Index Linked Bonds	Investment Grade Bonds	0	0.00
50,751	5.12	UBS Property	Pooled Property	51,307	4.69
17,664	1.78	Stafford Capital SISF II	Overseas Pooled Infrastructure	18,694	1.71
26,117	2.63	Stafford Capital SISF IV	Overseas Pooled Infrastructure	26,690	2.44
49,725	5.01	JP Morgan	Overseas Pooled Infrastructure	54,166	4.95
12,224	1.23	Churchill II	Overseas Pooled Private Debt	8,516	0.78
16,294	1.64	Churchill IV	Overseas Pooled Private Debt	16,971	1.55
18,841	1.90	Permira PCS4	Overseas Pooled Private Debt	14,513	1.33
28,838	2.91	Permira PCS5	Overseas Pooled Private Debt	36,258	3.31
3,926	0.40	Russell Investments	Currency Management	3,473	0.32
13,860	1.40	Other	Other	24,561	2.24
356,550	35.95			329,833	30.15
991,890	100.00	Total Fund		1,094,156	100.00

Note 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 2025 £000	% of Total Fund	Security	Market Value 31 March 2026 £000	% of Total Fund
133,802	13.27	London CIV Baillie Gifford Global Alpha Paris Aligned Fund	145,911	13.10
126,164	12.52	London CIV Ruffer Absolute Return Fund	135,923	12.21
133,667	13.26	LGIM Future World Fund	165,153	14.83
70,821	7.03	Royal London Multi Asset Credit Pooled Fund	74,632	6.70
58,880	5.84	London CIV Pooled Passive Equity Progressive Paris Aligned (PEPPA)	66,746	5.99
50,751	5.04	UBS Property	51,307	4.69
49,725	4.93	JP Morgan Infrastructure	53,494	4.80
623,810	61.89	Total Fund	693,166	62.32

Note 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 2026, the value of quoted equities on loan was £181.6m (31 March 2025 £194.5m) These equities continue to be recognised in the fund's financial statements.

Note 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 2026 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	£000
Up to one month	GBP	25,508	EUR	(29,283)	4	(117)
Up to one month	GBP	2,871	USD	(5,731)	2	(106)
Up to one month	GBP	23,212	AUD	(31,245)	0	(482)
One to six months	GBP	5,378	GBP	(10,305)	34	(4)
One to six months	GBP	64,676	GBP	(87,160)	0	(1,435)
One to six months	GBP	38,839	USD	(44,548)	0	(218)
Up to one month	USD	144	AUD	(107)	2	-
One to six months	EUR	1,969	EUR	(1,723)	3	-
One to six months	USD	2,823	GBP	(2,141)	0	(0)
One to six months	AUD	1,949	GBP	(1,012)	0	(0)
Open forward currency contracts at 31 March 2026					45	(2,362)
Net forward currency contracts at 31 March 2026						(2,318)
Open forward currency contracts at 31 March 2025					3,317	(376)
Net forward currency contracts at 31 March 2025						2,941

Note 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
Pooled equity funds	Level 2	Valued at fair value based on the latest available bid price or net asset value (NAV) of the pooled fund, as published by the fund manager at the reporting date.	Observable inputs include quoted prices of underlying equity holdings and published fund prices. No significant unobservable inputs are used.	The valuations are sensitive to changes in market prices of the underlying equity investments, foreign exchange movements, and overall market conditions.
Pooled bond funds	Level 2	Valued at fair value based on the latest available bid price or net asset value (NAV) of the pooled fund, as published by the fund manager at the reporting date.	Observable inputs include quoted market prices of the underlying bond holdings, yield curves, credit spreads and published fund prices. No significant unobservable inputs are used.	The valuations are sensitive to changes in interest rates, credit spreads, market prices of the underlying bonds and, where applicable, foreign exchange movements.

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled index-linked gilt funds	Level 2	Valued at fair value based on the latest available bid price or net asset value (NAV) of the pooled fund, as published by the fund manager at the reporting date.	Observable inputs include quoted market prices of underlying index-linked gilts, real yield curves, inflation indices and published fund prices. No significant unobservable inputs are used.	The valuations are sensitive to changes in real interest rates, inflation expectations, market prices of the underlying index-linked gilts and, where applicable, foreign exchange movements.

