London Borough of Hammersmith & Fulham

Audit Committee

Agenda

Wednesday 6 November 2024 at 7.00 pm

145 King Street (Ground Floor), Hammersmith, W6 9XY

Watch the meeting live: youtube.com/hammersmithandfulham

MEMBERSHIP

Administration	Opposition
Councillor Patrick Walsh (Chair) Councillor Florian Chevoppe-Verdier Councillor Lisa Homan	Councillor Adrian Pascu-Tulbure
	Independent
	Councillor David Morton

CONTACT OFFICER: Debbie Yau
Governance and Scrutiny
Email: Debbie.Yau@lbhf.gov.uk
Web: www.lbhf.gov.uk/committees

Members of the public are welcome to attend, but spaces are limited so please contact Debbie.Yau@lbhf.gov.uk if you'd like to attend. The building has disabled access.

Date Issued: 29 October 2024
Dates Updated: 30 October 2024
31 October 2024
4 November 2024

Audit Committee
Agenda

Item **Pages**

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.

At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.

Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.

Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.

3. MINUTES OF THE PREVIOUS MEETING 4 - 13

To approve the minutes of the previous meeting and to note any outstanding actions.

4. STATEMENT OF ACCOUNTS 2023/24 14 - 352

This report presents the London Borough of Hammersmith & Fulham's 2023/24 Statement of Accounts, including the Pension Fund Accounts and Annual Governance Statement for approval.

5. ANNUAL AUDIT REPORT (VALUE FOR MONEY) 2023/24 353 - 404

This report presents the external auditor's Interim Annual Audit Report concerning the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (commonly known as "Value for Money" reporting). The report covers the financial years 2023/24.

6. HEALTH AND SAFETY UPDATE APRIL 2023 TO MARCH 2024 405 - 430

This report highlights the Council's activities and performance in health and safety at work for the financial year 2023/2024.

7. ANNUAL COMPLAINTS REPORT 2023/24 431 - 511

This report summarises the Council's performance and learning from resident complaints during the period 1 April 2023 to 31 March 2024. It includes all complaints covering stage 1, 2, Ombudsman and statutory complaints.

8. TREASURY MANAGEMENT OUTTURN REPORT 2023/24 512 - 519

This report sets out the Council's Treasury Management Outturn for 2023/24 and is in line with the Council's Treasury Management Strategy (as approved by Council on 23 February 2023). The details are subject to external audit review and this report will also be presented to Audit Committee (in line with governance and regulatory requirements).

9. DATES OF FUTURE MEETINGS

The following meeting dates have been scheduled:

- 9 December 2024
- 10 March 2025

London Borough of Hammersmith & Fulham

Audit Committee

Minutes

Wednesday 31 July 2024

PRESENT

Committee members: Councillors Patrick Walsh (Chair), Florian Chevoppe-Verdier, Adrian Pascu-Tulbure and David Morton

Other Councillor: Councillor Rowan Ree (Cabinet Member for Finance and Reform)

Officers:
Sukvinder Kalsi (Executive Director of Finance & Corporate Services)
James Newman (Assistant Director of Finance)
David Hughes (Director of Audit, Fraud, Risk and Insurance)
Andy Hyatt (Head of Fraud)
Moira Mackie (Head of Internal Audit)
Jules Binney (Risk and Assurance Manager)
Amanda Gordon (OD Children's and Young People Services) (attended remotely)
Debbie Yau (Committee Coordinator)

Guest
Nick Halliwell (Senior Manager – Audit, Grant Thornton)

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Lisa Homan who was a new member of this Committee.

The Chair took the opportunity to thank Councillor Ashok Patel for his contributions to the Committee in the past.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

Matters arising

Responding to the enquiry of Councillor Adrain Pascu-Tulbure, Sukvinder Kalsi (Executive Director of Finance and Corporate Services) agreed to provide the information on the Annual Parking Report 2022 to 2023 when it was published.

ACTION: James Newman

RESOLVED
That the minutes of the meeting held on 11 March 2024 were agreed as an accurate record.

4. EXTERNAL AUDIT PLAN 2023/24, AUDIT RISK ASSESSMENT AND STATEMENT OF ACCOUNTS UPDATE

Sukvinder Kalsi (Executive Director of Finance and Corporate Services) briefed members that this report covered the external audit plan, risk assessment for the audit of the financial year 2023/24 and an update on the Statement of Accounts for 2022/23 and 2023/24. He noted that the Audit Risk Assessment 2023/24 (Appendix 2) included the following areas:

- General Enquiries of Management
- Fraud
- Laws and Regulations
- Related Parties
- Going Concern
- Accounting Estimate

Sukvinder Kalsi further noted that the external auditor had issued an unqualified opinion on the 2022/23 Statement of Accounts on 28 March 2024 after they had been approved by this Committee on 11 March 2024. The draft (unaudited) 2023/24 Statement of Accounts were published on the Council's website on 31 May 2024 in accordance with the statutory deadline, with the public inspection period ended on 12 July 2024. Upon the completion of external audit work, the final 2023/24 accounts would be presented to the Audit Committee for approval.

Nick Halliwell (Senior Manager – Audit, Grant Thornton) introduced the external audit plan which included separate plans for pension fund and the Council's general fund accounts. The significant risks identified were similar to that of the previous years except the disclosure requirements following the implementation of IFRS 16 by local authorities from 1 April 2024. Among the similar ones, the greatest risk identified was materiality. Nick then shared with members the level of materiality being determined for the Council's fund, senior officer remuneration, and Pension Fund under which a separate materiality was set to detect errors in specific accounts (page 24). He said that any error above 5% of the materiality levels would be reported in the audit findings.

In regard to signing off the 2023/24 audit, Nick Helliwell noted that the external audit work had started in mid-June and the report would be ready for the Committee's scrutiny around October to be signed by November 2024. While appreciating the audited accounts, the Chair stressed the need for this Committee to review the external audit reports and sign off accounts as soon as practicable at regular intervals. Nick agreed to take this on board.

Councillor Rowan Ree (Cabinet Member for Finance and Reform) said he was pleased to note that the Council managed to sign off 3 years of audits within one financial year which provided reassurance to the residents that LBHF was a well-run council. He also looked forward to the early signing off of the 2023/24 audited accounts.

Councillor Florian Chevoppe-Verdier highlighted the national economic context which continued to present challenges to the local government sector. There were also increasing demand for local government services, especially in adult and children's social care. As such, it was no small feat for this Council to battle significant pressures and balance the book. He nevertheless noted the need to update the name of the Pension Investment Advisor (Appendix 2, page 62) and to rectify the website links for electronic reporting under Safecall (Appendix 2, page 67).

Councillor Chevoppe-Verdier was concerned about the reasons for ongoing audit reporting delays and asked about the situation in this Council. Nick Halliwell noted there had been issues across the local authorities that their accounts for 2022/23 or earlier were not signed on time. They were caused by issues such as increased regulation, increased amount of work related to property and pension valuations, technical issues identified around infrastructure and the knock-on effect of the previous years' delays due to the pandemic. Nick noted that the new Parliament had agreed to implement a new backstop date and any 2022/23 audits not being signed off by mid-December 2024 would be accompanied by a disclaimer opinion. He was pleased to note that LBHF's 2022/23 audit had been completed in March 2024, well before the new backstop date. He added that Grant Thronton was an outlier in audit sign-off, having completed 65% vis-à-vis 7% of other firms as at end of May 2024. The rate was envisaged to increase to 75% by the end of this September.

In reply to the Chair's question on sector update, Nick Helliwell advised that the proportion of council audits done by Grant Thornton and other firms under the old contract was around 40:60. He then went through the audit sign-off situations between the two since 2020/21 (page 93). In this regard, Councillor Ree was concerned about Grant Thronton's capacity in signing off the Council's audits on time given their attention might be diverted to some trickier accounts of other local authorities. Nick reassured members that their London audit team had sufficient capacity to deal with regular audits by named colleagues, with extra manpower to be allocated on top of a normal team to undertake more complex audit work.

Members noted that the audit fees were set by Public Sector Audit Appointments (PSAA) as part of their national procurement exercise. In reply to Councillor Chevoppe-Verdier's questions about the changes in audit fees, Nick Helliwell explained that in 2017, PSAA awarded a 5-year contract of audit for LBHF for the period between 2018/19 and 2022/23. In 2023, Grant Thornton was re-appointed under a new 5-year contract. PSAA had set new fees for 2023/24 in response to the new regulatory framework and high inflation. By offering higher fees, PSAA also sought to draw more firms into the market to help clear the backlog. He added that under the new standards, the audit process became more laborious for both sides and the new fees also reflected the increased man-hours.

In this regard, Sukvinder Kalsi highlighted PSAA's robust procurement process in appointing an external auditor which helped assure the residents that the finances of a complex organisation such as this Council were well governed. He reiterated that the proposed Council Audit Scale Fee of £413K for 2023/24 was very similar in cash terms compared to 10 years ago and it was lower in real terms. He reassured that the Finance Department would keep an eye on the audit fees.

The Chair appreciated that a vast majority of councils had subscribed to PSAA's service as there were few firms could undertake an audit of an organisation as complicated as a council like LBHF. Echoing the Chair's view, Councillor Ree pointed out that in view of the lack of supply in the audit market, LBHF had probably obtained the best value for money audit services.

David Hughes (Director of Audit, Fraud, Risk and Insurance) undertook to provide information on the external auditor fee comparison data for London Boroughs for the 2023/24 audit year. He noted that H&F's council audit fee was in the bottom half.

NOTE: The information has been circulated on 5 August 2024

RESOLVED
That the Committee agreed

1. to note the 2023/24 External Audit Plan as prepared by the Council's External Auditor, Grant Thornton (Appendix 1); and

2. to note the contents of the report produced by Grant Thornton on Informing the audit risk assessment 2023/24 and the responses from management (Appendix 2).

5. EXTERNAL AUDIT PROGRESS AND SECTOR UPDATE

Nick Halliwell (Senior Manager – Audit, Grant Thornton) introduced the report which included audit deliverables planned for 2023/24 and a series of sector updates. He noted that the deliverables were on track, and it was planned to bring the next Audit Plan earlier to the March 2025 meeting. The Audit Findings Report, Auditor's Report and Auditor's Annual Report would be presented at the next Committee meeting.

On issues in anticipation of the recent change of government and the King's Speech as raised by Councillor Adrian Pascu-Tulbure, Nick Halliwell said they expected to see the impact of the new budget, including the claim of the £22 billion black hole, on the councils' funding. It was also expected that a statutory backstop date for 2023/24 audits would be set probably for the end of February 2025 which should not affect LBHF.

Regarding Councillor Pascu-Tulbure's further question on LBHF's productivity plan (page 99), Councillor Ree said that the plan was published after it had been sent to the new minister.

RESOLVED
That the Committee noted the External Auditor Progress Report and Sector Update.

6. CORPORATE ANTI-FRAUD SERVICE ANNUAL REPORT 2023/24

Andy Hyatt (Head of Fraud) introduced the report which provided an account of fraud-related activity undertaken during the financial year 2023/24. He highlighted the following:

- It was reassuring to have received high number of referrals from the National Fraud Initiative (NFI) data matching exercise which had helped reduce overpayments by tackling the cases earlier.
- The Economic Crime and Corporate Transparency Act 2023 (the "Act") had inadvertently included local authorities due to its catchment criteria. Nevertheless, the Act and the defence available provided opportunities for the Council to strengthen its policies and procedures to prevent employees committing fraud offences benefitting the council, and to roll out fraud awareness across the Council.
- On tenancy fraud, while 18 properties had been successfully recovered, there were another 16 cases due to be heard in court. An action plan was put in place with colleagues from housing and legal services with a view to moving them forward and recovering properties for reallocation to people in genuine need.

Councillor David Morton said he ran a small Housing Association of 140 flats and noted there was a current trend for young people to live with their parents. He remarked that because of the legal requirement in passing the social housing tenancy once, a young adult living with the second parent who had succeeded the tenancy would become homeless if that parent also passed away. He asked if the Council could change the rule.

Andy Hyatt said as he understood, LBHF could award discretionary secondary succession based on the merits of each case to ensure appropriate tenants would not lose tenancy. He agreed to confirm and provide more detailed information on this after the meeting.

ACTION: Andy Hyatt

Noting notional values helped quantify the financial benefits of counter-fraud efforts which had incurred resources, Councillor Florian Chevoppe-Verdier asked about the "optimisation point" beyond which no additional fraud cases could be recovered even with more investment. Andy Hyatt said, in his opinion, LBHF had not reached there yet. At a recent meeting with the Chief Executive and Executive Director of Finance and Corporate Services, there was a discussion on the level of resources required to yield the most return on investment on anti-fraud activities and a business case was under preparation. He then shared with members how the appointment of experienced officers from within the council greatly benefitted the service bringing their different perspectives tackling various types of offences.

As regards research and study, David Hughes (Director of Audit, Fraud, Risk and Insurance) noted that before its disbandment, the Audit Commission used to do an annual counter-fraud survey. It was estimated that nationally about 3% to 5% of social housing tenancies were being fraudulently sublet. Such fraudulent practice was likely to be more prevalent in London. He agreed that the more resources being deployed effectively and appropriately, the more properties could be recovered.

Councillor Chevoppe-Verdier noted the numbers of cases for each fraud types set out in paragraph 1.5 of the report (page 107) and asked about the corresponding numbers in the previous year. Andy Hyatt expected that in tandem with the slight increase in the service's headcount, there was a slight increase in terms of the processing of cases including NFI's investigated matches.

Councillor Adrain Pascu-Tulbure sought breakdown information on the reasons accounting for the closed cases, for example, no fraud had taken place, difficult to prove fraud had taken place, potentially losing the legal challenge and so on. Andy Hyatt noted from the case management system that some cases could not move forward due to the lack of evidence . Andy added that some of the closed cases particularly those from the previous year might have exhausted all lines of inquiry but could be re-opened if new information came to light. He agreed to provide the requested information after the meeting.

ACTION: Andy Hyatt

On Councillor Pascu-Tulbure's further question on benchmarking, Andy Hyatt said that as this Council had invested for a bigger team in deterring and tackling fraud, LBHF had a slightly higher case turnover when compared to the other two councils.

Councillor Rowan Ree (Cabinet Member for Finance and Reform) thanked the excellent work of the Anti-fraud team which had brought about a notional value of over £1 million as well as the savings achieved through preventive actions. He highlighted that every penny recovered or saved could be invested in delivering quality services to vulnerable residents.

Responding to the Chair's enquiry about the recent trend of moonlighting which was prevalent during the pandemic, Andy Hyatt noted there was a downturn of moonlighting across London because London boroughs had been tackling it. He expected that some cases might come to surface by the next NFI data matching exercise which would involve local authorities outside London. While the next NFI data would be taken in September for the matching exercise to be carried out in March next year, the tri-borough Fraud Hub could fill the gap by comparing the payroll data across London more regularly to deter or identify moonlighting. He added that examining specific tax codes might also help uncover such practice.

Councillor Chevoppe-Verdier recalled previous discussions on the need to strike the delicate balance between sharing fraud information and sharing too much personal data without the subject's consent when exchanging data with other local authorities/ organisations. With reference to the four objectives under the Anti-fraud and Corruption Strategy 2024/27 in Appendix 2 (page 117), i.e. Govern, Understand, Prevent and Respond, he asked whether the three boroughs could pool the

resources to strengthen the fraud signals/networks and review existing solutions before resorting to matching NFI data.

In response, Andy Hyatt stressed that the NFI data matching was empowered by the Secretary of State and that was why the Fraud Hub with power deferred from the Local Government Act was moving to use the NFI platform for the assurance of the protection it provided. He added that data subjects were notified under a declaration on the Council's webpages and privacy notices about their data being shared.

Andy Hyatt detailed a case whereby departments disagreed to share the data leading to a council property remaining empty. Councillor Chevoppe-Verdier considered LBHF, while ensuring democratic control, should also develop and uphold an internal ethical function. He asked whether the case mentioned earlier was resident-led.

David Hughes assured that before data sharing, the local authorities concerned would enter into data sharing agreement after conducting a data privacy impact assessment and consulting the legal advisors. Andy Hyatt added that the London Boroughs Fraud Investigators Group, a partnership across London, could also seek independent opinion to provide further assurance.

Referring to the Anti-Fraud & Corruption Strategy 2024/27, Councillor Pascu-Tulbure considered the successes by 2027 under each objective (page 119) were qualitative ones easy to achieve. He asked for the quantitative successes which could reflect the priority of "being ruthlessly, financially efficient" under the Council's vision. Andy Hyatt said he was happy to take that away. It was in the plan to give the matter a deeper dive and provide information on the team's performance against each individual area at future meetings.

ACTION: Andy Hyatt

RESOLVED
That the Committee noted the report and the Anti-Fraud & Corruption Strategy 2024/27.

7. RISK MANAGEMENT UPDATE

David Hughes (Director of Audit, Fraud, Risk and Insurance) outlined the report which provided an update on the steps being taken to refresh the Corporate Risk Register and to review and update the Council's Risk Management Strategy. Taking account of the stability of existing risks on the register and changes in the corporate management structure, opportunity would be taken over the summer to work with Senior Leadership Team (SLT) to

- review with the relevant Executive Director who had taken over responsibility for the reassigned areas; and
- refresh the Corporate Risk Register so that it provided more focus on planned mitigations which were intended to maintain or reduce the risk over time.

This would provide enhanced assurance to SLT, Executive Directors and Members that planned actions were being implemented, were having the desired effect and provided opportunities to take corrective action where appropriate.

David Hughes noted that the Risk Management Strategy was last developed in 2019 before the pandemic. It was now timely to revise the Strategy to support the delivery of the LBHF Vision and quality services to the residents and communities. It was planned to present the new Strategy to SLT Assurance in November and then this Committee at its December meeting. Responding to Councillor Florian Chevoppe-Verdier's question about SLT, David noted that the SLT Assurance met once a month and it was a good practice for risk management colleagues to brief SLT as and when appropriate on issues about risks and their control as well as ways to make improvements in key areas.

In reply to the Chair's enquiry, David Hughes advised that to enhance the visual representation of the Corporate Risk Register, the heat map would be kept and dashboard reporting would be brought along in the Risk Management Strategy. As regards the Chair's further question on the extent of consultation with the departments in terms of risk management, Jules Binney (Risk and Assurance Manager) explained that the risks at the top of the Corporate Risk Register were long term corporate risks and hence were not expected to change significantly over time. However, moving down the refreshed Corporate Risk Register to the departmental level, the risks would be weighted and rated in the same way and those with more issues of concern might be highlighted in the Corporate Risk Register. These risks and their mitigation measures would be presented in consistent terminology to enhance public understanding.

Councillor Chevoppe-Verdier was concerned whether the standards and approaches under the refreshed Risk Management Strategy and Corporate Risk Register were subject to external assessment. David Hughes assured members that as part of the Internal Audit plan, external validation would be carried out and this Committee would also be duly consulted.

The Chair said standardising the terminology could avoid misunderstanding and he looked forward to receiving the next report.

RESOLVED
That the Committee noted the report.

8. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2023/24

Moira Mackie (Head of Internal Audit) presented the report which summarised the work of Internal Audit in 2023/24 listed in Appendix 1. It also provided the opinion of the Director of Audit, Fraud, Risk and Insurance on the adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion was used to support LBHF's Annual Governance Statement. She noted that while LBHF had the most substantial assurance audits among the three councils serviced, most were inevitably satisfactory assurance audits given the wide range of work involved from an individual school to a more complex system.

Members noted that the Internal Audit Team (IAT) did regular follow-up work to make sure recommendations were implemented. Moira Mackie was pleased to report that there was a good level of implementation of recommendations and those not fully implemented were listed in Appendix 4 (page 152). The work of the IAT was quality assessed externally to demonstrate it was in line with the internal audit standards (Appendix 5, page 154).

David Hughes (Director of Audit, Fraud, Risk and Insurance) referred to the two limited assurance audits on housing voids and adoption services (pages 148 -151) and highlighted the good engagement at a senior level through the audit work. For example, the audit work posed a lot of challenges in the housing space and substantial improvement work on void properties was going on. The IAT also briefed more junior members of staff in terms of engagement during the internal audit process. He remarked that both audits were making good progress.

With reference to the final report of External Quality Assessment of the Internal Audit performance prepared by London Borough of Lambeth (Appendix 5), Councillor Florian Chevoppe-Verdier applauded at the conclusion that the internal audit services for the three councils generally conformed with the Public Sector Internal Audit Standards which was the highest available rating (page 155). He noted from the survey of key stakeholders that the results were very positive and a testament to the professionalism and expertise of the internal audit service. He found the survey results at Appendix B very encouraging, in particular about 80% of respondents agreed that internal audit activity promoted appropriate ethics and values within the organisation (page 168). In response to his question, David Hughes advised that around 40 survey questionnaires were sent to senior officers and chairs of Audit Committees across the three councils. The anonymous responses went directly to the external assessor. David considered the feedback very helpful and positive.

Councillor Chevoppe-Verdier noted audit work on election readiness was in progress and asked whether further report would be provided in future. Moira Mackie said due to the short notice of the General Election, the related audit work had to be paused. IAT planned to work with the election team in summer and present a further report at the next meeting.

ACTION: Moira Mackie

Councillor Adrain Pascu-Tulbure noted from limited assurance audits that at the time of audit (October 2023) 310 properties were voids and asked for the current number after management action had been taken. Sukvinder Kalsi (Executive Director of Finance and Corporate Services) said as he recalled, the current number of void properties was around 220 which represented about a normal level of 2% of all council properties. In reply to the Chair on the conditions of the remaining properties on the list of voids, Sukvinder noted that some of them required some substantial work. He undertook to provide the requested information after the meeting.

ACTION: Sukvinder Kalsi

The Chair was concerned about the recruitment, training and development of finance officers in schools. For example, the vacancy in Jack Tizard School since May 2022 had resulted in some of the processes and targets not achieving the school's usual high standards. Members noted that the new permanent officer was undergoing training in the Spring Term.

Moira Mackie advised that the schools' finance team had liaised closely with and provided support to the school and obtain additional resources to bridge the gap and cover the vacancy left by a key member. The school had also been helped to prioritise work and plan for the current year's audit work.

RESOLVED
That the Committee noted the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment (para 20).

9. DATES OF FUTURE MEETINGS

The Committee noted the dates of future meetings:

- 16 September 2024
- 9 December 2024
- 10 March 2025

NOTE: The September meeting has been rescheduled to 6 November

Meeting started: 7.03 pm
Meeting ended: 8.20 pm

Chair .....

Contact officer Debbie Yau
Committee Co-ordinator
Corporate Services
E-mail: debbie.yau@lbhf.gov.uk

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 6th November 2024

Subject: Statement of Accounts 2023/24, including Pension Fund Accounts and Annual Governance Statement.

Report Author: Christopher Harris – Head of Corporate Accountancy, Systems and Tax

Responsible Director: Sukvinder Kalsi, Executive Director of Finance & Corporate Services

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SUMMARY

This report presents the London Borough of Hammersmith & Fulham's 2023/24 Statement of Accounts, including the Pension Fund Accounts and Annual Governance Statement for approval.

RECOMMENDATIONS

1. To approve the 2023/24 Annual Governance Statement which is included in the Statement of Accounts (Appendix 1).

2. To approve the Statement of Accounts for 2023/24, including the Pension Fund Accounts (Appendix 1).

3. To note the content of the external auditor's 'Audit Findings Reports' (ISA260), (Main Audit and Pension Fund) including the auditor's findings, recommendations and the Council's response to those recommendations (Appendices 2 and 3).

4. To approve the 2023/24 management representation letters (Appendices 4 and 5).

5. To approve the Pension Fund Annual Report 2023/24 (Appendix 6).

6. To note that the accounts remain 'unaudited' until final sign-off by the external auditor.

7. To delegate authority to the Chair of the Audit Committee, in consultation with the Executive Director of Finance & Corporate Services to approve any further adjustments to Appendices 1, 2, 3, 4, 5 and 6 which may be required as part of the completion of the audit work.

Wards Affected: All

H&F Values

Our Values	Summary of how this report aligns to the H&F Values
• Being ruthlessly financially efficient	The Statement of Accounts details the authority's financial activity for the year and forms the cornerstone of fiscal responsibility and control together with the attainment of value for money.

Financial Impact

This report presents the annual accounts for approval and is wholly of a financial nature.

Legal Implications

There are no direct legal implications in relation to this report. The accounts are prepared and audited in accordance with The Accounts and Audit Regulations 2015 (as amended). In accordance with the Accounts and Audit Regulations 2015 (as amended), the Council's audited year end Statement of Accounts and the Annual Governance Statement must be approved by the Audit Committee.

Angela Hogan, Chief Solicitor (Contracts and Procurement) 28th October 2024

Contact Officer(s):
Name: Christopher Harris
Position: Head of Corporate Accountancy, Systems and Tax
Telephone: 020 8753 6440
Email: Christopher.Harris@lbhf.gov.uk

Name: Angela Hogan
Position: Chief Solicitor (Contracts and Procurement)
Telephone: 07919227585
Email: angela.hogan@lbhf.gov.uk

Background Papers Used in Preparing This Report

None

Statement of Accounts 2023/24

1. The 2023/24 Statement of Accounts, for approval by the Audit Committee, is attached at Appendix 1.

2. The Narrative Statement at the beginning of the Statement of Accounts gives an outline of the Council's financial activity during 2023/24.

3. The Council's external auditor for the year is Grant Thornton UK LLP (GT).

4. It should be noted that the accounts remain 'unaudited' until the audit opinion is formally signed and dated by GT and the audit remains open until final certification. The accounts are therefore subject to change until that point. In the event of any further changes, it is requested that these be approved by the Chair of the Committee, in consultation with the Executive Director of Finance & Corporate Services and any significant changes will be notified to Committee.

Report to those charged with governance (ISA260)

5. The external auditor is required to prepare a report to "Those Charged with Governance" (ISA260). This report summarises the findings and recommendations associated with this year's audit in respect of the Financial Statements.

6. These reports are attached (at Appendices 2 and 3) and will also be presented to the Committee by the auditor. The Headlines from the auditor's report are as follows:

- Following recent, and much publicised, audit backlogs, the auditor notes that work in respect of the 23/24 financial year has broadly been undertaken to schedule allowing the authority to return to a more typical audit timetable.

- The auditor has not identified any audit adjustments which impact on the Council's General Fund position.

- Audit work is substantially complete and, subject to finalisation of a few matters and conclusion of audit work, audit are not aware of any issues or matters that would lead to a modified opinion.

- A number of findings and adjustments have been made with regard to fixed asset accounting and valuations and determination of the pension liability however these adjustments have not impacted on the General Fund (i.e. have not impacted the 'bottom line') and therefore could be considered technical in nature.

- Relating to these findings, the auditor has made two medium priority recommendations.

7. The auditor also asks the Committee and management for written representations about the financial statements and governance arrangements. To that end, Members are asked to consider and approve the draft letters of representation (Appendices 4 and 5).

Pension Fund

8. The Council's Statement of Accounts incorporates the annual accounts for the Pension Fund and GT's Report to those Charged with Governance (ISA260) includes commentary on the audit of the Pension Fund accounts.

9. The Pension Fund Annual Report is attached at Appendix 6. This report includes reports on the various aspects of the operation of the Pension Fund – investments, administration and funding, as well as the Pension Fund financial statements. The Committee is required to approve the Annual Report, so that it can be published once the audit is complete.

10. The Pension Fund Annual Report remains subject to the finalisation of audit work and approval by the Pension Fund Committee on 26th November 2024.

Reason for decision

11. The Audit Committee is required to approve the Council's audited year-end Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 (as amended).

LIST OF APPENDICES:

Appendix 1 – London Borough of Hammersmith and Fulham Annual Statement of Accounts 2023/24 (including Pension Fund)

Appendix 2 – Grant Thornton UK LLP Audit Findings Report (ISA260) (Main Financial Statements 2023/24)

Appendix 3 – Grant Thornton UK LLP Audit Findings Report (ISA260) (LBHF Pension Fund) 2023/24

Appendix 4 – Draft Letter of Representation 2023/24 – LBHF Main Accounts

Appendix 5 – Draft Letter of Representation 2023/24 – Pension Fund

Appendix 6 – Pension Fund Annual Report 2023/24

STATEMENT OF ACCOUNTS
2023/24

Draft subject to final audit opinion and certification

Hammersmith & Fulham Council

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Independent auditor's report to the members of the London Borough of Hammersmith and Fulham

Audit report, opinion and certificate to follow with final version of the 2023/24 accounts.

CERTIFICATION BY CHAIR OF THE AUDIT COMMITTEE

Certificate to follow further to Audit Committee approval of final 2023/24 accounts.

THE EXECUTIVE DIRECTOR OF FINANCE & CORPORATE SERVICES' NARRATIVE REPORT

Introduction from the Executive Director of Finance & Corporate Services

Hammersmith & Fulham is a dynamic, diverse and exciting place to live and work. Sitting alongside four and a half miles of the river Thames and nestled between one of the world's busiest airports, the City of London and London's West End, the Borough is aiming to be the best place for business in Europe, as well as a thriving hub for the arts, culture, sports and leisure.

Hammersmith & Fulham, like most local authorities, continues to face significant financial challenges. For over a decade, national and local public finances have been under significant pressure whilst demand for our services has increased.

2023/24 was characterised by the ongoing impact of the cost-of-living crisis and inflationary and interest rate pressures arising from the recent national and international economic turbulence. Throughout the year, the Council has had to balance an increased demand for services whist at the same time dealing with a rise in cost-pressures. These challenges reinforce the importance of finding ever more efficient ways to make our resources go further.

The Council's continued focus on financial resilience, embedded through the medium-term financial strategy and programme to deliver savings has enabled it to mitigate against the financial challenges and manage the financial resources effectively. The Council has remained within budget during the year and earmarked reserves continue to be proportionate at £184m given the current strategic operating environment. Capital investment for the financial year was £185m.

Looking ahead to 2024/25, the Council has set a balanced budget and continues its commitment to investment through an ambitious capital programme.

The strategic operating environment of the Council remains significantly challenging with the continuing macro-economic pressures. The Council will continue to act prudently to maintain adequate levels of one-off reserves to manage financial risk and to maintain the investment to deliver the Council priorities and complete the Building Homes and Communities Programme and the major Regeneration Schemes including Civic Campus. The Council will continue to deliver services in line with the six values and especially being 'ruthlessly financially efficient'.

Priorities and Performance

The Council has established the following values in its vision:

- Building shared prosperity
- Creating a compassionate council
- Doing things with residents, not to them
- Being ruthlessly financially efficient
- Taking pride in Hammersmith & Fulham
- Rising to the challenge of the climate and ecological emergency

The Council has adopted a new Corporate Plan for 2023-26 which provides a comprehensive and cross-cutting set of ambitions and key outcomes in terms of sustainable economic, social and environmental benefits. Council objectives and performance is robustly monitored at a corporate, departmental and service level and reported to the Strategic Leadership Team (SLT) and Cabinet.

Organisational Overview and External Environment

As a unitary authority Hammersmith & Fulham has responsibility for the delivery of a broad range of services including:

- Adult Social Care
- Children Services
- Collection of Revenues (Council Tax and Business Rates)
- Social and Affordable Housing and Homelessness
- Economic Regeneration and Development
- Welfare Benefits Administration
- Community Services (Libraries, Parks, Leisure Centres)
- Planning and Building Control
- Public Health
- Regulatory Services (including Trading Standards, Food Safety, Environment Health, HMOs)
- Highways and Transport
- Waste Management and Recycling

Additional details of our services are available on our website.

Governance

The Council operates the Leader/Cabinet system with 50 councillors in total representing 21 Wards. The Council's governance arrangements are explained in detail in the Annual Governance Statement (AGS) and this is published as part of these financial statements. The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that it is efficient, transparent and accountable to local residents. The latest version of the Council's Constitution can be viewed on our website.

Organisational Model

A list of our main service areas and directors – who together comprised the Strategic Leadership Team (SLT) - as at the end of the 2023/24 financial year was as follows:

Chief Executive	Sharon Lea
Strategic Director of Economy	Jonathan Pickstone
Strategic Director of Environment	Bram Kainth
Strategic Director of Social Care	Linda Jackson
Strategic Director – Chief Operating Officer (Interim)	Nicola Ellis
Strategic Director of Children's Services	Jacqui McShannon
Director of Finance	Sukvinder Kalsi
Director of Legal Services (Monitoring Officer)	Grant Deg

Up to date information concerning the SLT is available here:
https://www.lbhf.gov.uk/councillors-and-democracy/about-hammersmith-fulham-council/our-services

People

The council employs 2,410 people in full time and part-time contracts (excluding schools). The workforce generally reflects the diversity of residents across the Borough. The table below sets out a Departmental breakdown of the Council's employees by age, disability, gender and ethnicity.

Age

Age group	Childrens Services	Finance	Corporate Services	Social Care	The Economy	The Environment
<20	0%	0%	0%	0%	2%	4%
20-24	4%	7%	2%	1%	2%	2%
25-29	11%	8%	7%	6%	6%	7%
30-34	14%	10%	7%	8%	11%	8%
35-39	9%	7%	10%	8%	11%	7%
40-44	15%	15%	9%	12%	13%	14%
45-49	10%	11%	11%	13%	11%	13%
50-54	12%	12%	14%	15%	13%	13%
55-59	14%	18%	24%	19%	15%	19%
60-64	10%	11%	17%	21%	16%	17%

Disability

Disability	Childrens Services	Finance	Corporate Services	Social Care	The Economy	The Environment
Declared Disability	7.8%	7.3%	6.8%	10.3%	7.6%	5.6%

Gender

Department	Female Employees	Female Employees	Male Employees	Male Employees
Social Care	169	72.2%	65	27.8%
Children's Services	353	80.6%	85	19.4%
Finance	93	52.5%	84	47.5%
Corporate Services	212	62.4%	128	37.6%
The Economy	317	46.1%	371	53.9%
The Environment	202	37.9%	331	62.1%
Grand Total	1,346	55.9%	1,064	44.1%

The Council, like other large employers, publishes its gender pay gap information. To see our gender pay results and those of other organisations you can visit: https://gender-pay-gap.service.gov.uk/

Ethnicity

Ethnicity	Childrens Services	Finance	Corporate Services	Social Care	The Economy	The Environment
Asian	8%	10%	14%	6%	9%	17%
Black	23%	26%	27%	34%	23%	24%
Mixed	6%	6%	6%	4%	5%	8%
No data provided	13%	11%	8%	9%	9%	5%
Other	2%	0%	1%	1%	2%	1%
Prefer not to say	2%	2%	2%	3%	10%	2%
White	45%	46%	42%	43%	43%	44%

Risks and Opportunities

The Council's risk management framework involves an ongoing process to identify the risks to our policies, aims and objectives and to prioritise them according to likelihood and impact. The Council maintains a comprehensive suite of risk registers which are regularly reviewed by the Audit Committee. This is published as part of the relevant committee papers which can be accessed on our website.

The Council's overall key risks and other financial risks are summarised below:

Key risks	Impact and Mitigation
Management of complaints and requests for information from residents	Mishandling of queries and complaints potentially resulting in underlying issues not being addressed and/or escalation to regulatory authorities. In order to mitigate against the complaint failures, we have set up the Complaints and Disputes Resolution team, which have been instrumental in resolving historic cases and significantly reducing open complaints. Housing complaints performance is also overseen by an SLT chaired board, with regular oversight of the progress being made.
Ensuring that all outstanding housing repairs are completed especially with regard to health and safety disrepair cases, and Category 1 Hazards, HHSRS and damp and mould.	Overall, we are trying to mitigate against this risk, in-line with direction set by internal audit, the monitoring officer, the Housing Ombudsman, and the Social Housing Regulator. We continue to prioritise reducing the backlog of legal disrepair cases, complaints including Ombudsman cases, and keeping our residents safe. We also seek to reduce the backlog of work-in-progress (WIP) which has reduced to 3,708 live jobs and continue to target voids. We are also securing additional contactors to provide extra capacity and secure greater value for money.
Failure to maintain services to residents in the event of IT systems being compromised and affecting service resilience.	The Council continues to monitor and mitigate external risks which may affect its IT systems, including attempts to breach our network through cyber-attacks, on-going security patching, the robustness of our supplier chain and overall disaster recovery provision against a backdrop of increasing costs. In 2023/24 mitigations included risk-mitigation workshops run by digital services, enhancements to email security and participation by Digital Services in an expert led cyber security workshop and training programmes.

Other key financially focussed risks	Impact and Mitigation
Financial Management - Medium-Term Planning.	The Council's financial operating environment remains challenging (with the macro-economic inflationary/interest pressures, lower household incomes and rising unemployment). This has increased operating costs including pay and external service contracts, affects the affordability of regeneration programmes, reduces our commercial income, and increases arrears on rents, council tax, business rates as households, visitors and businesses reduce costs. It also impacts services, especially homelessness and other welfare services. In addition, there are many national reforms in progress (business rates, social care funding, social housing rent caps) and there are substantial demographic and new legislative burdens. The Council has a well-developed and established medium term financial planning process (for revenue, capital, and treasury management). The 2024/25 General Fund and HRA budgets have been balanced and were approved through February. There will now be considerable work taking place corporately across summer 2024 to meet the 2025/26 budget gap. The General Fund financial position is relatively strong (stable debt levels and reserves) but the outlook remains more challenging on the HRA. The Council has established strong in-year financial governance arrangements (from Finance SLT to DMTs).
Commercial, contract management and procurement risks, rules, outcomes, social value, management of spend and contractor performance management.	Weak commercial and contract management carries regulatory and financial risks and a potential adverse impact on service provision. The Council has a well-established Corporate Procurement Team. The Contracts Assurance Board meets weekly to ensure governance compliance, consider new future procurement legislation, the major medium-term procurements that are in progress and to update our policies e.g., Social Value Policy, as necessary.
Information management and digital continuity, regulations, legislation, and compliance.	The nature of the Council's business activities means that there are ongoing information governance risks, including network security, which continue to be managed. These risks are managed through a range of organisational measures including Information Management (IM) & Information security (IS) mandatory training, maintenance of policies, guidance documents, standards, and codes of practice. The Council deploys technical measures to protect its network and infrastructure.
Delivering the Civic Campus Programme in a timely manner.	The project has been delayed due to the impact of the site incident in May 22. Works are now progressing on site and is being monitored by the Client Management Team (CMT). Meetings to review the overall programme are currently being arranged to provide an updated programme.
Impact of the closure of Hammersmith Bridge to pedestrians, road, and river traffic.	The ongoing closure of Hammersmith Bridge presents risks to the wider economy in addition to the wider impact on the local community. Works for stabilisation is in the final stage with the jacking operation starting in late summer. Procurement preparation has started for the main works. CCSO and monitoring continues and 24/7 personnel on the bridge. Work continues to stabilise the bridge with the pedestals encased in concrete and the next phase will be to finish the steel works and then jack-up the bridge to replace the bearings.