Description of asset	Value hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Forward foreign exchange derivatives	Level 2	Valued at fair value using observable forward foreign exchange rates at the reporting date, applied to the contractual amounts of the derivatives.	Observable inputs include spot and forward foreign exchange rates and interest rate differentials. No significant unobservable inputs are used.	The valuations are sensitive to changes in foreign exchange rates and interest rate differentials between the relevant currencies.
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	The valuations are sensitive to changes in rental income, capitalisation yields, occupancy levels, expected future cash flows and general market conditions affecting UK property values.
Overseas Pooled instruments property funds (CBRE)	Level 3	The valuation function is performed by the Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD	A Pricing Committee, composed of senior members of the AIFM, is in place, who meet quarterly and is responsible for overseeing proposed adjustments to the value of investments	Valuations could be affected by significant differences in rental value and rental growth. There may be a timing difference between the date of the last reported underlying property valuation and the date of the Funds financial statements, during which the underlying property valuation may have increased or decreased by a significant amount
Overseas Pooled instruments Infrastructure Funds (JP Morgan)	Level 3	Estimated fair values are determined by the Advisor at valuation date and independently appraised and adjusted on a quarterly basis.	Three valuation techniques can be used, the market, income or cost approach. The appropriateness of each approach depends on the type of asset or business being valued.	Risks to the valuation involve a number of local, national and international economic conditions. Timing difference between the date of the last reported valuation and the date of the Funds financial statements means that valuations may have increased or decreased by a significant amount

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

Note 15 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 2026.

	Assessed valuation range (+/-)	Value at 31 March 2026	Value on increase	Value on decrease
	%	£000	£000	£000
Private Debt	4.60	76,257	79,765	72,749
Pooled Property	3.40	83,477	86,315	80,639
Infrastructure	4.10	118,060	122,901	113,220
Total		277,794	288,981	266,608

	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

Note 15 a Fair Value Hierarchy

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

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2026	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss	31,808	786,917	277,794	1,096,519
Financial liabilities at fair value through profit and loss	0	(2,362)	0	(2,362)
Net Financial Assets	31,808	784,554	277,794	1,094,156

	Quoted Market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2025	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
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)	0	0	(786)
Net Financial Assets	62,528	659,825	269,538	991,890

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

Note 15b Reconciliation of Fair Value Measurement within Level 3

	Market Value 31 March 2025	Purchases	Sales	2025/26 Total	Realised gains / losses	Market Value 31 March 2026
	£000	£000	£000	£000	£000	£000
Infrastructure	111,308	4,693	(3,379)	5,254	184	118,060
Pooled Property	82,033	0	0	1,445	0	83,478
Private Debt	76,197	8,617	(8,031)	415	(942)	76,256
Total	269,538	13,310	(11,410)	7,114	(758)	277,794

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

There were no transfers between levels.

Note 16 Financial Instruments

(a) Classification of financial instruments

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

31 March 2025				31 March 2026		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
150	-		Long Term Investments	220	-	
47,048	-		Bonds - Index linked securities	-		-
3,317	-		Derivative contracts	45	-	
768,041	-		Pooled investment Vehicles	904,712	-	
76,198	-	-	Private Debt	76,257	-	-
82,032	-	-	Property	83,477	-	-
-	31,749	-	Cash	-	51,063	-
	985	-	Other Investment Balances	-	9	-
	18	-	Debtors	-	133	-
976,786	32,752	-	Financial Assets Total	1,064,711	51,205	-
			Financial Liabilities			
-		(786)	Other Investment Balances	-		0
-		(608)	Derivative contracts	-		(2,362)
			Creditors	-		(482)
(376)	0	(1,394)	Financial Liabilities Total	0	0	(2,844)
976,410	- 32,752	(1,394)	Grand total	1,064,711	- 51,205	(2,844)
	1,007,768				- 1,113,072	

Note 16b Net Gains and Losses on Financial Instruments

2024/25 £000		2025/26 £000
20,829	Financial assets	90,130
20,829	Fair value through profit and (loss)	90,130

Note 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.