Opportunities

Regarding opportunities, the Council continues to progress and explore a number of regeneration schemes and development schemes through its **Capital Programme** (see later section). In addition, the Industrial Strategy – **Economic Growth for Everyone** – reflects our ambition to make our borough the best place to do business in Europe and to ensure that everyone benefits. Hammersmith & Fulham is changing rapidly and we're determined to seize the opportunities for everyone. We believe local government has a role in supporting growth. It can bring partners together, regenerate town centres, help with affordable workspaces, teach people the skills they need, use procurement to support local firms and much more. In Hammersmith & Fulham, we want to use the power of local government to create a borough able to compete with the best in the 21st century. The detail of our Industrial Strategy is published online on our website.

The Industrial Strategy will be more important than ever as the effect of the pandemic and the cost-of-living crisis affects jobs, businesses and livelihoods. The Council will continue to work with partners and businesses to lead the way to economic recovery of the borough and as a result, the Industrial Strategy has entered into Upstream, a partnership between the Council and Imperial College London. Upstream's vision is for Hammersmith & Fulham to have an inclusive, thriving ecosystem of ambitious science, tech and creative organisations, with the White City innovation district a global beacon of growth through innovation.

The strategy also includes:

- how we will make it easier for entrepreneurs to start and grow a business, creating more affordable workspaces, exploring business rates cuts for key sectors, and creating a new venture capital fund to support tech and creative businesses
- details of major regeneration and infrastructure schemes, including delivering 10,000 new homes, half of which will be affordable, as well as improvements to rail links and the station at Old Oak Common
- our investment in local skills, with extra support for science and maths teachers and apprenticeships.

The Environment

In our part of a busy city, residents deserve a place that is safe, clean, and green. We are working hard to be the most environmentally positive borough in London because the health and wellbeing of our communities is so important.

In 2019, H&F Council declared a climate and ecological emergency. We have set ambitious targets for emissions by 2030 for our borough. You can find out more about what the Council is doing to tackle this emergency on our website: https://www.lbhf.gov.uk/environment/climate-and-ecological-emergency.

Some of our key environmental achievements during the last 12 months are set out below:

- The H&F Green Investment was launched to raise up to £5m to fund climate and ecological products from cycling infrastructure and greening measures to flood risk installations and solar power, protecting communities now and for generations to come.
- A Council-led partnership with Imperial and the NHS launched to help clean H&F's dirty air and improve residents' health. The three-year programme will help to raise awareness of air quality in the borough and help residents reduce their exposure to pollution.
- The Council continues to increase the number of electric car charging stations, encouraging residents to make the switch to EVs.
- New air quality monitoring stations have been installed across the borough to help track air pollution levels
- Hammersmith's new mending circle was launched to help residents' make their clothes last longer. Reusing instead of buying new saves money and helps the environment by reducing waste.

Finance Strategy, Performance and Outlook

Strategy and Resource Allocation

The Council has embedded the **Medium-Term Financial Strategy (MTFS)** within its business planning framework. The MTFS has been the vehicle for allocating resources to the Council's priorities, driving through efficiency savings and monitoring their delivery. It provides the Council with a forum for challenging budget and service proposals, identifying and developing savings and efficiencies and dealing with significant financial risks, in particular the long-term reduction in government funding.

Annually, the Council sets the **Revenue Budget** – this sets out the Council's spending plans on day-to-day expenditure which includes everything from staff salaries, building maintenance and the costs of refuse collection and disposal. It is a legal requirement of the Council to set a balanced budget i.e. expenditure cannot be more than the resources available. In brief, the 2023/24 budgets included:

- Investment of £10.7m was provided to meet the costs of statutory obligations, demographic, service and demand pressures and key resident priorities. Budget provision is also made regarding the ongoing consequences of the pandemic;
- Savings of £2.9m were put forward to balance the budget;
- The budget proposals included measures to strengthen the Council's future financial resilience by contributing resources of £5.3m to contingencies. In addition, a one-off contingency of £1.0m was set aside to support residents for cost-of-living and further develop the Council Tax Support scheme;
- Overall, this produced a net revenue budget requirement of £132.6m funded from council tax, the local share of business rates and revenue support grant from government.

This resulted in a gross budget of £539.6m (and net revenue budget requirement of £132.6m) funded from council tax, the local share of business rates and revenue support grant from government.

General government grant funding increased by £7.9m from 2022/23 to 2023/24. Although an increase on 22/23 funding levels, this is still below the increase in the Council's costs due to inflation, demographic pressures and wider economic challenges.

The Council's 2023/24 budget was set with an emphasis on tackling the cost-of-living crisis and delivery of resident priorities. The budget recognised that the ongoing cost-of-living crisis had led to an increase in demand for services whilst the upturn in both interest rates and inflation, alongside the resetting of the public finances, at a national level, had placed a further strain on local authorities.

The 2023/24 budget was also set with the need to strengthen the Council's financial resilience as a mitigation against this increased financial risk and preserve front line services valued by residents, visitors and businesses. The budget recommended that the range for the optimal level of general balances be between £19m-£25m. The actual general balances carried forward at the end of 2023/24 were £21.6m.

The Council also approves the **Capital Programme** which captures the spending to purchase or improve the Council's long-term assets (such as buildings and vehicles). The 2023-27 capital programme, approved in February 2023, totalled £506.8m and key elements included:

The programme included:

- A housing and regeneration programme of £383m
- The Civic Campus Programme/Refurbishment of Hammersmith Town Hall
- Hammersmith Bridge Stabilisation
- The Council's rolling programmes for Planned Building Maintenance and Footways and Carriageways
- The Schools Maintenance Programme.

Financial Performance

The revenue outturn for 2023/24 shows a year end underspend of £0.3m after adjustments to and from reserves across a range of services and taking into account anticipated risks on our finances from the continuing macro-economic turbulence together with technical timing impacts on the Collection Fund. This net underspend will be added to the General Fund balance. At the end of the year, the General Fund Balance stands at £21.6m and earmarked reserves were £184m for both the General Fund and the HRA.

The Statement of Accounts for 2023/24 sets out the Council's spending and funding in line with accounting requirements. The position below explains the same information in the form of the Council's management accounts. The Council's financial position (for example, total usable reserves and final working balance) is the same in both formats. The summary General Fund outturn position is as set out below:

Department	Budget	Actual	Over/ (Under) Spend
	£m	£m	£m
Social Care including Public Health	68.9	70.7	1.8
Children's Services	63.7	65.0	1.3
The Economy Department	12.1	14.4	2.3
The Environment Department	68.3	70.2	1.9
Controlled Parking Account	(31.8)	(31.2)	0.6
Finance	0.7	0.3	(0.4)
Resources	19.3	18.7	(0.6)
Centrally Managed Budgets (including unallocated contingency)	(7.1)	(14.3)	(7.2)
Gross Operating Expenditure	**194.1**	**193.8**	**(0.3)**
Technical and Financial Accounting Adjustments	(20.6)	(20.6)	-
Non-Ring-fenced Revenue Grants	(65.7)	(65.7)	-
Net Contribution to/(from) Earmarked Reserves	20.7	20.7	-
Total Net Expenditure	**128.5**	**128.2**	**(0.3)**
Funded by:			
Localised Business Rates	(54.6)	(54.6)	-
Council Tax	(73.9)	(73.9)	-
Total Funding	**(128.5)**	**(128.5)**	**-**
Final Position	**0**	**(0.3)**	**(0.3)**

Dedicated schools grant (DSG) is paid in support of local authority schools' budgets, being the main source of income for the schools. In common with other London Boroughs, the High Needs Block element has come under increased pressure in supporting children with special educational needs and spend has been significantly higher than the funding provided by central government. The Council holds a cumulative DSG deficit of £14.5m, which in line with statutory accounting requirements is held in an unusable reserve and will remain unchanged through the statutory determination period (2021-2024). This deficit reserve is matched by a discretionary usable earmarked reserve to ensure that the Council is able to fund this deficit on the expiration of the statutory provisions.

The Statement of Accounts also includes the ring-fenced Housing Revenue Account for the provision of social housing. The closing balance on the Housing Revenue Account was £5.4m with associated Earmarked Reserves of £9.8m. This reflects a budgeted use of reserves during 2023/24. The HRA is facing some significant financial challenges in increasing costs, particularly in housing repairs and to fund capital investment in health and safety. As a result, there is a continued need to identify significant efficiencies in future years to ensure that the HRA is sustainable. Further details for 2023/24 are set out in the HRA Statement of Accounts.

The Council's **Balance Sheet** as at 31 March 2024 is summarised below.

Summary Balance Sheet	31-Mar-24 £m	31-Mar-23 £m
Long Term Assets	2,153	2,196
Current Assets	233	341
Current Liabilities	(242)	(238)
Net Pension Liabilities	(39)	(90)
Other Long-Term Liabilities	(294)	(316)
Net Assets	**1,811**	**1,893**
Represented by:		
Usable Reserves	(321)	(301)
Unusable reserves	(1,490)	(1,592)
Total Reserves	**(1,811)**	**(1,893)**

The breakdown of the usable reserves is set out below:

Summary Usable Reserves	31-Mar-24 £m	31-Mar-23 £m
General Fund Balance	(22)	(21)
General Fund Earmarked Reserves	(174)	(154)
HRA Balance and Earmarked Reserves	(15)	(21)
Schools Reserves	(5)	(7)
Capital Reserves (Receipts and Grants)	(105)	(98)
Total	**(321)**	**(301)**

Capital

In 2023/24, the actual capital expenditure (outturn) totalled £184.8m and the table below summarises capital expenditure by service area:

Department	**2023/24 £m**	**2022/23 £m**
Adult Social Care	1.3	1.8
Children's Services	2.3	0.9
The Environment Department	28.0	26.9
Finance	0.8	1.0
The Economy Department - General Fund Schemes	69.8	43.7
The Economy Department – Housing and Regeneration	18.7	12.9
The Economy Department - Housing Revenue Account	63.9	52.9
Total	**184.8**	**140.1**

The 2023/24 capital programme was financed as follows:

Capital Financing	**2023/24 £m**	**2022/23 £m**
Capital Receipts	3.3	6.3
Increase in Capital Finance Requirement (CFR)	120.7	77.1
Capital Grants and Contributions	41.7	35.2
Major Repairs Reserve (MRR)	17.2	17.8
Council and School Reserves	0.7	0.2
Revenue Contributions to Capital	1.2	3.5
Total	**184.8**	**140.1**

The capital additions during the year included:

- £63.9m investment in the Council's social housing stock and fire safety measures
- £35.2m on the Civic Campus development
- £16.8m on affordable housing schemes
- £22.9m on the borough's highways and infrastructure schemes, including Hammersmith Bridge pre-restoration works

Financial Outlook

The Council's 2024/25 budget proposals were approved in February 2024 to tackle the cost-of-living crisis and delivery of resident priorities. Local government continues to operate in a difficult and uncertain financial environment for the short and medium term. Although inflation has fallen in recent months, price rises over the last twelve months continue to impact the Council's budgetary position and increase the cost of living for its residents and businesses. The 2024/25 budget was set with the need to strengthen the Council's financial resilience as mitigation against this increased financial risk and preserve front line services valued by residents, visitors, and businesses.

General government grant funding has increased by an estimated £6.45m from 2023/24 to 2024/25. Although an increase on 23/24 funding levels, this is still below the increase in the Council's costs due to inflation, demographic pressures, and wider economic challenges.

The key summary of the 2024/25 revenue budget is as follows:

- Investment of £10.7m was provided to meet the costs of statutory obligations, demographic, service and demand pressures and key resident priorities.
- Savings of £8.1m were put forward to balance the budget;
- Overall, this produced a net revenue budget requirement of £200.1m funded from council tax, the local share of business rates and revenue support grant from government.

The Council faces significant future financial risk with uncertainty regarding the ongoing impact of the pandemic, future government funding allocations, inflationary and cost of living pressures, the ongoing impact of Brexit, the impact of the war in Ukraine and increasing demand for services.

The medium-term outlook for local authority financing remains extremely challenging, however, management are not aware of any material uncertainties in relation to the Council's ability to continue as a going concern.

Capital Investment Outlook

The 2024-28 capital programme was also approved in February 2024. The programme for this period totals £576.4m. The gross anticipated spend for 2024/25 is £263.7m, comprising the General Fund (GF) Programme of £115.6m and the Housing Revenue Account (HRA) Programme of £148.1m.

The General Fund capital programme includes:

- The Civic Campus Programme/Refurbishment of Hammersmith Town Hall
- Hammersmith Bridge Stabilisation and Pre restoration works
- Green investment projects
- The Council's rolling programmes for Planned Building Maintenance and Footways and Carriageways
- The Schools Maintenance Programme.

Civic Campus

In January 2019, Full Council approved plans for major regeneration of the King Street area which included the redevelopment of the failing, existing Hammersmith Town Hall building, creating a new Civic Campus. The completed development will:

- create a new civic and community campus, including new fit-for-purpose, inclusively designed office accommodation for the Council and act as a catalyst for change, with the inclusion of open public realm and shared spaces within the Town Hall for use by the neighbourhood as well as the greater community.
- refurbish and restore the heritage elements of the Town Hall, whilst creating an opportunity for improved ways of working in order to be ruthlessly financially efficient and address the financial challenges faced by the Council.
- contribute to the borough's housing ambitions by increasing the supply of good quality, genuinely affordable housing for local residents to meet local housing need.
- create pride in H&F by transforming King Street into a new civic and cultural destination, improving the public realm and Grade II listed Town Hall, providing new local amenities for residents, including a new five screen cinema, café/restaurant, retail and public event spaces.
- promote economic growth in line with the H&F Industrial Strategy, Economic Growth for Everyone, through the creation of new retail and commercial space, including affordable space for start-up businesses to combat High Street decline; and
- contribute to meeting the climate change emergency by the use of cutting-edge green technology.

Hammersmith Bridge

The Grade II* Listed 134-year-old Hammersmith Bridge (the Bridge) was closed to motor vehicles in April 2019 and to all users in August 2020 on public safety grounds. Following an 11-month closure and extensive investigations by Hammersmith & Fulham engineers and the introduction of a pioneering temperature control scheme, it re-opened to pedestrians, cyclists, and river traffic on 17 July 2021.

The re-opening, with strict conditions, was recommended by the Board for the Continued Case for the Safe Operation (CCSO). One condition was that for the Bridge to remain open, it must be properly and permanently stabilised as soon as possible. The Council has incurred significant spend (at risk) of almost £26.6m (estimated to the end of 2023/24) to ensure the continued safe operation of the Bridge and work towards stabilisation. In addition to this, the Council has incurred significant spend (again at risk) of almost £15.3m (estimated to the end of 2023/24) for pre-restoration works, in readiness for the full restoration of the Bridge. These works include removal of the two gas mains off the Bridge and diversion on an alternative route, the planning application for the innovative truss option, geotechnical works and further development of the contract and procurement process for the full restoration of the bridge. These pre-restoration works will ensure that the future project to fully restore the Bridge can be undertaken with greater expediency and effectiveness, and with minimisation of technical and financial risks.

In line with government announcements, central government (Department for Transport (DfT)) and Transport for London (TfL) will fund two-thirds of the total project costs, and this is expected to be formalised in a proposed Memorandum of Understanding (MoU). The Council's one third contribution is expected to be funded from a new road user charging scheme, or a toll.

Evaluation of engineering options for the stabilisation and strengthening of the Bridge are well advanced. The Council has completed an outline business case for a full strengthening and restoration programme which will see the Bridge re-opened to motor vehicles and will secure funding from the DfT and TfL.

HRA Asset Management Capital Strategy

The Council has approved a 12-year HRA Asset Management Capital Strategy which details the spending priorities for the twelve-year period between 2022/23 and 2033/34 and will be investing almost £730m. The aim of the Strategy is to direct capital investment to where it will make the biggest impact on residents' quality of life, health and wellbeing with the following key spend areas:

- Fire Safety
- Structural Safety
- Asset Replacement
- Disabled Adaptations
- Stock Condition Survey findings
- Climate Emergency
- Estate Improvements
- White City Estate
- Charecroft Estate Phase 2
- West Kensington Estate

The 2024-28 HRA capital programme includes spend of £272.6m regarding the 12-year strategy and the delivery of the strategy will inform every subsequent annual revision of the capital programme budget.

Building Homes and Communities Strategy

The Building Homes and Communities Strategy sets out a self-funding programme of investment in homes and community assets, where the council utilises its land and property assets to meet its key priorities of delivering affordable housing and supporting the council's financial challenge. The strategy aims to:

- build new, genuinely affordable housing which will help maintain the borough's vibrant social mix
- support the Council's Business Plan priority of 'Building Shared Prosperity'
- renew key community assets, including schools and leisure centres
- generate income to reinvest in frontline services and the Housing Revenue Account.

Structure of the Statement of Accounts and Basis of Preparation

The Statement of Accounts sets out the Council's income and expenditure for the financial year 2023/24 and its Balance Sheet as at 31 March 2024. This covers the General Fund, Housing Revenue Account, Pension Fund, and the Collection Fund. The format of the accounts follows the Code of Practice on Local Authority Accounting in the UK 2023/24, which specifies the principles and practices of accounting required to give a "true and fair" view of the financial position, financial performance, and cash flows of a local authority. It primarily comprises the Key Financial Statements (including notes to the accounts) and Supplementary Financial Statements (also with notes).

The Statement of Accounts comprises:

Key Financial Statements

The **Movement in Reserves Statement (MiRS)** is a summary of the changes to the Council's reserves during the financial year. The reserves represent the Council's net worth and are analogous to the equity of a private company. Reserves are divided into 'usable' and 'unusable' reserves. Usable reserves can be used to fund expenditure; unusable reserves cannot.

The **Comprehensive Income and Expenditure Statement (CIES)** reports all the Council's gains and losses during the financial year. The CIES is prepared in accordance with International Financial Reporting Standards and the detail will therefore differ from the Council's management accounts and revenue budgets. However, the Council's financial position i.e. the working balance and usable reserves, will be the same.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities, and reserves on 31 March 2024. The reserves are always equal to the Council's assets less the Council's liabilities. Assets represent everything owned by the Council and money owed to it. Liabilities are the sums that the Council owes to others.