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 2025/26, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	Value as at 31 March 2026	Potential market movements	Value on Increase	Value on Decrease
	£000	%	£000	£000
Pooled Equities	614,920	11.03	682,753	547,087
Fixed income	171,952	5.49	181,385	162,519
Infrastructure	118,060	4.12	122,927	113,193
Pooled Property	83,477	3.38	86,297	80,657
Private Debt	76,257	4.62	79,783	72,731
Cash	29,490	2.15	30,125	28,855
Total	1,094,156		1,183,270	1,005,042

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

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 2026	Potential movement on 1% change in interest rates	Value on increase	Value on Decrease
	£000	£000	£000	£000
Bond Securities	0	0	0	0
Cash and Cash Equivalents	31,808	318	32,126	31,490
Cash Balances	19,265	193	19,458	19,073
	51,073	511	51,584	50,563

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	78,605	786	79,391	77,819

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 5.4% over a rolling 36 month period.

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

A 5.4% 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 2026 £000	Potential Market movement 4.60%	Value on increase £000	Value on Decrease £000
Overseas Pooled	155,935	7,173	163,108	148,762
Overseas Cash	21,650	1,407	23,058	20,243
Total change in assets	177,585	8,580	186,165	169,005

Assets exposed to currency risk	Asset Values as at 31 March 2025 £000	Potential Market movement 5.55%	Value on increase £000	Value on Decrease £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

(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 2026 was £19.158m (31 March 2025 £16.163m). 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 2026 the value of liquid assets was £835m, which represented 75% of the total Fund (31 March 2025 £817m, which represented 73% 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.

Note 18 Funding Arrangements



Actuarial Statement for 2025/26

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2018. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated April 2026.

In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the overall Fund
- to ensure the solvency of each individual employers' share of the Fund based on their expected term of participation in the Fund
- to maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer
- to minimise the degree of short-term change in employer contribution rates
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment
- to help employers manage their pension liabilities
- where practical and cost effective, to make allowance for the different characteristics of different employers and groups of employers

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. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

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 2025. This valuation revealed that the Fund's assets, which at 31 March 2025 were valued at £1,008 million, were sufficient to meet 101% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2025 valuation was £13 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2026 to 31 March 2029 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 2025 valuation report.

Method

Membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

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

The key financial assumptions adopted for the 2025 valuation were as follows:

Financial assumptions	31 March 2025 %
Discount Rate for Period	5.5
Salary increases assumption	3.3
Benefit increase assumption (CPI)	2.60

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2024 model, with core parameterisation, except, initial addition 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	21.5 years	24.1 years
Future Pensioners*	22.3 years	25.3 years

* Aged 45 at the 2025 Valuation

Copies of the 2025 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2025

The increase in US tariffs on imports since March 2025 and the recent conflict in the Middle East have caused significant market volatility which feeds through to the investment returns achieved by the Fund's assets. The Fund's overall investment returns since March 2025 have been positive.

Observed inflation has been higher than anticipated over 2026, resulting in LGPS benefit increases of 3.8% in April 2026 and an increase in the value placed on the Fund's liabilities.

Overall, we estimate that the funding position is likely to be slightly weaker than at the previous formal valuation at 31 March 2025.

The next actuarial valuation will be carried out as at 31 March 2028 and will be finalised by 31 March 2029. The Funding Strategy Statement will also be reviewed during the valuation, and a revised version will come into effect from 1 April 2029.

Prepared by:

Ciaran Henry FFA C.Act

15 May 2026

For and on behalf of Hymans Robertson LLP

Note 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 2025	Year Ended	31 March 2026
£m		£m
(936)	Present Value of Promised Retirement Benefits	(1,015)
1,008	Fair Value of Scheme assets (bid Value)	1,114
72	Net Asset	99

The promised retirement benefits at 31 March 2026 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2025. The approximation involves in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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

It should be noted 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 2026 and 31 March 2025. I estimate that the impact of the change in financial assumptions to 31 March 2026 is to decrease the actuarial present value by £30m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £17m.