The **Cash Flow Statement** shows the changes to the Council's cash and 'cash equivalents' during the financial year. Cash equivalents are assets that can be readily converted into cash and have a low likelihood of a change in value. The statement shows cash flows from: 'operating' activities, which are the cash flows from the Council's services; 'investing' activities, which are the cash flows from the Council's capital investment, investments and asset sales; and 'financing' activities, which are primarily the cash flows relating to the Council's borrowings.

Explanatory Notes

The **Notes** provide more detail about the items contained in the key financial statements, the Council's accounting policies and other information that helps interpretation and understanding of the key financial statements and accounts.

Included in the Notes is the **Expenditure and Funding Analysis (EFA)**. This shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting principles.

Supplementary Financial Statements

The **Housing Revenue Account** shows the income and expenditure relating to the provision of housing and associated services to the council tenants and leaseholders and includes the Statement of Movement on the HRA Fund Balance. This reflects the statutory obligation of the Council to account separately for the cost of its activities as a landlord in the provision of council housing.

The **Collection Fund Account** summarises the income and expenditure relating to the collection of council tax and non-domestic rates, including the precept collected on behalf of the Greater London Authority. It sets out the contribution of Hammersmith & Fulham Council taxpayers to the costs of local services and its distribution to the Greater London Authority.

The **Pension Fund Account** sets out a summary of the transactions during the year (Fund Account) and the overall financial position of the pension fund at 31 March 2024 (Net Assets Statement).

The **Annual Governance Statement** is a statement by the Leader of the Council and the Chief Executive on the arrangements and systems for internal control across the Council and the governance arrangements of the Council during the year.

Materiality and Group Accounts

Group Accounts have not been included in the 2023/24 Statement of Accounts on the grounds that they do not have a material effect on the overall statements. Their inclusion does not provide any more usefulness to readers' understanding. Information concerning the Council's interest in companies, both material and otherwise from the perspective of group accounting, is provided in Note 33 – Interest in Companies.

In addition, the Council is the sole trustee of the Wormwood Scrubs Charitable Trust (WSCT). Group accounts have not been prepared on the grounds of materiality however Note 36 provides a high-level summary of the balances of the Trust. The Trust's annual report and accounts are considered annually by the WSCT Committee and published here: http://democracy.lbhf.gov.uk/mgCommitteeDetails.aspx?ID=467. The Trust's accounts are also available via the Charity Commission website.

Accounting Policies

The 2023/24 accounts are compliant with International Financial Reporting Standards (IFRS) in that they comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2020 (the Code) which is based on IFRS. The accounting policies adopted by the Council comply with the Code and are set out in Note 38 to the Statement of Accounts. These are substantially unchanged from 2022/23.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's responsibilities

The Council 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 Council, that officer is the Executive Director of Finance & Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Responsibilities of the Executive Director of Finance & Corporate Services

The Executive Director of Finance & Corporate Services is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Executive Director of Finance & Corporate Services has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice on Local Authority Accounting.

The Executive Director of Finance & Corporate Services has also:

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

CERTIFICATE OF THE EXECUTIVE DIRECTOR OF FINANCE & CORPORATE SERVICES

I confirm that the Statement of Accounts present a true and fair view of the financial position of the London Borough of Hammersmith and Fulham and the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2024 and income and expenditure for the financial year 2023/24.

Sukvinder Kalsi
Executive Director of Finance & Corporate Services
Date: XX November 2024

CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

Comprehensive Income and Expenditure Statement

Balance Sheet

Cash Flow Statement

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

	Notes	General Fund (GF) Balance	GF Earmarked Reserves	Schools Balance	Housing Revenue Account (HRA)	HRA Earmarked Reserves	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022 *(Restated)**		**(20,408)**	**(160,761)**	**(10,169)**	**(15,564)**	**(10,593)**	**(53,313)**	**(554)**	**(9,561)**	**(878)**	**(281,801)**	**(1,219,273)**	**(1,501,074)**
Movement in Reserves during 2022/23													
Total Comprehensive Income and Expenditure		(18,646)	-	2,820	40,583	-	-	-	-	-	24,757	(416,820)	(392,063)
Adjustments between accounting basis & funding basis under regulations	3	24,654	-	-	(35,471)	-	(16,405)	554	(17,998)	878	(43,788)	43,788	-
Transfer to/(from) Earmarked Reserves		(6,949)	6,949	-	432	(432)	-	-	-	-	-	-	-
(Increase)/Decrease in 2022/23		**(941)**	**6,949**	**2,820**	**5,544**	**(432)**	**(16,405)**	**554**	**(17,998)**	**878**	**(19,031)**	**(373,032)**	**(392,063)**
Balance at 31 March 2023 *(Restated)**		**(21,349)**	**(153,812)**	**(7,349)**	**(10,020)**	**(11,025)**	**(69,718)**	**-**	**(27,559)**	**-**	**(300,832)**	**(1,592,305)**	**(1,893,137)**
Movement in Reserves during 2023/24													
Total Comprehensive Income and Expenditure		(11,001)	-	1,914	88,888	-	-	-	-	-	79,801	2,621	82,422
Adjustments between accounting basis & funding basis under regulations	3	(10,073)	279	-	(83,015)	-	(3,134)	-	(4,152)	-	(100,095)	100,095	-
Transfer to/(from) Earmarked Reserves		20,777	(20,777)	-	(1,226)	1,226	-	-	-	-	-	-	-
(Increase)/Decrease in 2023/24		**(297)**	**(20,498)**	**1,914**	**4,647**	**1,226**	**(3,134)**	**-**	**(4,152)**	**-**	**(20,294)**	**102,716**	**82,422**
Balance at 31 March 2024		**(21,646)**	**(174,310)**	**(5,435)**	**(5,373)**	**(9,799)**	**(72,852)**	**-**	**(31,711)**	**-**	**(321,126)**	**(1,489,589)**	**(1,810,715)**

*For further details please refer to Note 9 (vi) – Prior Period Adjustment

General Fund and HRA Balances as disclosed in Note 1 Expenditure Funding Analysis note:

	General Fund Balances* £000	HRA Balances** £000	Total Balances £000
Balance as at 31 March 2022	(191,338)	(26,157)	(217,495)
Balance as at 31 March 2023	(182,510)	(21,045)	(203,555)
Balance as at 31 March 2024	(201,391)	(15,172)	(216,563)

* General Fund Balances were calculated by adding the General Fund (GF) balance, GF earmarked reserves and schools balance from the Movement in Reserves Statement.
** HRA Balances were calculated by adding the Housing Revenue Account (HRA) and HRA earmarked reserves from the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement

This 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

		Year Ended 31 March 2024			Year Ended 31 March 2023		
	Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Children's Services		187,707	(126,915)	60,792	181,203	(128,598)	52,605
Social Care		127,941	(68,613)	59,328	121,018	(64,300)	56,718
Economy		88,027	(57,494)	30,533	57,136	(45,933)	11,203
Local Authority Housing (HRA)		94,066	(98,230)	(4,164)	93,182	(85,549)	7,633
Local Authority Housing (HRA) - Dwelling Revaluation	5	103,279	-	103,279	36,473	-	36,473
Environment (including Parking)		103,266	(73,475)	29,791	110,156	(75,123)	35,033
Finance		10,786	(698)	10,088	8,645	12	8,657
Resources		40,081	(10,244)	29,837	27,366	(7,507)	19,859
Centrally Managed Budgets		114,078	(100,838)	13,240	104,671	(98,581)	6,090
Cost of Services		**869,231**	**(536,507)**	**332,724**	**739,850**	**(505,579)**	**234,271**
Other Operating Expenditure	6	2,806	(6,330)	(3,524)	4,454	(7,522)	(3,068)
Financing and investment income and expenditure	7	14,800	(29,826)	(15,026)	24,666	(18,729)	5,937
Taxation and non-specific grant income and expenditure	8	14,364	(248,737)	(234,373)	18,620	(231,003)	(212,383)
(Surplus) or Deficit on Provision of Services				**79,801**			**24,757**
(Surplus) or deficit on revaluation of non-current assets				56,603			10,714
(Surplus) or deficit on revaluation of available for sale financial assets				-			-
Remeasurements of the net defined benefit liability	27			(53,982)			(427,534)
Other Comprehensive Income and Expenditure				**2,621**			**(416,820)**
Total Comprehensive Income and Expenditure				**82,422**			**(392,063)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. 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, unusable reserves, are 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'.

	Note No.	31 March 2024 £000	31 March 2023 £000 (restated)*	31 March 2022 £000 (restated)*
Property, Plant and Equipment	9	1,958,364	2,045,492	2,019,514
Heritage Assets	11	8,023	8,023	8,023
Investment Property	10	94,547	85,478	81,131
Intangible Assets		1,555	745	545
Investments in Associates and Joint Ventures	21	30,018	33,113	15,679
Long Term Debtors	16	60,508	22,997	14,502
Long Term Assets		**2,153,015**	**2,195,848**	**2,139,394**
Assets Held for Sale	12	-	-	13,229
Short Term Investments	21	118,716	120,625	124,658
Short Term Debtors	16	68,478	61,290	53,954
Inventories		50	58	98
Cash and Cash Equivalents	17	45,330	159,061	208,855
Current Assets		**232,574**	**341,034**	**400,794**
Bank overdraft	17	(7,477)	(7,536)	-
Short Term Borrowing	21	(18,337)	(6,846)	(2,581)
Short Term Creditors	18	(184,642)	(183,107)	(215,541)
Provisions	20	(16,453)	(16,120)	(26,071)
Grants and Contributions Receipts in Advance	30	(15,046)	(24,017)	(10,374)
Current Liabilities		**(241,955)**	**(237,626)**	**(254,567)**
Long Term Borrowing	21	(253,053)	(267,737)	(272,011)
Long Term Creditors	21	(100)	(100)	(100)
Provisions	20	(1,747)	(6,000)	(6,000)
Other Long Term Liabilities	19	(50,154)	(100,880)	(483,224)
Grants and Contributions Receipts in Advance	30	(27,865)	(31,402)	(23,212)
Long Term Liabilities		**(332,919)**	**(406,119)**	**(784,547)**
NET ASSETS		**1,810,715**	**1,893,137**	**1,501,074**
Usable Reserves	3b	(321,126)	(300,832)	(281,801)
Unusable Reserves	3c	(1,489,589)	(1,592,305)	(1,219,273)
TOTAL RESERVES		**(1,810,715)**	**(1,893,137)**	**(1,501,074)**

*For further detail please refer to Note 9 (vi) - Prior Period Adjustment

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council. The Cashflow Statement has been prepared using the indirect method.

	Notes	**2023/24 £000**	**2022/23 £000**
Net surplus or (deficit) on the provision of services		(79,801)	(24,757)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	22a	43,378	(3,681)
Adjust for items in the net deficit on the provision of services that are investing or financing activities		(17,471)	(26,124)
Net cash flows from Operating Activities		**(53,894)**	**(54,562)**
Investing Activities			
Purchase of Property, plant and equipment, investment property and intangible assets		(138,102)	(110,451)
Proceeds from sale of property, plant and equipment, investment property and intangible assets		17,472	26,124
Net proceeds/payments from short-term and long-term investments		5,004	(13,501)
Other receipts from investing activities		63,323	46,665
Net cash flows from Investing Activities		**(52,303)**	**(51,163)**
Financing Activities			
Net Cash receipts/payments of short and long term borrowing		(3,584)	1,867
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(1,468)	(628)
Other proceeds/payments for financing activities		(2,423)	47,156
Net cash flows from Financing Activities		**(7,475)**	**48,395**
Net increase or (decrease) in cash and cash equivalents		**(113,672)**	**(57,330)**
Cash and cash equivalents at the beginning of the reporting period		151,525	208,855
Cash and cash equivalents at the end of the reporting period	17	**37,853**	**151,525**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Expenditure and Funding Analysis

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 departments. Income and expenditure is presented more fully in the Comprehensive Income and Expenditure Statement.

2023/24	**As reported for resource management**	**Adjustments to arrive at Net Expenditure chargeable to GF and HRA Balances**	**Net Expenditure chargeable to GF and HRA Balances**	**Adjustments between Accounting and Funding Basis**	**Comprehensive Income and Expenditure Statement (CIES)**
	£000	**£000**	**£000**	**£000**	**£000**
Children's Services	65,001	(7,968)	57,033	3,759	60,792
Social Care	70,732	(11,576)	59,156	172	59,328
Economy	14,412	(6,389)	8,023	22,510	30,533
Local Authority Housing (HRA)	-	(21,423)	(21,423)	120,538	99,115
Environment (including Parking)*	39,022	(27,330)	11,692	18,099	29,791
Finance	262	9,749	10,011	77	10,088
Resources	18,684	10,409	29,093	744	29,837
Centrally Managed Budgets	(14,278)	29,455	15,177	(1,937)	13,240
	193,835	**(25,073)**	**168,762**	**163,962**	**332,724**
Other income and expenditure not charged to services	(65,679)	(116,091)	(181,770)	(71,153)	(252,923)
(Surplus) or Deficit on Provision of Services before planned use of Earmarked Reserves	**128,156**	**(141,164)**	**(13,008)**	**92,809**	**79,801**
Opening Balance of General Fund/ HRA Balances (including Earmarked Reserves)			(203,555)		
add: (Surplus) or Deficit on Provision of Services			(13,008)		
Closing Balance of General Fund/ HRA Balances (including Earmarked Reserves)			(216,563)		

2022/23	As reported for resource management	Adjustments to arrive at Net Expenditure chargeable to GF and HRA Balances	Net Expenditure chargeable to GF and HRA Balances	Adjustments between Accounting and Funding Basis	Comprehensive Income and Expenditure Statement (CIES)
	£000	£000	£000	£000	£000
Children's Services	53,395	(9,675)	43,720	8,885	52,605
Social Care	68,190	(13,983)	54,207	2,511	56,718
Economy	(16,422)	22,491	6,069	5,134	11,203
Local Authority Housing (HRA)	-	(18,364)	(18,364)	62,470	44,106
Environment (including Parking)*	42,456	(28,450)	14,006	21,027	35,033
Finance	2,131	5,390	7,521	1,136	8,657
Resources	9,163	7,887	17,050	2,809	19,859
Centrally Managed Budgets	(198)	11,123	10,925	(4,835)	6,090
	158,715	**(23,581)**	**135,134**	**99,137**	**234,271**
Other income and expenditure not charged to services	(38,838)	(82,356)	(121,194)	(88,320)	(209,514)
(Surplus) or Deficit on Provision of Services before planned use of Earmarked Reserves	**119,877**	**(105,937)**	**13,940**	**10,817**	**24,757**
Opening Balance of General Fund/ HRA Balances (including Earmarked Reserves)			(217,495)		
add: (Surplus) or Deficit on Provision of Services			13,940		
Closing Balance of General Fund/ HRA Balances (including Earmarked Reserves)			(203,555)		

* Please note Parking Services is disclosed on a separate line in the management reporting.

The Cost of Service per the Comprehensive Income and Expenditure Statement is substantially similar to the position as reported to decision makers (per the management accounts as summarised in Narrative Report). This is because the Council's management accounts include technical items such as capital charges and pension adjustments where these are chargeable to services. The differences which do arise are attributable to items which are included within the Departmental analysis in the Council's management accounts but are reported below the cost of services line in the statements of accounts. These items primarily consist of financing income and expenditure, levies, and a small number of technical accounting entries.

1a. Note to the Expenditure and Funding Analysis

The note below refers to the Expenditure and Funding Analysis statement and explains the adjustments between the Comprehensive Income and Expenditure Statement and net expenditure chargeable to General Fund and HRA balances for the following:

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 other 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.

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 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 Comprehensive Income and Expenditure Statement.

Other Statutory Adjustments

Other statutory adjustments 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.

1a. Note to the Expenditure and Funding Analysis (cont'd)

Adjustments from the General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts are set below

	2023/24				2022/23			
	Adjustments for Capital Purposes	**Net Change for Pension Adjustments**	**Other Differences**	**Total Adjustments**	**Adjustments for Capital Purposes**	**Net Change for Pension Adjustments**	**Other Differences**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Children's Services	(3,604)	(155)	-	**(3,759)**	(987)	(7,898)	-	**(8,885)**
Social Care	(125)	(47)	-	**(172)**	(146)	(2,365)	-	**(2,511)**
Economy	(22,455)	(55)	-	**(22,510)**	(3,186)	(1,948)	-	**(5,134)**
Local Authority Housing (HRA)	(120,548)	10	-	**(120,538)**	(54,025)	(8,445)	-	**(62,470)**
Environment (including Parking)*	(18,004)	(95)	-	**(18,099)**	(15,706)	(5,321)	-	**(21,027)**
Finance	(52)	(25)	-	**(77)**	(16)	(1,120)	-	**(1,136)**
Resources	(677)	(67)	-	**(744)**	(676)	(2,133)	-	**(2,809)**
Centrally Managed Budgets	949	1,015	(27)	**1,937**	988	3,817	30	**4,835**
Net Cost of Services	**(164,516)**	**581**	**(27)**	**(163,962)**	**(73,754)**	**(25,413)**	**30**	**(99,137)**
Other income and expenditure not charged to services - General Fund	30,472	(2,849)	6,100	**33,723**	32,406	(13,036)	41,949	**61,319**
Other income and expenditure not charged to services - HRA	34,501	(488)	3,417	**37,430**	27,111	(1,968)	1,858	**27,001**
(Surplus) or Deficit on Provision of Services	**(99,543)**	**(2,756)**	**9,490**	**(92,809)**	**(14,237)**	**(40,417)**	**43,837**	**(10,817)**

2. Expenditure and Income Analysed by Nature

This note analyses the nature of the Council's expenditure and income. The totals for income and expenditure vary from the totals for gross expenditure and income on the Comprehensive Income and Expenditure Statement, due to the treatment of internal recharges, and from showing business rates income and gains/losses on disposals as net figures in this note.

	2023/24 £000	2022/23 £000
Expenditure		
Employee Benefits	225,721	233,100
Other Services Expenses	473,300	429,061
Capital Charges & Revaluations	171,013	77,911
Interest Payments	11,147	11,209
Levies	2,403	3,084
Business rates tariff	14,344	17,965
Payments to the Government Housing Capital Receipts Pool	427	2,195
Net interest on the net defined benefit liability (asset)	3,337	13,000
Total Expenditure	**901,692**	**787,525**
Income		
Fees, Charges and other Service Income	(253,139)	(235,303)
Grants and Contributions	(397,447)	(369,653)
Income from Council Tax and NDR	(142,476)	(138,803)
Interest and Investment Income	(22,816)	(11,518)
(Gains)/losses on the disposal of non-current assets	(6,013)	(7,491)
Total Income	**(821,891)**	**(762,768)**
(Surplus) or Deficit on the Provision of Services	**79,801**	**24,757**

3a. 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 in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against:

General Fund Balances - The General Fund includes any surplus after meeting net expenditure on Council services.

School Balances - This balance is comprised of unspent balances of schools and other educational establishments at the year end, which may be applied in the following year. The balances can only be used by the schools or establishments and are not available to the Council for general use.

Earmarked Reserves – these are amounts set aside for specific purposes see Note 4 for a description of each Earmarked Reserve.

Capital Grants Unapplied - These are capital grants with no payback conditions and have had no associated expenditure in 2023/24 or prior years.

Housing Revenue Account - This reserve provides a working balance for the Housing Revenue Account, for which transactions are ring-fenced under the provisions of the Local Government and Housing Act 1989.

Major Repairs Reserve - The Major Repairs Reserve is available for financing major repairs to the Council's housing stock.

Capital Receipts Reserve - This reserve relates to the capital receipts from the sale of assets, such as Right-To-Buy properties and other general receipts.

Capital Reserves – These comprise other funds held for capital purposes.

3a. Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)

2023/24	General Fund Balance £000	School Balances £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £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 to (or from) the Pensions Reserve)	(2,278)	-	-	-	(478)	-	-	-	**(2,756)**
Financial instruments (transferred to the Financial Instruments Adjustments Account)	74	-	-	-	-	-	-	-	**74**
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	453	-	-	-	-	-	-	-	**453**
Holiday pay (transferred to the Accumulated Absences Reserve)	(27)	-	-	-	-	-	-	-	**(27)**
Equal pay settlements (transferred to the Unequal Pay Back Pay Account)	-	-	-	-	-	-	-	-	**-**
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)	(62,320)	-	-	-	(124,032)	-	-	-	**(186,352)**
Transfer in-year Dedicated Schools Grant deficit/(surplus) (to DSG Adjustment Account)	-	-	-	-	-	-	-	-	**-**
Total Adjustments to Revenue Resources	**(64,098)**	**-**	**-**	**-**	**(124,510)**	**-**	**-**	**-**	**(188,608)**
Adjustments between Revenue and Capital Resources									
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	24	-	-	-	7,994	-	(8,017)	-	**1**
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(5)	-	-	-	(88)	-	93	-	**-**
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(427)	-	-	-	-	-	427	-	**-**
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	-	17,176	(17,176)	-	-	**-**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	3,561	-	-	-	-	-	9,454	-	**13,015**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,666	-	-	-	-	-	-	-	**1,666**
Total Adjustments between Revenue and Capital Resources	**4,819**	**-**	**-**	**-**	**25,082**	**(17,176)**	**1,957**	**-**	**14,682**
Adjustments to Capital Resources									
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	-	3,345	-	**3,345**
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	-	-	17,176	-	-	**17,176**
Application of capital grants to finance capital expenditure	22,848	-	279	5,855	12,996	-	-	-	**41,978**
Transfers of capital grants from revenue to Capital Grants Unapplied	5,572	-	-	(8,989)	3,417	-	-	-	-
Movements in the market value of investment properties	8,931	-	-	-	-	-	-	-	**8,931**
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	(9,454)	-	**(9,454)**
Movement in the Donated/Bartered Assets credited to the Comprehensive Income and Expenditure Statement	11,855	-	-	-	-	-	-	-	**11,855**
Total Adjustments to Capital Resources	**49,206**	**-**	**279**	**(3,134)**	**16,413**	**17,176**	**(6,109)**	**-**	**73,831**
Total Adjustments	**(10,073)**	**-**	**279**	**(3,134)**	**(83,015)**	**-**	**(4,152)**	**-**	**(100,095)**

3a. Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)

2022/23	General Fund Balance	School Balances	Earmarked Reserves	Capital Grants Unapplied	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Reserves	Total Usable Reserves
	£000	£000	£000	£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 to (or from) the Pensions Reserve)	(30,004)	-	-	-	(10,413)	-	-	-	**(40,417)**
Financial instruments (transferred to the Financial Instruments Adjustments Account)	74	-	-	-	-	-	-	-	**74**
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	23,817	-	-	-	-	-	-	-	**23,817**
Holiday pay (transferred to the Accumulated Absences Reserve)	30	-	-	-	-	-	-	-	**30**
Equal pay settlements (transferred to the Unequal Pay Back Pay Account)	-	-	-	-	-	-	-	-	**-**
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)	(37,640)	-	-	-	(58,511)	-	-	-	**(96,151)**
Transfer in-year Dedicated Schools Grant deficit/(surplus) (to DSG Adjustment Account)	-	-	-	-	-	-	-	-	**-**
Total Adjustments to Revenue Resources	**(43,723)**	**-**	**-**	**-**	**(68,924)**	**-**	**-**	**-**	**(112,647)**
Adjustments between Revenue and Capital Resources									
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	13,780	-	-	-	11,674	-	(26,331)	878	**1**
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(103)	-	-	-	(116)	-	219	-	**-**
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(2,195)	-	-	-	-	-	2,195	-	**-**
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	-	17,305	(17,305)	-	-	**-**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,225	-	-	-	-	-	-	-	**2,225**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,706	-	-	-	-	-	-	-	**3,706**
Total Adjustments between Revenue and Capital Resources	**17,413**	**-**	**-**	**-**	**28,863**	**(17,305)**	**(23,917)**	**878**	**5,932**
Adjustments to Capital Resources									
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	-	6,332	-	**6,332**
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	-	-	17,859	-	-	**17,859**
Application of capital grants to finance capital expenditure	28,950	-	-	3,510	2,734	-	-	-	**35,194**
Transfers of capital grants from revenue to Capital Grants Unapplied	18,059	-	-	(19,915)	1,856	-	-	-	-
Movements in the market value of investment properties	3,955	-	-	-	-	-	-	-	**3,955**
Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	(413)	-	**(413)**
Total Adjustments to Capital Resources	**50,964**	**-**	**-**	**(16,405)**	**4,590**	**17,859**	**5,919**	**-**	**62,927**
Total Adjustments	**24,654**	**-**	**-**	**(16,405)**	**(35,471)**	**554**	**(17,998)**	**878**	**(43,788)**

3b. Usable Reserves

Movements in usable reserves are detailed in the Movement in Reserves Statement and Note 3a above.

3c Unusable Reserves

	31 March 2024 £000	*Restated* 31 March 2023 £000
Revaluation Reserve	(263,203)	(323,043)
Capital Adjustment Account	(1,271,053)	(1,365,656)
Deferred Capital Receipts Reserve	-	-
Pensions Reserve	38,735	89,961
Financial Instruments Adjustment Account	681	756
Available for Sale Financial Instruments Reserve	-	-
Collection Fund Adjustment Account	(12,585)	(12,132)
Accumulated Absences Account	3,331	3,304
Dedicated Schools Grant Adjustment Account	14,505	14,505
Total Unusable Reserves	**(1,489,589)**	**(1,592,305)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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 Capital Adjustment Account.

	2023/24 £000	2022/23 £000
Balance at 1 April	(323,043)	(337,899)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	56,603	10,714
Difference between fair value depreciation and historical cost depreciation	3,051	3,088
Accumulated gains on assets sold or scrapped	186	1,054
Amount written off to the Capital Adjustment Account	3,237	4,142
Balance at 31 March	**(263,203)**	**(323,043)**

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 Council 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 Council. 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.

	2023/24 £000	*Restated* **2022/23 £000**
Balance at 1 April	(1,365,656)	(1,388,805)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation non-current assets	22,849	19,475
• Revaluation losses on property, plant and equipment	121,741	35,671
• Amortisation of intangible assets	220	183
• Revenue expenditure funded from capital under statute	9,028	5,521
• Reversal of Major Repairs Allowance credited to the HRA	17,176	17,061
• 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	15,339	18,240
	186,353	96,151
Adjusting amounts written out of the Revaluation Reserve	(3,237)	(4,142)
Net written out amount of the cost of non-current assets consumed in the year	**183,116**	**92,009**
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	(3,345)	(6,332)
• Use of the Major Repairs Reserve to finance new capital expenditure	(17,176)	(17,860)
• Capital grants and contributions applied	(41,978)	(35,194)
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances (including finance lease	(3,561)	(2,225)
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances (including loan repayments)	(9,454)	-
• Capital expenditure charged against the General Fund and HRA balances	(1,666)	(3,706)
	(77,180)	**(65,317)**
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(8,932)	(3,955)
Adjustments between Capital Adjustment Account and Capital Receipts Reserve (Deferred Cost and Loan Repayments)	9,454	412
Movement in the Donated/Bartered Assets credited to the Comprehensive Income and Expenditure Statement	(11,855)	**-**
Balance at 31 March	**(1,271,053)**	**(1,365,656)**

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 Council 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 Council 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 Council 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.

	2023/24 £000	2022/23 £000
Balance at 1 April	89,961	477,078
Remeasurements of the net defined benefit liability/(asset)	(53,982)	(427,534)
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	28,518	63,009
Employer's pensions contributions and direct payments to pensioners payable in the year	(25,762)	(22,592)
Balance at 31 March	**38,735**	**89,961**

Collection Fund Adjustment Account

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

	2023/24 £000	2022/23 £000
Balance at 1 April	(12,132)	11,685
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	(453)	(23,817)
Balance at 31 March	**(12,585)**	**(12,132)**

Accumulated Absences Account

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

	2023/24 £000	2022/23 £000
Balance at 1 April	3,304	3,334
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	27	(30)
Balance at 31 March	**3,331**	**3,304**

Dedicated Schools Grant (DSG) Adjustment Account

The DSG Adjustment Account represents the DSG deficit balance. Parliament approved the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 in November 2020 which amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits which must now be recorded in a separate account established solely for the purpose of recording deficits relating to school's budget.

	2023/24 £000	2022/23 £000
Balance at 1 April	14,505	14,505
In-year Dedicated Schools Grant (surplus)/deficit (to DSG Adjustment Account)	-	-
Balance at 31 March	**14,505**	**14,505**

4a. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2023/24.

		Balance at 31 March 2022 £000	Transfers In 2022/23 £000	Transfers Out 2022/23 £000	Movement Between 2022/23 £000	Balance at 31 March 2023 £000	Transfers In 2023/24 £000	Transfers Out 2023/24 £000	Movement Between 2023/24 £000	Balance at 31 March 2024 £000
	General Fund									
1	Insurance Fund	(5,248)	-	773	-	(4,475)	-	-	-	(4,475)
2	Controlled Parking Fund	(722)	(2,297)	233	-	(2,786)	(521)	447	-	(2,860)
3	Efficiency Projects Reserve	(1,981)	(750)	-	-	(2,731)	(1,100)	467	-	(3,364)
4	Corporate Demand Pressures	(28,367)	(3,836)	1,922	(7,071)	(37,352)	(242)	3,048	5,329	(29,217)
5	Troubled Families Reserve	(1,634)	(82)	-	-	(1,716)	-	75	-	(1,641)
6	Collection Fund Smoothing Reserve	(23,352)	(2,151)	22,094	-	(3,409)	(6,628)	-	-	(10,037)
7	Partners in Practice	(957)	-	-	-	(957)	-	205	-	(752)
8	Civic Campus	(5,497)	-	4,144	-	(1,353)	(2,500)	3,182	(7,700)	(8,371)
9	Managed Services	(1,260)	-	-	-	(1,260)	-	-	-	(1,260)
10	Corporate People Reserve	(150)	(1,400)	-	-	(1,550)	-	-	-	(1,550)
11	Corporate Technology & IT	(4,956)	(925)	-	-	(5,881)	(2,743)	1,968	-	(6,656)
12	Planning Reserve	(1,723)	-	-	-	(1,723)	-	59	(59)	(1,723)
13	Corporate Property Reserve	(500)	(400)	221	-	(679)	(850)	231	-	(1,298)
14	Pandemic Response Support	(6,002)	(1,000)	4,946	-	(2,056)	-	558	-	(1,498)
15a	Dedicated Schools Grant Support Reserve	(11,820)	-	-	7,071	(4,749)	-	-	2,371	(2,378)
15b	Dedicated Schools Grant High Needs Block	(2,685)	(7,071)	-	-	(9,756)	(2,371)	-	-	(12,127)
15c	Dedicated Schools Grant - Schools & Early years Block	(299)	(824)	234	-	(889)	(134)	889	-	(134)
16	Homlessness Prevention Reserve	(750)	-	-	-	(750)	-	610	-	(140)
17	Pre-Development Costs Reserve	(5,000)	-	-	-	(5,000)	-	-	-	(5,000)
18	Inflation Risk Reserve	-	(4,800)	-	-	(4,800)	-	-	-	(4,800)
19	Other Funds (General Fund)	(8,559)	(2,418)	2,944	-	(8,033)	(1,007)	2,763	59	(6,218)
	General Fund Reserves	**(111,462)**	**(27,954)**	**37,511**	-	**(101,905)**	**(18,096)**	**14,502**	-	**(105,499)**
	General Fund Revenue Grants & Other Contributions									
20	S106 - Revenue Schemes	(29,806)	(9,851)	1,730	-	(37,927)	(6,001)	1,390	-	(42,538)
21	Community Infrastructure Levy Reserve	(17,369)	(667)	-	-	(18,036)	(4,885)	-	-	(22,921)
22	Other Revenue Grants and Contributions	(1,840)	(3,100)	9,280	-	4,340	(7,479)	71	-	(3,068)
	Revenue Grants Sub-Total	**(49,015)**	**(13,618)**	**11,010**	-	**(51,623)**	**(18,365)**	**1,461**	-	**(68,527)**
	General Fund Total	**(160,477)**	**(41,572)**	**48,521**	-	**(153,528)**	**(36,461)**	**15,963**	-	**(174,026)**
	HRA Reserves									
23	HRA Non-dwellings Impairment Reserve	(2,758)	(755)	-	-	(3,513)	(383)	-	-	(3,896)
24	HRA Strategic Regeneration and Housing Development	(3,596)	-	-	-	(3,596)	-	-	-	(3,596)
25	HRA Utilities Reserve	(1,962)	-	-	-	(1,962)	-	-	-	(1,962)
26	Disrepairs Compensation and Legal costs	(514)	(1,122)	828	-	(808)	-	808	-	-
27	Other Funds (HRA)	(2,047)	(26)	643	-	(1,430)	(240)	1,041	-	(629)
	HRA Sub-Total	**(10,877)**	**(1,903)**	**1,471**	-	**(11,309)**	**(623)**	**1,849**	-	**(10,083)**
	Grand Total	**(171,354)**	**(43,475)**	**49,992**	-	**(164,837)**	**(37,084)**	**17,812**	-	**(184,109)**

Nb. Prior year comparatives have been subject to reclassification to align with the 2023/24 presentation however overall prior year totals remain unchanged (excepting minor rounding)

4b. Earmarked Reserves Description

The main purpose of each earmarked reserve is explained below:

1	Insurance Fund	This was established to underwrite a proportion of the Council's insurable risks.
2	Controlled Parking Fund	the surplus from the running of the Controlled Parking operations within the Borough is accumulated in this Fund. In the past, this reserve had to be used to meet expenditure on transport and highways related activities.
3	Efficiency Projects Reserve	This reserve will fund future revenue expenditure and capital investment that will provide future revenue savings.
4	Corporate Demand Pressures	To meet unbudgeted demands and pressures.
5	Troubled Families	This reserve has been created to carry forward funding that has already been earnt, but not spent, into Year 3 of the project in order to fund the costs associated with running the programme.
6	Collection Fund Smoothing Reserve	This reserve smooths the impact of statutory timing differences between funding and impact business rates deficits and provides additional resilience to manage unanticipated shortfalls in future Collection Fund revenue.
7	Partners in Practice	This is a reserve for Children's Services social care practice improvement as part of DFE innovation programme.
8	Civic Campus	This is held to fund the costs of implementing the Civic Campus redevelopment.
9	Managed Services	This reserve is used to fund the cost of supporting the Managed Services project and for the development of the IBC system.
10	Corporate People Reserve	This is the consolidation of various Human Resource related reserves.
11	Corporate Technology & IT	This reserve is used to finance IT projects.
12	Planning Reserve	This reserve is to support funding of CIL and regeneration related projects.
13	Corporate Property Reserve	This is to be used to cover the one-off costs related to LBHF property management.
14	Pandemic Response Support	This represents the residual balances from grants provided to local authorities and internal provisions and will be applied to deal to with ongoing pandemic and post-pandemic related support.
15	DSG - Various	15a. DSG Support Reserve - This reserve offsets the DSG Unusable Reserve – Deficit to ensure that the expenditure incurred to date can be fully funded in light of continuing pressures and in the event that the deficit recovery plan is unable to recover the current cumulative position. Overall the DSG reserve (deficit and deficit set-aside) is nil as the cumulative deficit is matched by the reserve set aside. 15b. DSG High Needs Block Deficit Reserve - Parliament has approved the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 in November 2020 which amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits which must now be recorded in a separate account established solely for the purpose of recording deficits relating to school's budget and account for the cumulative Dedicated Schools Grant deficit in unusable reserves. As the statutory requirement is time limited, it continues to set aside reserves to match the High Needs Block deficit until such time as the cumulative deficit is eliminated. 15c. DSG (Schools & Early years Block) Reserve - This reserve records the cumulative balance on the Schools and Early years block.
16	Homelessness Prevention Reserve	This reserve is used to deliver homelessness prevention outcomes.

17	Pre-Development Costs Reserve	This reserve is to provide for the risk associated with the council's general fund capital strategy and initiatives.
18	Inflation Risk Reserve	This is reserve is to provide for risks associated with inflationary pressures.
19	Other Funds	This comprises a number of smaller reserves, existing to fund various projects and potential future commitments.
20	S106 - Revenue Schemes	These reserves exist to fund various projects and potential future commitments in line with the requirements of the agreements.
21	Community Infrastructure Levy Reserve	This reserve set asides Community Infrastructure Levy receipts
23	Other Revenue Grants and Contributions	This comprises a number of smaller grants and contributions, existing to fund various projects and potential future commitments.
24	HRA Non-dwellings Impairment Reserve	This reserve is to smooth the future impact of non-dwellings impairments on the HRA following the introduction of HRA self-financing.
25	HRA Strategic Regeneration and Housing Development	This reserve is to provide for the risk associated with the council's strategy and regeneration and housing development initiatives.
26	HRA Utilities Reserve	This reserve provides support for the payment of commission refunds to tenants.
27	Disrepairs Compensation and Legal costs	This is a reserve to provide for potential disrepairs compensation and associated costs
28	Other HRA Funds	This reserve is to fund various smaller projects specific to the HRA.

5. Material Items of Income and Expense

Transactions in 2023/24
HRA Dwellings have been revalued downwards in-year. The downward revaluation is approximately 7%. The size of the asset base means that this revaluation is a material amount. The gross revaluation decrease recognised in CIES is £103.3m.

Other Land and Buildings assets have been revalued downwards in-year. This decrease in their valuations results from sites earmarked for affordable housing development being revalued to reflect their intended use. The gross revaluation decrease recognised in CIES is £18.3m.

Transactions in 2022/23
HRA Dwellings have been revalued downwards in-year. The downward revaluation is approximately 0.97%. The size of the asset base means that this revaluation is a material amount. The gross revaluation decrease recognised in CIES is £36m.