Financial assumptions

The actuary's recommended financial assumptions are summarised below:

31 March 2025	Year Ended (% p.a)	31 March 2026
% p.a.		% p.a.
2.80	Pension Increase Rate (CPI)	3.00
3.50	Salary Increase Rate	3.70
5.80	Discount Rate	6.20

Demographic assumptions

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

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2025 model, with core parameterisation, 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	21.6 years	24.2 years
Future Pensioners (assumed to be aged 45 at the latest valuation date)	22.4 years	25.4 years

All other demographic assumptions have been updated since last year and are as per the latest funding valuation of the Fund.

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 obligations are set out below:

Change in assumptions at 31 March 2026	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	16
1 year increase in member life expectancy	4%	41
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

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2026' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

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Ciaran Henry FFA C.Act

15 May 2026

For and on behalf of Hymans Robertson LLP

Note 20 Current Assets

2024/25 £000		2025/26 £000
199	Contributions due - employers	173
621	Contributions due - employees	639
305	Pension Fund Bank Account Balance	107
16,163	Cash deposit with LB Havering	19,158
18	Receivables control account	133
-	Holding Accounts	84
17,306	Current Assets	20,294

Note 21 Current Liabilities

2024/25 £000		2024/25 £000
(148)	Benefits Payable	0
(330)	Sundry Creditors	(380)
(278)	Holding Accounts	(101)
(756)	Current Liabilities	(482)

Note 22 Additional Voluntary Contributions

Contributions Paid	Market Value	AVC Provider	Market Value	Contributions Paid
2024/25 £000	2024/25 £000		2025/26 £000	2025/26 £000
784	32	Prudential	878	23
86	-	Standard Life	63	-

Note 23 - Agency Services

The Fund pays discretionary awards to the former employees of Havering. The amounts paid are not charged to the pension fund.

2024/25 £000		2025/26 £000
1,364	Payments on behalf of Havering Council	1,325

Note 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 £1.279m (2024/25 £1.216m) 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 2025/26 £33.596m (2024/25 £34.644m) 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 2026 cash holdings totalled £19.158m (2024/25 £16.163m), earning interest over the year of £0.774m (2024/25 £1.025m).

The Fund is a minority shareholder in the London CIV Pool limited, and shares valued at £0.220m at 31 March 2026 (2024/25 £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 2025/26 the Fund incurred costs of £1.514m were charged to the Fund by the London CIV in respect of investment management services (2024/25 £1.546m).

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 Strategic Director of Resources (Section 151 officer).

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.

Note 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.

Note 25 - Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2026 were £25.6m (31 March 2025 £36.63m). 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 £0.113m (2024/25 £0.402m) 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 of 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.

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 The rules and methods used by the Council to prepare its financial statements.

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 based on 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; how much the Council needs to borrow to fund its capital programme. 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.

Capitalisation Direction A formal approval from Government that allows a local authority to treat certain revenue expenditure as capital. This is typically provided as part of Exceptional Financial Support (EFS) arrangements (see Exceptional Financial Support).

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.

Dedicated Schools Grant A ringfenced government grant provided to local authorities to fund education-related expenditure, including schools, early years provision, and support for children with special educational needs and disabilities (SEND). The grant is split into blocks (Schools, High Needs, Early Years and Central Services). Any deficit on the DSG must be carried forward and managed separately from the Council's General Fund.

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.

Exceptional Financial Support (EFS) Government support provided through a capitalisation direction which allows councils to treat revenue expenditure as capital and fund it through borrowing or capital receipts.

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 that involves borrowing, lending, or investment, 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.

Medium Term Financial Strategy (MTFS) The Council's financial planning framework covering a period of typically three to five years. It sets out expected income, expenditure pressures, savings requirements and funding assumptions, and is used to ensure the Council can deliver a balanced and sustainable budget over the medium term.

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 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 some support 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 Legacy term, whereby borrowing was supported by central government grant towards the financing costs, mainly through Revenue Support Grant.