6. Other Operating Income and Expenditure

	2023/24	2022/23
	£000	£000
Levies	2,383	2,429
Payments to the Government Housing Capital Receipts Pool	427	2,195
(Gains)/losses on the disposal of non-current assets	(6,013)	(7,491)
Other Operating Income and Expenditure	(321)	(201)
Total	**(3,524)**	**(3,068)**

7. Financing and Investment Income and Expenditure

	2023/24	2022/23
	£000	£000
Interest payable and similar charges	11,147	11,209
Net interest on the net defined benefit liability (asset)	3,337	13,000
Interest receivable and similar income	(13,502)	(6,808)
Income and expenditure in relation to investment properties	(6,694)	(6,754)
Net (gains)/losses from fair value adjustments on investment properties	(9,314)	(4,710)
Total	**(15,026)**	**5,937**

8. Taxation and non-specific grant income and expenditure

	2023/24	2022/23
	£000	£000
Non-domestic rates income	(68,926)	(71,827)
NDR Levy	20	655
Business rates tariff	14,344	17,965
Non-domestic rates income and expenditure	**(54,562)**	**(53,207)**
Council Tax Income	(73,550)	(66,976)
Non-ringfenced government grants	(66,079)	(53,717)
Capital grants and contributions	(40,182)	(38,483)
Total	**(234,373)**	**(212,383)**

9. Property, Plant and Equipment

(i) Movements on Balances

Movements in 2023/24

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2023	1,460,077	340,100	17,445	29,278	65,677	72,963	**1,985,540**	26,633
Additions	65,893	7,901	10,728	993	12	41,027	**126,554**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(51,834)	(14,832)	-	-	(611)	-	**(67,277)**	(652)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(113,043)	(18,973)	-	-	(127)	-	**(132,143)**	-
Derecognition – disposals	(2,985)	-	(4,274)	-	(11,855)	-	**(19,114)**	-
Assets reclassified (to)/from PPE	-	27,173	-	-	(27,173)	-	**-**	-
Assets reclassified (to)/from Investment Properties	-	(180)	-	-	-	-	**(180)**	-
Other reclassifications					127		**127**	
At 31 March 2024	**1,358,108**	**341,189**	**23,899**	**30,271**	**26,050**	**113,990**	**1,893,507**	**25,981**
Accumulated Depreciation and Impairment								
At 1 April 2023	-	(685)	(5,690)	(21,612)	-	-	**(27,987)**	-
Depreciation charge	(16,893)	(3,909)	(2,964)	(1,640)	(46)	-	**(25,452)**	(404)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,094	3,536	-	-	44	-	**10,674**	404
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	9,764	636	-	-	2	-	**10,402**	-
Derecognition – disposals	35	-	855	-	-	-	**890**	-
At 31 March 2024	**-**	**(422)**	**(7,799)**	**(23,252)**	**-**	**-**	**(31,473)**	**-**
Net Book Value								
At 31 March 2024	**1,358,108**	**340,767**	**16,100**	**7,019**	**26,050**	**113,990**	**1,862,034**	**25,981**

9. Property, Plant and Equipment (cont'd)

Movements in 2022/23

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2022	1,474,362	335,779	9,392	28,156	67,538	52,222	**1,967,449**	26,639
Additions	52,629	2,438	8,053	1,074	-	25,206	**89,400**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(22,337)	1,773	-	-	(1,861)	-	**(22,425)**	(6)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(44,827)	158	-	-	-	-	**(44,669)**	-
Derecognition – disposals	(3,588)	-	-	-	-	-	**(3,588)**	-
Derecognition – other	(627)	-	-	-	-	-	**(627)**	-
Assets reclassified (to)/from PPE	4,465	(48)	-	48	-	(4,465)	**-**	-
At 31 March 2023	**1,460,077**	**340,100**	**17,445**	**29,728**	**65,677**	**72,963**	**1,985,540**	**26,633**
Accumulated Depreciation and Impairment								
At 1 April 2022	-	(705)	(4,166)	(20,340)	-	-	**(25,211)**	-
Depreciation charge	(17,061)	(3,631)	(1,524)	(1,272)	(47)	-	**(23,535)**	(388)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,658	3,008	-	-	45	-	**11,711**	388
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	8,354	643	-	-	2	-	**8,999**	-
Derecognition – disposals	42	-	-	-	-	-	**42**	-
Derecognition – other	7	-	-	-	-	-	**7**	-
At 31 March 2023	**-**	**(685)**	**(5,690)**	**(21,612)**	**-**	**-**	**(27,987)**	**-**
Net Book Value								
At 31 March 2023	**1,460,077**	**339,415**	**11,755**	**7,666**	**65,677**	**72,963**	**1,957,553**	**26,633**

9. Property, Plant and Equipment (cont'd)

Infrastructure Assets	**2023/24 £000**	**2022/23 £000**
Net book value (modified historical cost) at 1st April	87,938	77,277
Additions	22,919	23,656
Depreciation	(14,528)	(12,995)
Net book value at 31st March	**96,329**	**87,938**

	2023/24 £000	**2022/23 £000**
Infrastructure Assets	96,329	87,938
Other PPE Assets	1,862,035	1,957,554
Total PPE Assets	**1,958,364**	**2,045,492**

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

(ii) Depreciation and Useful life

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Council Dwellings (Building element only – land not depreciated)	53 - 56 years
Other Land and Buildings (Building element only – land not depreciated)	41 – 56 years
Surplus Assets (Building element only – land not depreciated)	50 – 56 years
Infrastructure Assets	3 – 40 years
Vehicles, Plant, Furniture & Equipment	5 – 25 years
Community Assets	5 – 73 years

9. Property, Plant and Equipment (cont'd)

(iii) Effect of Changes in Estimates

In 2023/24 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

(iv) Revaluation and Impairments

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued through full inspection at least every four years. The Council has used the external valuation contractor Wilks Head & Eve to carry out the valuations under instruction from the Council's internal Valuation and Property Services. Rolling programme values are reviewed internally to ensure they are not materially misstated at balance sheet date. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations have an effective date of 31 March 2024.

The significant assumptions applied in estimating the current values are:
• Valuations of owner occupied properties reflect special adaptations or particular suitability of the premises for the existing use, but specifically exclude, so far as possible value attributable to goodwill and alternative uses.
• No allowance has been made for any national or local tax whether existing or which may arise in the future.
• All properties except Housing Dwellings have been valued on an individual basis, thus envisaging that they will be marketed individually or in groups over an appropriate period of time.
• Except where specific information is available, properties have been properly maintained and are in good repair and condition.

	Council Dwellings £000	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carrying value under Cost Model	1,567,646	232,028	96,329	16,100	7,019	76,364	113,990	**2,109,476**
Carried at Historical Cost	-	-	96,329	16,100	7,019	-	113,990	**233,438**
Valued at current value as at:								**-**
31 March 2024	1,358,108	320,778	-	-	-	26,050	-	**1,704,936**
31 March 2023	-	12,737	-	-	-	-	-	**12,737**
31 March 2022	-	3,303	-	-	-	-	-	**3,303**
31 March 2021	-	3,949	-	-	-	-	-	**3,949**
	1,358,108	**340,767**	**96,329**	**16,100**	**7,019**	**26,050**	**113,990**	**1,958,363**

9. Property, Plant and Equipment (cont'd)

(iv) Revaluation and Impairments continued.

The Council values its dwellings in accordance with the proper practice set out in the Government guidance "Stock Valuation for Resource Accounting: Guidance for Valuers – 2016". Under the requirements of the "beacon system" of valuation and 75 per cent discount applied to the open market valuation of the dwellings using the "Existing Use Valuation – Social Housing" methodology, the Council's capital expenditure on its dwelling stock does not increase the value of the assets on a pound-for-pound basis; at best the value of a dwelling will be increased by only 25 per cent of the capital expenditure incurred upon it.

Desktop revaluation of housing dwellings stock as at 31 March 2024 was commissioned by the Council and completed by the external valuer Wilks, Head and Eve. A revaluation based on full inspection of housing dwellings stock is scheduled for 2024/25.

Where assets are revalued downwards and revaluation losses are in excess of the available Revaluation Reserve, balances are debited to the Surplus or Deficit on the Provision of Services. A review of property, plant and equipment was carried out for 2023/24 and there were no cases of impairment of assets to report.

Impairment and valuation losses not covered by the Revaluation Reserve in relation to HRA dwellings – are charged to the HRA Income & Expenditure Statement but will continue to be reversible through a transfer to the Capital Adjustment Account (CAA) via the Movement in Reserves Statement (MIRS). Valuation gains in relation to HRA dwellings, where taken to the HRA income and expenditure statement, can also be reversed under the Item 8 Credit and Debit Determination, by a transfer to the CAA via the MIRS.

Impairment and valuation losses not covered by the Revaluation Reserve in relation to HRA non-dwellings can now be reversed in the same way as losses for dwellings. As with dwellings, valuation gains for non-dwellings, where taken to the HRA income and expenditure statement, can also be reversed by a transfer to the CAA via the MIRS.

(v) Capital Commitments

The total of capital commitments exceeding £2m at the balance sheet date were as follows:

Service Department	**31 March 2024 £000**	**31 March 2023 £000**
Housing Revenue Account	24,210	18,567
Regeneration and Community Projects	34,386	101,101
Affordable Housing Schemes	85,340	102,723
Environment	7,346	8,468
	151,282	**230,859**

(vi) Prior Period Adjustment

A prior period adjustment has been made in the 2023/24 financial statements in respect of Surplus Asset valuations. This adjustment has increased the value of Surplus Assets by £25.4m, matched with a corresponding credit to the Capital Adjustment Account (CAA). This adjustment has impacted the Balance Sheet, Movement in Reserves Statement and Capital Adjustment note. There has been no impact on the Comprehensive Income and Expenditure Statement nor is there an impact on the General Fund balance as a consequence of this change.

The detailed impact of the above in the relevant statements and notes is set out below:

9. Property, Plant and Equipment (cont'd)

Effect on Balance Sheet at 31 March 2022

	Originally stated 2021/22 £000	Surplus Assets Restatement £000	Restated 2021/22 £000
Property, Plant and Equipment	1,994,114	25,400	2,019,514
Long Term Assets	**2,113,994**	**25,400**	**2,139,394**
Net Assets	**1,475,674**	**25,400**	**1,501,074**
Unusable Reserves	(1,193,872)	(25,400)	(1,219,272)
Total Reserves	**(1,475,674)**	**(25,400)**	**(1,501,074)**

Effect on Balance Sheet at 31 March 2023

	Originally stated 2022/23 £000	Surplus Assets Restatement £000	Restated 2022/23 £000
Property, Plant and Equipment	2,020,092	25,400	2,045,492
Long Term Assets	**2,170,448**	**25,400**	**2,195,848**
Net Assets	**1,867,737**	**25,400**	**1,893,137**
Unusable Reserves	(1,566,905)	(25,400)	(1,592,305)
Total Reserves	**(1,867,737)**	**(25,400)**	**(1,893,137)**

Effect on Note 9 (i) PPE 21/22

	Originally stated 2021/22 £000	Surplus Assets Restatement £000	Restated 2021/22 £000
Surplus Assets	42,138	25,400	67,538
Total Property, Plant and Equipment	**1,994,114**	**25,400**	**2,019,514**

Effect on Note 9 (i) PPE 22/23

	Originally stated 2022/23 £000	Surplus Assets Restatement £000	Restated 2022/23 £000
Surplus Assets	40,277	25,400	65,677
Total Property, Plant and Equipment	**2,020,092**	**25,400**	**2,045,492**

Effect on Note 3c Unusable Reserves 21/22

	Originally stated 2021/22 £000	Surplus Assets Restatement £000	Restated 2021/22 £000
Capital Adjustment Account	(1,363,405)	(25,400)	(1,388,805)
Total Unusable Reserves	**(1,193,872)**	**(25,400)**	**(1,219,272)**

9. Property, Plant and Equipment (cont'd)

Effect on Note 3c Unusable Reserves 22/23

	Originally stated 2022/23 £000	Surplus Assets Restatement £000	Restated 2022/23 £000
Capital Adjustment Account	(1,340,256)	(25,400)	(1,365,656)
Total Unusable Reserves	**(1,566,905)**	**(25,400)**	**(1,592,305)**

10. Investment Properties

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

	2023/24 £000	2022/23 £000
Rental income from investment property	(7,010)	(7,210)
Direct operating expenses (including repairs and maintenance) arising from investment properties	316	456
Net (gain)/loss	**(6,694)**	**(6,754)**

(i) Revaluation

In 2023/24 the Council commissioned a full revaluation of its investment properties including an inspection of each property where appropriate as at the balance sheet date of 31st March 2024. The work was undertaken by our independent external valuers – Wilks, Head & Eve, whose staff are qualified surveyors with the Royal Institution of Chartered Surveyors (RICS). The valuation bases are in accordance with the Statement of Asset Valuation Practices and Guidance Notes of RICS.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The following table summarises the movement in the fair value of investment properties over the year:

	31 March 2024 £000	31 March 2023 £000
Balance at start of the year	85,478	81,131
Additions:		
• Subsequent expenditure	109	482
Derecognition	(534)	(845)
Net gains/(losses) from fair value adjustments	9,314	4,710
Transfers:		
• (to)/from Property, Plant and Equipment	180	-
Balance at end of the year	**94,547**	**85,478**

10. Investment Properties (cont'd)

(ii) Fair Value Hierarchy

The Council's commercial land, office and retail asset valuations have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the locality. Market conditions for these asset types are such that the levels of observable inputs, such as assumed void periods, estimated rental value and capitalisation rate (equivalent yield), are significant leading to all the Council's investment properties being categorised at Level 2 in the Fair Value hierarchy (see Note 38 Accounting Policies for an explanation of the fair value levels). There were no changes in valuation techniques and no transfers between Levels 1 and 2 during 2023/24.

11. Heritage Assets

	Art Collections	Books & Printed Materials	Ceramics & Glass	Other Heritage Assets	Total Assets
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2023	7,688	131	118	86	8,023
Movement on balance	-	-	-	-	-
At 31 March 2024	**7,688**	**131**	**118**	**86**	**8,023**

There have been no movements on Heritage Assets in 2023/24.

12. Assets Held for Sale

All Assets Held for Sale have been classified as Current as sales are expected within 12 months from balance sheet date.

	31 March 2024	31 March 2023
	£000	£000
Balance outstanding at start of year	**-**	**13,229**
Additions:	-	-
Assets newly classified as held for sale:	-	-
• Property, Plant and Equipment	-	-
Assets sold	-	(13,229)
Net gains/(losses) from fair value adjustments	-	-
Balance outstanding at year-end	**-**	**-**

13. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2023/24 £000	2022/23 £000
Opening Capital Financing Requirement	503,530	423,053
Capital Investment		
Property, Plant and Equipment	134,199	113,058
Investment Properties	109	482
Intangible Assets	1,074	390
Revenue Expenditure Funded from Capital under Statute	9,028	5,521
Capital Funding of third-party capital loans	43,243	26,759
Sources of Finance		
Capital receipts – used to fund Capital Expenditure	(3,345)	(6,332)
Government grants and other contributions	(59,154)	(53,241)
Sums set aside from revenue:		
Direct revenue contributions	(1,666)	(3,475)
MRP/loans fund principal	(3,561)	(2,225)
Voluntary Application of Capital Receipts & Grants	(9,454)	(43)
Deferred costs of capital disposals	-	(417)
Closing Capital Financing Requirement	**614,003**	**503,530**
Explanation of movements in year		
Increase in underlying need to borrow	117,168	74,899
(Decrease) in underlying need to borrow	(63)	(63)
Voluntary application of Capital Receipts and Grants to repay debt	(9,454)	(43)
Increase/(Decrease) in Deferred costs of capital disposals	-	(417)
Assets acquired under finance leases	2,822	6,100
Increase/(decrease) in Capital Financing Requirement	**110,473**	**80,476**

14. Leases (Finance and Operating)

Council as Lessee

Finance Leases

The Council engaged into a Refuse Removal contract in 2022/23. As part of this contract LBHF has effective control of the contractor's fleet of vehicles and is deemed to be implied finance leases.

The assets acquired under these implied leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2024 £000	31 March 2023 £000
Vehicles, Plant, Furniture and Equipment	7,702	6,100
	7,702	**6,100**

The implied minimum lease payments are made up of the following amounts:

	31 March 2024 £000	31 March 2023 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	(889)	(699)
• non-current	(6,383)	(5,292)
Finance costs payable in future years	(989)	(846)
Minimum lease payments	**(8,261)**	**(6,837)**

The Council has not sub-let any of the vehicles held under the implied finance leases.

Operating Leases

The Council has acquired some office accommodation, hostels, depot facilities and a range of vehicles and office equipment by entering into operating leases.

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

	31 March 2024 £000	31 March 2023 £000
Not later than one year	8,151	2,457
Later than one year and not later than five years	7,606	4,166
Later than five years	9,377	5,895
	25,134	**12,518**

14. Leases (Finance and Operating) (cont'd)

The expenditure charged to the service revenue accounts during the year in relation to these leases was:

	31 March 2024 £000	31 March 2023 £000
Minimum lease payments	11,331	3,578
Contingent rents	-	-
Sublease payments receivable	-	-
	11,331	**3,578**

The Council has sub-let 3 properties held under operating leases and they are included within Operating Leases as Lessor below. The total future expected receipts are £4,911k at 31 March 2024.

Council as Lessor

Finance Leases

The Council is not engaged in any material Finance Leases as a Lessor.

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:
• for the provision of community services, such as sports facilities, day centres and community centres

• for economic development purposes providing suitable affordable accommodation for local businesses

• as an investment to make use of the Council's assets

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

	31 March 2024 £000	31 March 2023 £000
Not later than one year	5,124	4,396
Later than one year and not later than five years	12,248	13,687
Later than five years	12,808	12,561
	30,180	**30,644**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No material contingent rents were receivable by the Council.

15. Private Finance Initiative

2023/24 was the nineteenth year of a 25-year Private Finance Initiative (PFI) to provide new services for vulnerable older people in the borough. The PFI has created three new nursing homes (one of which was completed one year later than the other two). NHS North West London Integrated Care Board also shares the services provided at these sites through a back-to-back agreement with the Council.

At the end of the contract ownership of the homes reverts to the Council. A Memorandum of Understanding was agreed in 2015-16 to rebase the Unitary Charge and to clarify that payments are adjusted annually for CPI. The Memorandum does not change any other significant aspect of the contract.

15. Private Finance Initiative (cont'd)

Property Plant and Equipment
The assets used to provide services at the residential care and nursing homes and sheltered accommodation are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 9.

Payments
The Council makes an agreed payment each year (Unitary Charge) which is adjusted each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. The annual Unitary Charge has been split into service charge, liability and interest.

Payments remaining to be made under the PFI contract at 31 March 2024 (excluding the effect of changes in market conditions and availability/performance deductions) are as follows:

	Payment for Services	Liability	Interest	Total
	£000	£000	£000	£000
Payable in 2024/25	6,565	592	824	7,981
Payable within two to five years	29,152	3,342	2,323	34,817
Payable within six to ten years	11,023	1,693	349	13,065
	46,740	5,627	3,496	55,863

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	2023/24	2022/23
	£000	£000
Balance outstanding at start of year	6,146	6,601
Payments during the year	(519)	(455)
Capital expenditure incurred in the year	-	-
Balance outstanding at year-end	**5,627**	**6,146**

16. Debtors

(i) Short term debtors

	31 March 2024 £000	31 March 2023 £000
Council Tax Receivable from Taxpayers	25,234	22,826
Non Domestic Rates Receivable from Taxpayers	23,556	21,374
Business Rates Supplement Debtor	-	1,725
Trade Debtors	29,488	27,150
Other Debtors	40,315	39,290
VAT Debtors	11,646	7,183
Prepayments and Accrued Income	19,170	16,988
Impairment Allowance for Doubtful Debts	(80,931)	(75,246)
Total	**68,478**	**61,290**

(ii) Long term debtors

	31 March 2024 £000	31 March 2023 £000
Acquisition of commercial units (Civic Campus)	36,268	22,397
Education City loan	22,060	100
Other Long Term Debtors	2,180	500
Total	**60,508**	**22,997**

17. Cash and Cash Equivalents

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

	31 March 2024 £000	31 March 2023 £000
Cash held by the Council	74	108
Bank current accounts	-	-
School bank accounts	5,436	7,343
Short-term deposits	39,820	151,610
Cash and Cash Equivalents	**45,330**	**159,061**
Bank overdraft*	**(7,477)**	**(7,536)**
Cash Management**	**37,853**	**151,525**

**The year-end bank overdraft reflects the bank position including all outstanding and unpresented items. LBHF does not operate a physical bank overdraft as part of its cash management policy. This presentation is a technical requirement under IFRS.*

***The prior year is presented differently in that the entire Cash Management figure appears under Cash and Cash Equivalents in the Balance Sheet rather than being split between Cash and Cash Equivalents and Bank overdraft as it is in the current year.*

The detailed analysis of the movement in Cash & Cash Equivalents is illustrated on the Cash Flow Statement and Note 22.

18. Creditors

	31 March 2024 £000	31 March 2023 £000
Council Tax Creditor	(2,647)	(1,595)
NDR Retained Income Creditor	(82,424)	(89,330)
Business Rate Supplement Creditor	(231)	-
NDR Taxpayers Receipts not yet Paid to Government	(41)	(53)
Council Tax Refundable to Taxpayers	(7,595)	(7,022)
Non Domestic Rates Refundable to Taxpayers	(18,604)	(14,301)
Other Tax and Social Security Payable	(4,551)	(3,071)
Trade Creditors	(1,034)	(273)
Other Creditors	(66,034)	(66,244)
Short Term PFI Lease Liability	(592)	(519)
Short Term Finance Lease Lease Liability	(889)	(699)
Total	**(184,642)**	**(183,107)**

19. Other Long-Term Liabilities

	31 March 2024 £000	31 March 2023 £000
Net Pensions Liability	(38,735)	(89,961)
Finance Lease Liability	(6,384)	(5,292)
Private Finance Initiative (PFI) Liability	(5,035)	(5,627)
TOTAL	**(50,154)**	**(100,880)**

20. Provisions

	Insurance £000	NDR - Losses on Appeals £000	Other Provisions £000	Total £000
Balance at 31 March 2022	**(2,230)**	**(16,808)**	**(13,034)**	**(32,072)**
Additional provisions	(903)	(15,871)	-	(16,774)
Amounts used	-	-	908	908
Unused amounts reversed	-	21,731	4,087	25,818
Balance at 31 March 2023	**(3,133)**	**(10,948)**	**(8,039)**	**(22,120)**
Additional provisions	(599)	(2,149)	(4,946)	(7,694)
Amounts used	-	2,760	6,256	9,016
Unused amounts reversed	-	2,559	39	2,598
Balance at 31 March 2024	**(3,732)**	**(7,778)**	**(6,690)**	**(18,200)**
Of which:				
Next twelve months	(3,732)	(7,778)	(4,943)	(16,453)
Over twelve months	-	-	(1,747)	(1,747)
Balance at 31 March 2024	**(3,732)**	**(7,778)**	**(6,690)**	**(18,200)**

Following the introduction of the new Business Rates Retention Scheme by Central Government on 1 April 2013, the Council must account for its share of Non-Domestic Rates assets and liabilities. As a result of this, the Council has been exposed to a significant number of outstanding ratings appeals. The estimated liability for this has been included in the table above.

The Council's insurance provision (held for known future insurance claims resulting from the Council's self-insurance of liability risks and fire damage) received a full actuarial assessment of the Insurance Fund position as at 31 December 2020. The provision is based upon updated professional estimates of continuing open claims identified in that year's assessment. It also reflects claims that have been currently received for which they expect payment in the next 12 months.

During 1992/93, the then Council's insurers, Municipal Mutual Insurance (MMI), ceased accepting new business. The Council is a member of a scheme of arrangement that has been put into place to try to ensure

an orderly settlement of the run-off of MMI. The scheme of arrangement was triggered in 2012/13 and the Council was required to pay a levy of £426k in 2013/14, for which a provision was made in 2012/13 accounts; representing 15% of claims payments made to date. MMI in setting this 15% levy chose a mid-point based upon on actuarial analysis of potential future losses with the aim of ensuring a solvent run off of current losses and those yet to emerge. This means the Council will be required to fund 25% of all payments for any newly reported losses during the period of MMI policy coverage prior to 1993. The Council has sufficient funds in its Insurance reserve to cover this exposure. The recent actuarial assessment estimates the LBHF share of ongoing MMI Liability at £793k based on outstanding and incurred but not reported claims.

Other provisions include amounts to cover refunds to tenants and leaseholders for previously levied water rate charges, legal settlements, and backdated schools staff salaries.

21. Financial Instruments

(i) Financial Instruments – Balances

The following categories of financial instruments are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000
Financial assets at amortised cost				
Investments	195	195	118,716	120,625
Investment in Joint Venture held at cost	29,823	32,918		
Cash and Cash Equivalents	-	-	47,810	159,061
Long Term Debtors	23,314	600	-	-
Trade Debtors	-	-	30,341	27,872
Total	**53,332**	**33,713**	**196,867**	**307,558**
Financial liabilities at amortised cost				
Borrowings	(253,053)	(267,737)	(18,337)	(6,846)
Bank overdraft	-	-	(9,957)	(7,536)
Long Term Creditors	(100)	(100)	-	-
Trade Creditors	-	-	(68,549)	(67,735)
Total	**(253,153)**	**(267,837)**	**(96,843)**	**(82,117)**
Other Liabilities:				
PFI & Finance Lease liabilities	**(11,418)**	**(10,919)**	**(1,481)**	**(1,217)**

Under accounting requirements, the carrying value of the financial instrument is shown in the balance sheet which includes the principal amount borrowed or lent including accrued interest. Fair value has been measured by direct reference to published price quotations in an active market.

The "Investment in Joint Venture held at cost" line has been added as a separate line to the financial assets section of the table above to enhance the disclosure by clearly showing the investment in the JV in the accounts for both years. The amounts for trade debtors and creditors are the values identified in Notes 16 and 18 to the accounts gross of any allowance for bad debts, see paragraph on Credit Risk below, but excluding outstanding balances to/from Government Departments, debts arising from taxation demands and monies received or paid in advance. Further analysis of PFI and Finance Lease liabilities is given in Notes 14 and 15.

(ii) Reclassifications

No financial instruments have been reclassified between valuation at amortised cost and valuation at fair value during 2023/24 or previous years.

21. Financial Instruments (cont'd)

(iii) Income, Expense, Gains and Losses

	2023/24			2022/23		
	Financial Liabilitie at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilitie at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	11,147	-	11,147	11,209	-	11,209
Total expense in Surplus or Deficit on the Provision of Services	**11,147**	**-**	**11,147**	**11,209**	**-**	**11,209**
Interest income	-	(13,398)	(13,398)	-	(6,808)	(6,808)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(13,398)**	**(13,398)**	**-**	**(6,808)**	**(6,808)**
Net gain/(loss) for the year	**11,147**	**(13,398)**	**(2,251)**	**11,209**	**(6,808)**	**4,401**

(iv) Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term investments are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Public Works Loan Board (PWLB) loans have been valued using the standard new loan rates published by the Debt Management Office (DMO) on 31st March 2024.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of trade debtors and creditors are taken to be the invoiced amounts.
- The fair value of cash, overdrafts and other cash equivalents is taken to be the carrying value.

£0.1m of the Long Term investment at 31 March 2024 (£0.1m at 31 March 2023) shown in section (i) relates to the Council's investment in the GLE Group matched by the long term creditor of the same amount. Again, as any difference in values would be insignificant the fair value is taken to be the carrying value for both the investment and the liability.

The fair values calculated for the remaining instruments which consist of the Council's borrowings and investments (excluding any Cash or Cash Equivalents) are as follows:

	31 March 2024		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities				
Borrowings				
PWLB Debt	(270,390)	(206,302)	(274,583)	(225,106)
Total	**(270,390)**	**(206,302)**	**(274,583)**	**(225,106)**

Investments, the Investment in Joint Venture, PFI & Finance Lease Liabilities and Local Authority bonds are all held at cost so are not included in the above table. For these categories of financial assets/liabilities, there is not considered to be a material difference between their cost and fair value. Both PWLB borrowings and money market loans are categorised as Level 2 in the fair value hierarchy.

21. Financial Instruments (cont'd)

The fair value for financial liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date. The commitment to pay interest below current market rates decreases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans. The calculation above uses the PWLB certainty rate as the discount factor, if the premature repayment rate were to be used the fair value would be £231.753m as at 31 March 2024.

The fair value for financial liabilities has been determined by reference to the PWLB redemption rules and prevailing PWLB standard new loan rates at each Balance Sheet date. They include accrued interest.

At 31st March 2024, all money market loans and receivables are repayable within two years. Therefore, the carrying amount is assumed to be approximate fair value; the figure for both years includes accrued interest. The prevailing comparator market rates have been taken from indicative investment rates at the Balance Sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is not likely to be material.

Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks as follows:

• **credit risk** – the possibility that other parties might fail to pay amounts due to the Council
• **liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments
• **re-financing risk** – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
• **market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and the associated regulations. These require the Council to comply with CIPFA's Prudential Code and Code of Practice on Treasury Management in the Public Services together with investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

• by formally adopting the requirements of the Code of Practice on Treasury Management in the Public Services;
• by the adoption of a Treasury Policy Statement and treasury management clauses within its constitution;
• by approving annually in advance prudential and treasury indicators for the following three years limiting the Council's:
  - overall borrowing;
  - maximum and minimum exposures to fixed and variable rates;
  - maximum and minimum exposures for the maturity structure of its debt;
  - maximum annual exposures to investments maturing beyond a year; and
• by approving an investment strategy for the forthcoming year that sets criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the meeting when the Council's Council Tax is set and Revenue Budget approved. These items are reported within the Annual Treasury Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

These policies are implemented by the treasury team. The Council maintains written principles for overall risk management and written policies (Treasury Management Practices – TMPs) covering specific areas such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposure to the Council's customers.

This risk is minimised through the *Annual Investment Strategy*, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The *Annual Investment Strategy* also considers maximum amounts in respect of each financial institution. Deposits are not made with banks and

financial institutions unless they meet the minimum requirements of the investment criteria. Additional selection criteria are also applied following the application of the initial credit criteria.

21. Financial Instruments (cont'd)

The Council's maximum exposure to credit risk in relation to its investments in banks 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 not be able to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2024 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to outstanding deposits or non-investment activity related financial instrument.

A lifetime expected credit loss (ECL) approach has been applied to trade and other debtors held by the Council and the credit loss rates used in calculating the ECL vary widely due to the different type of debts that were reviewed by each service. Trade and other debtors include ECL for social housing rents with a loss rate ranging from 50% to 100% while Parking debts are 77% provided for. In total, the ECL for trade and other debtors at 31 March 2024 was £39.5m (£38.7m at 31 March 2023).

Liquidity Risk

The Council manages its liquidity position through the risk management procedures set out above and through cash flow management procedures required by the *Code of Practice on Treasury* Management in the Public Services. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow needs, while the PWLB provides access to longer term funds, it also acts as a lender of last resort to local authorities (although it will not provide funding to an authority whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Thus there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Exposure to customers is assessed by reference to past experience, age of debt, and stage of recovery process. Details of these debts are reported in Note 16. The sums shown are net of a prudent allowance for their impairment amounting to £18.80 million at 31 March 2024 (£16.69 million at 31 March 2023). The Council does not normally allow credit for its customers.

The past due but not impaired amount can be analysed by age as follows:

	31 March 2024 £000	31 March 2023 £000
Less than three months	11,484	17,801
Three to six months	1,162	2,017
Six months to one year	1,765	1,741
More than one year	13,451	11,876
	27,862	**33,435**

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. While the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The Council's treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

• monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

• monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

21. Financial Instruments (cont'd)

The maturity analysis of **financial liabilities** is as follows:

	31 March 2024 £000	31 March 2023 £000
Less than one year	(15,689)	(4,279)
Between one and two years	-	(15,689)
Between two and five years	(22,395)	(9,984)
Between five and ten years	(42,789)	(39,937)
More than ten years	(187,580)	(201,843)
Total	**(268,453)**	**(271,732)**

The maturity analysis of **financial assets** is as follows:

	31 March 2024 £000	31 March 2023 (restated) £000
Less than one year	117,000	118,600
Between one and two years	30,018	33,113
Between two and three years	-	-
More than three years	22,060	100
Total	**169,078**	**151,813**

The above tables exclude trade payables and receivables and cash and cash equivalents all of which are due to be paid/received within one year.

Market risks – comprise the below:

Interest Rate Risk: The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument durations. For instance, a rise in variable and fixed interest rates would have the following effects:

• *Borrowing at variable rates*: the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
• *Borrowing at fixed rates*: the fair value of the borrowing liability will fall (no impact on revenue balances)
• *Investments at variable rates*: the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
• *Investments at fixed rates*: the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings do not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments is posted to the Surplus or Deficit on the Provision of Services and affects the General Fund balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The *Annual Treasury Strategy* draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. The Strategy sets a treasury indicator that provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year and adjusts exposure appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

Price risk: the Council, excluding the Pension Fund, does not generally invest in equities or marketable bonds.

Foreign exchange risk: the Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movement in exchange rates.

22a. Cash Flow Statement – Net Cash Flow from Operating Activities

	2023/24 £000	2022/23 £000
Adjustment for items included elsewhere in the Cash Flow Statement:		
Capital Grants	(63,323)	(46,665)
Adjustment for 'non-cash' items included in the Income and Expenditure Statement:		
Depreciation and Amortisation of non-current assets	40,245	36,719
Impairments and revaluations	112,427	30,961
Value of non-current assets derecognised on disposal	18,758	5,011
Value of 'Assets Held for Sale' derecognised on disposal	-	13,229
Other derecognitions of non-current assets	-	-
Assets transferred to/(from) Assets Held for Sale	-	-
Net adjustment made in respect of IAS 19 (Pensions)	2,756	40,417
Non-cash fixed asset acquisitions (incl. finance leases)	(14,677)	-
Revaluations of Available for Sale Financial Assets	-	-
Amortisation of Premia and Discounts	6	5
Impairment of Financial Instruments	-	-
Movement in non-cash assets and liabilities:		
(Increase)/decrease in short-term Debtors*	(6,879)	(9,203)
add/less: (Increase)/decrease in Capital Debtors	1,190	(225)
(Increase)/decrease in Long-term Debtors	(37,511)	(8,396)
Increase/(decrease) in short-term Creditors*	4,033	(79,603)
add/less: Increase/(decrease) in Capital Creditors	807	(3,255)
Assets transferred to 'Assets Held for Sale'	-	-
Increase/(decrease) in Long-Term Finance Leases	1,968	5,401
(Increase)/decrease in Inventories	8	40
Increase/(decrease) in Provisions	(3,921)	(9,950)
Increase/(decrease) in Grants and Contributions Receipts in Advance	(12,509)	21,833
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**43,378**	**(3,681)**

*Excluding movements in the Collection Fund Debtors/Creditors with precepting authorities and the short-term element of Finance Leases and PFI's which are included on the face of the cashflow statement.

22b. Cash Flow Statement – Operating Activities

The cash inflows/(outflows) for operating activities include the following:

	2023/24 £000	2022/23 £000
Interest Received	13,811	4,942
Interest Paid	(11,071)	(11,223)

22c. Reconciliation of Liabilities Arising from Financing Activities

	Opening Balance	Cash (Inflow)/ Outflow	Transfers between ST and LT	Other Non-Cash changes	Closing Balance
2023/24	**£000**	**£000**	**£000**	**£000**	**£000**
Long-Term Borrowing	(267,732)	-	15,689	(10)	**(252,053)**
Short-Term Borrowing	(6,847)	6,847	(15,689)	(2,648)	**(18,337)**
Bonds	-	(1,000)	-	-	**(1,000)**
Finance Lease Liabilities	(5,991)	686	-	(1,967)	**(7,272)**
PFI	(6,146)	519	-	-	**(5,627)**
Total	**(286,716)**	**7,052**	**-**	**(4,625)**	**(284,289)**
2022/23	**£000**	**£000**	**£000**	**£000**	**£000**
Long-Term Borrowing	(272,011)	-	4,279	-	**(267,732)**
Short-Term Borrowing	(2,582)	2,582	(4,279)	(2,568)	**(6,847)**
Finance Lease Liabilities	-	109	-	(6,100)	**(5,991)**
PFI	(6,601)	455		-	**(6,146)**
Total	**(281,194)**	**3,146**	**-**	**(8,668)**	**(286,716)**

23. Agency Services

The Council acts as agent under agreements with various bodies and receives financial reimbursement for the costs of such services from the bodies concerned. In some cases, the council makes a small surplus or deficit on these agreements through commission or reimbursement of costs. These surpluses or deficits are included within the relative service lines in the CIES. Bodies with whom we have these agency agreements include Thames Water, Transport for London and the Department for Education (DfE).

24. Members' Allowances

The Council paid the following amounts to members of the Council during the year.

	2023/24	2022/23
	£000	£000
Members' Allowances	1,042	959

25. Officers' Remuneration

This note shows the remuneration as paid through the Council's payroll to the Council's Chief Executive, Statutory Chief Officers, members of the Strategic Leadership Team (i.e. those reporting to the Chief Executive) and employees with salaries over £150,000.

Post	Notes	Year	Salary, fees and allowances	Bonuses	Expenses allowances	Compensation for loss of office	Pension Contribution	Total
			£	£	£	£	£	£
Chief Executive - Sharon Lea	1	**2023/24**	**212,481**	**-**	**-**	**-**	**33,198**	**245,679**
		2022/23	187,604	-	-	-	-	187,604
Strategic Director of Childrens Services - Jacqueline McShannon		**2023/24**	**167,595**	**-**	**-**	**-**	**34,525**	**202,120**
		2022/23	161,925	-	-	-	27,689	189,614
Strategic Director of Economy		**2023/24**	**148,624**	**-**	**-**	**-**	**30,708**	**179,332**
		2022/23	144,027	-	-	-	24,629	168,656
Strategic Director - Chief Operating Officer	2	**2023/24**	**124,800**	**-**	**-**	**-**	**28,065**	**152,865**
Director of Legal Services (Monitoring Officer)	3	**2023/24**	**19,919**	**-**	**-**	**-**	**4,103**	**24,022**
Director of Finance (Section 151)	4	**2023/24**	**148,800**	**-**	**-**	**-**	**30,653**	**179,453**
		2022/23	106,665	-	-	-	19,171	125,836
Strategic Director - Social Care - Lisa Redfern	5a	**2023/24**	**27,828**	**-**	**-**	**-**	**5,733**	**33,561**
		2022/23	166,971	-	-	-	28,552	195,523
Strategic Director - Social Care	5b	**2023/24**	**142,312**	**-**	**191**	**-**	**26,803**	**169,306**
Strategic Director - Environment - Brahmesh Kainth	6	**2023/24**	**152,070**	**-**	**-**	**-**	**31,326**	**183,396**
		2022/23 (restated)	114,683	-	-	-	21,673	136,356

Notes

1. Sharon Lea served as acting Chief Executive in 2022/23 (and confirmed as permanent by Council on 24 May 2023).
2. The Strategic Director - Chief Operating Officer commenced in post on an interim basis in May 2023.
3. The Director of Legal Services (Monitoring Officer) commenced in post in January 2024. Prior to this, the Monitoring Officer role was occupied on an external interim basis (see further details of the interim arrangement in Note 31).
4. The Director of Finance commenced in post on an interim basis in July 2022 and was made permanent in June 2023.
5. There were two postholders who occupied this post during 2023/24 - the original postholder (5a) left the Council in May 2023 and was replaced in the same month by the new officer (5b).
6. The Strategic Director - Environment commenced in post in June 2022.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and including redundancy payments) were paid the following amounts.

Remuneration Band	2023/24 Number of Employees	2022/23 Number of Employees
£170,000 - £174,999	1	0
£165,000 - £169,999	0	1
£140,000 - £144,999	0	1
£130,000 - £134,999	5	1
£125,000 - £129,999	2	3
£120,000 - £124,999	5	3
£115,000 - £119,999	2	3
£110,000 - £114,999	6	1
£105,000 - £109,999	11	4
£100,000 - £104,999	11	19
£95,000 - £99,999	13	10
£90,000 - £94,999	23	10
£85,000 - £89,999	11	25
£80,000 - £84,999	22	16
£75,000 - £79,999	41	23
£70,000 - £74,999	39	41
£65,000 - £69,999	94	50
£60,000 - £64,999	166	120
£55,000 - £59,999	224	181
£50,000 - £54,999	314	261
Total	**990**	**773**

Of the 990 employees listed above in 2023/24, 203 (21%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2022/23 was 173 (22%). Remuneration bands where there are nil employees in both years are excluded from the above table (e.g. £135,000 - £139,999).

These numbers do not include senior employees shown in the senior officers' remuneration table. The exception will be where an officer has moved internally into a senior officer position in-year and their salary up until that point exceeded £50k (that element of which will be included in the above table).

Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other departures are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of packages by cost band		Total cost of exit packages in each band (£)	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
£0 - £20,000	7	15	22	17	29	32	228,923	240,530
£20,001 - £40,000	2	2	3	5	5	7	131,007	189,446
£40,001 - £60,000	-	1	2	-	2	1	95,900	40,414
£60,001 - £80,000	2	1	-	-	2	1	143,295	61,048
£80,001 - £100,000	-	-	2	1	2	1	174,585	90,460
£150,001 - £200,000	-	1	-	-	-	1	-	179,687
£200,001 - £250,000	1	-	-	-	1	-	210,927	-
£250,001 - £300,000	1	-	-	-	1	-	262,409	-
Total	**13**	**20**	**29**	**23**	**42**	**43**	**1,247,046**	**801,585**

This includes exit packages agreed by School Governing Bodies. Exit packages include the accrued cost of added years (the pension strain). These costs are not paid to individuals but reflect the cost to the Council of the employee retiring early, without actuarial reduction of their pension.

Please note that exit package cost bands where there are nil values in both years are excluded from the above table (e.g. £100,001 - £150,000).

26. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24, the Council paid £5.58 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2022/23 were £5.56 million and 23.68%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. During 2023/24 the costs arising from additional benefits amounted to £351.8k (2022/23: £332.6k).

27. Defined Benefit Schemes

Participation in Pension Schemes

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

The Council participates in the following post-employment schemes:

- The Local Government Pension Scheme administered locally by London Borough of Hammersmith and Fulham (LBHF LGPS).
- The Local Government Pension Scheme administered by London Pensions Fund Authority (LPFA LGPS).

The schemes are funded defined benefit salary schemes, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The scheme to 31 March 2014 provided benefits based on final salary and length of service on retirement. Changes to the LGPS came into effect on 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes took effect.

In general, participating in a defined benefit pension scheme means that the Council is exposed to a number of risks:

- Investment risk. The Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Pension Funds, there is an orphan risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers. All of the risks above may also benefit the Council e.g. higher than expected investment returns.

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, and cash has to be generated to meet actual pension payments when they eventually fall due.

27. Defined Benefit Schemes (cont'd)

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/ retirement benefits is reversed out of the General Fund 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 during the year.

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2023/24	2022/23 (restated)	2023/24	2022/23 (restated)
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service costs	26,274	50,958	59	116
• past service costs including curtailments	654	440	-	-
• (gain)/ loss from settlements	(348)	-	-	-
• administration expenses	-	-	15	16
• unfunded pension payments	(1,459)	(1,507)	(14)	(14)
Financing and Investment Income and Expenditure:				
• net interest expense / (income)	4,253	13,239	(916)	(239)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**29,374**	**63,130**	**(856)**	**(121)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability				
• Return on plan assets (excluding the amount included in the net interest expense)	(37,864)	57,828	(2,280)	(49)
• Actuarial gains and losses arising on changes in demographic assumptions	(6,682)	(12,078)	(424)	(1,445)
• Actuarial gains and losses arising on changes in financial assumptions	(55,965)	(572,591)	(20)	(11,311)
• Experience (gain)/loss on defined benefit obligation	40,046	99,165	103	3,078
• Other actuarial (gains)/losses	5,542	-	-	14
• Impact of asset ceiling	-	-	3,562	9,855
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(25,549)**	**(364,546)**	**85**	**21**
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(29,374)	(63,130)	856	121
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	25,730	22,530	32	62

27. Defined Benefit Schemes (cont'd)

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000
Opening balance 1 April	**1,264,689**	**1,690,777**	**32,303**	**42,978**
Current service cost	26,274	50,958	59	116
Interest cost	59,657	45,802	1,495	1,089
Remeasurement (gains) and losses:				
- Change in financial assumptions	(55,965)	(572,591)	(20)	(11,311)
- Change in demographic assumptions	(6,682)	(12,078)	(424)	(1,445)
- Experience	40,046	99,165	103	3,078
Effect of settlements	(1,164)	-	-	-
Estimated benefits paid net of transfers in	(49,536)	(44,418)	(2,325)	(2,208)
Past service costs, including curtailments	6,196	440	-	-
Contributions by Scheme participants	8,694	8,141	20	20
Unfunded pension payments	(1,459)	(1,507)	(14)	(14)
Closing balance at 31 March	**1,290,750**	**1,264,689**	**31,197**	**32,303**

Reconciliation of fair value of the scheme (plan) assets:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2023/24 £000	2022/23 £000	2023/24 £000	2022/23 £000
Opening balance 1 April	**1,174,685**	**1,213,697**	**51,348**	**52,127**
Interest on assets	55,404	32,563	2,411	1,328
Remeasurement gain/ (loss):				
- Return on assets less interest	37,864	(57,828)	2,280	49
Other actuarial gains/(losses)	-	-	-	(14)
Administration expenses	-	-	(15)	(16)
Contributions by employer including unfunded	27,189	24,037	46	76
Contributions by scheme participants	8,694	8,141	20	20
Estimated benefits paid plus unfunded net of transfers in	(50,995)	(45,925)	(2,339)	(2,222)
Effect of settlements	(816)	-	-	-
Closing balance at 31 March	**1,252,025**	**1,174,685**	**53,751**	**51,348**

Pension Assets and Liabilities Recognised in the Balance Sheet

	31 March 2024 £000	31 March 2023 £000
Present Value of Liabilities		
LBHF Local Government Pension Scheme (Funded)	1,275,695	1,247,448
LBHF Local Government Pension Scheme (Unfunded)	15,055	17,241
LPFA Local Government Pension Scheme (Funded)	31,160	32,253
LPFA Local Government Pension Scheme (Unfunded)	37	50
Fair Value of Assets		
LBHF Local Government Pension Scheme	(1,252,025)	(1,174,685)
LPFA Local Government Pension Scheme	(53,751)	(51,348)
Impact of Asset Ceiling		
LBHF Local Government Pension Scheme		
LPFA Local Government Pension Scheme	22,564	19,002
Net liability arising from defined benefit obligation		
LBHF Local Government Pension Scheme	38,725	90,004
LPFA Local Government Pension Scheme	10	(43)
Total	**38,735**	**89,961**

27. Defined Benefit Schemes (cont'd)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total net liability of £38.7m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficits on both local government schemes will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when pensions are actually paid.

Local Government Pension Scheme Assets

The return on the Funds (on a bid value to bid value basis) for the year 31 March 2024 is estimated to be 8.0% for LBHF Local Government Pension Scheme and 9.34% for LPFA Local Government Pension Scheme. The actual return on Fund assets over the year may be different. The asset allocations are set out below:

	LBHF Local Government Pension Scheme			
	31 March 2024		31 March 2023	
	£000	%	£000	%
Equities	125,872	10.1	132,949	11.3
Investment Funds and Unit Trusts	1,053,289	84.1	950,935	81.0
Cash	5,413	0.4	18,738	1.6
Property	67,451	5.4	72,063	6.1
Total	**1,252,025**	**100**	**1,174,685**	**100**

	LPFA Local Government Pensions Scheme			
	31 March 2024		31 March 2023	
	£000	%	£000	%
Equities	32,544	60.5	30,196	58.8
Target Return Portfolio	9,273	17.3	9,547	18.6
Infrastructure	6,175	11.5	6,497	12.7
Property	4,917	9.1	5,042	9.8
Cash	842	1.6	66	0.1
Total	**53,751**	**100**	**51,348**	**100**

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. The LBHF Local Government Pension Scheme and LPFA Local Government Pension Scheme have been assessed by Hymans Robertson LLP and Barnett Waddingham respectively, independent firms of actuaries, with estimates being based on the latest full valuation of the schemes as at 31 March 2022. The principal assumptions used by the actuaries have been:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2023/24	2022/23	2023/24	2022/23
Mortality Assumptions				
Life expectancy from age 65 - retiring today				
Men	21.6	21.8	20.2	20.5
Women	24.3	24.5	23.4	23.6
Life expectancy from age 65 - retiring in 20 years				
Men	22.6	22.8	21.0	21.3
Women	25.6	25.8	25.9	26.1
Financial Assumptions				
Rate of Inflation - CPI	2.80%	3.00%	2.95%	2.90%
Rate of Increase in Salaries	3.80%	4.00%	3.95%	3.90%
Rate of Increase in Pensions*	2.80%	3.00%	2.95%	2.90%
Discount Rate	4.80%	4.75%	4.85%	4.80%

*Pension increases are linked to CPI inflation, therefore the impact analysis is equivalent.

27. Defined Benefit Schemes (cont'd)

These assumptions are set with reference to market conditions at 31 March 2024.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes when each assumption analysed changes, all the other assumptions remain constant. The projected service costs for 2024/25 are £23.9m (LBHF) and £0.058m (LPFA).

	Impact on the Defined Benefit Obligation of the Scheme			
	LBHF Local Government Pension Scheme		**LPFA Local Government Pension Scheme**	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£000	£000	£000	£000
Adjustment to:				
Discount Rate (+/-0.1%)		21,754		299
Long term salary increase (+/-0.1%)	760		5	
Pension increases & deferred revaluation* (+/-0.1%)	21,376		300	
Mortality age rating assumption (+/- 1 year)	51,408		1,876	

*Pension increases are linked to CPI inflation, therefore the impact analysis is equivalent.

Impact on the Council's Cash Flows

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by Regulations. The last actuarial valuation of the Fund was carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a level of funding of 100% using the actuarial valuation assumptions. LBHF have agreed a strategy with the scheme's actuary to maintain this target funding level over a 19-year period (105% funded at the last triennial valuation).

The total contributions expected to be made by the Council in the year to 31 March 2025 are £25.798m to the LBHF Local Government Pension Scheme. The LPFA Local Government Pension Scheme was certified to pay a minimum of 11.6% employer pension contributions and total contributions are expected to be immaterial.

The actuary's estimate of the duration of the Employer's liabilities is 16 years for LBHF Local Government Pension Scheme and 10 years for LPFA Local Government Pension Scheme.

28. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

	2023/24	**2022/23**
	£000	**£000**
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year	463	231
Fees payable to External Audit for the certification of grant claims and returns for the year	57	63
Non-Audit Services	13	13
Total	**533**	**307**

Non-Audit Services consists of a CFO Insights subscription of £12,500.

29. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the Schools Budget funded by DSG receivable for 2023/24 are as follows:

	Central expenditure	Individual schools budget	Total
	£000	£000	£000
Final DSG for 2023/24 before academy and high needs recoupment			168,685
Academy and high needs figure recouped for 2023/24			82,342
Total DSG after academy and high needs recoupment for 2023/24			86,343
Plus: Brought forward from 2022/23			10,646
Less: Carry-forward to 2024/25 agreed in advance			(10,646)
Agreed initial budgeted distribution in 2023/24	32,344	53,999	86,343
In-year adjustments	2,122	(643)	1,479
Final budget distribution for 2023/24	34,466	53,356	87,822
Less: Actual central expenditure	32,190		32,190
Less: Actual ISB deployed to schools		54,457	54,457
Plus: Local authority contribution for 2023/24	440		440
In-year carry-forward to 2024/25	2,716	(1,101)	1,615
Plus: Carry-forward to 2024/25 agreed in advance			10,646
Carry-forward to 2024/25			12,262
DSG unusable reserve at the end of 2022/23			(14,505)
Addition to DSG unusable reserve at the end of 2023/24			-
Total of DSG unusable reserve at the end of 2023/24			(14,505)
Net DSG position at the end of 2023/24			(2,244)

29. Dedicated Schools Grant (cont'd)

Details of the Schools Budget funded by DSG receivable for 2022/23 are as follows:

	Central expenditure	Individual schools budget	Total
	£000	£000	£000
Final DSG for 2022/23 before academy and high needs recoupment			161,865
Academy and high needs figure recouped for 2022/23			77,217
Total DSG after academy and high needs recoupment for 2022/23			84,648
Plus: Brought forward from 2021/22			2,985
Less: Carry-forward to 2023/24 agreed in advance			(2,985)
Agreed initial budgeted distribution in 2022/23	28,604	56,044	84,648
In-year adjustments	7,080	(55)	7,025
Final budget distribution for 2022/23	35,684	55,989	91,673
Less: Actual central expenditure	28,456	-	28,456
Less: Actual ISB deployed to schools	-	55,979	55,979
Plus: Local authority contribution for 2022/23	424	-	424
In-year carry-forward to 2023/24	7,652	10	7,662
Plus: Carry-forward to 2023/24 agreed in advance			2,985
Carry-forward to 2023/24			10,646
DSG unusable reserve at the end of 2021/22			(14,505)
Addition to DSG unusable reserve at the end of 2022/23			-
Total of DSG unusable reserve at the end of 2022/23			(14,505)
Net DSG position at the end of 2022/23			(3,859)

The DSG has a cumulative deficit of £2.2 million. The cumulative DSG deficit as of March 2021 of £14.5m has been accounted for as an unusable reserve and any surpluses on the DSG, since that date, has been put in an earmarked reserve. Parliament has approved the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 in November 2020 which amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits which must now be recorded in a separate account established solely for the purpose of recording deficits in unusable reserves. As the statutory requirement is time limited, it continues to set aside reserves to match the High Needs Block deficit until such time as the cumulative deficit is eliminated.

30. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24:

	2023/24 £000	2022/23 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(20,198)	(18,046)
S31 Grant - Business Rates Retention Scheme Relief	(21,895)	(10,400)
Social Care Support Grant	(17,280)	(10,717)
Services grant	(2,502)	(4,264)
New Homes Bonus	(1,193)	(2,750)
Levy Account Surplus Grant	(1,038)	-
Other Non-ringfenced grants	(1,973)	(4,087)
Capital grants - Developer Contributions (inc. Section 106)	(22,103)	(20,647)
Capital grants - Right to Buy Ringfence Agreement (Hartopp & Lannoy)	(7,289)	(374)
Capital grants - Right to Buy Ringfence Agreement (Ed City+Farm Lane)	(3,242)	(850)
Capital grants - Food Waste Grant	(1,251)	-
Capital grants - Transport for London	(1,025)	(3,807)
Capital grants - Social Housing Decarbonisation Grant	(1,034)	(413)
Capital grants - Other	(4,238)	(15,845)
Total	**(106,261)**	**(92,200)**
Credited to Services		
Housing & Council Tax Benefit Subsidy	(94,829)	(91,016)
Dedicated Schools Grant	(86,841)	(91,592)
Public Health Grant	(23,801)	(22,345)
Developer Contributions (inc Section 106)	(21,310)	(17,972)
Improved Better Care Fund	(11,227)	(9,377)
Post 16 (EFA 16-19 Grant)	(5,211)	(5,048)
Homelessness Prevention-Flexible Homelessness Support Grant	(4,941)	(4,432)
Market sustainability and improvement fund	(3,574)	-
Pupil Premium Grant	(3,392)	(3,473)
Adult Learning	(3,343)	(2,853)
Household Support Fund Grant	(3,033)	(2,733)
Green Heat Network Fund - Civic Campus Grant	(2,512)	-
Unaccompanied Asylum Seeking Children Leaving Care	(1,491)	(1,756)
Social Care Discharge Fund Grant	(1,406)	-
Disabled Facilities Grant	(1,271)	(1,700)
GLA Universal Free School Meals Programme	(1,250)	-
Unaccompanied Asylum Seeking Children (U18)	(1,696)	(1,627)
PFI Grants	(1,429)	(1,429)
Rough Sleeping Initiatives Grant	(1,210)	(991)
Mainstream Schools Additional Grant	(1,186)	-
Homes for Ukraine Tariff Grant	(1,045)	(776)
Other grants and contributions	(14,146)	(16,583)
COVID-19 - Other grants	(1,057)	(1,924)
Total	**(291,201)**	**(277,627)**

30. Grant Income (cont'd)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are:

	2023/24 £000	2022/23 £000
Grants and Contributions Receipts in Advance (Current)		
Homes for Ukraine Tariff Grant	(4,367)	(4,033)
Public Health Grant	(1,808)	(1,593)
Adult & Community Learning	(1,177)	(1,106)
Afghan Wrap Around Support Fund Grant	(1,091)	(554)
Other revenue grants	(5,394)	(15,131)
COVID-19 - Sales, Fees & Charges Support grant	(1,097)	(1,097)
COVID-19 - Other grants	(112)	(503)
Total	**(15,046)**	**(24,017)**

	2023/24 £000	2022/23 £000
Grants and Contributions Receipts in Advance (Non-Current)		
High Needs Provision Grant	(9,252)	(7,125)
Right to Buy Ringfence Agreement (White City)	(4,312)	(4,312)
Right to Buy Ringfence Agreement (Ed City)	(3,646)	(6,354)
Right to Buy Ringfence Agreement (Mund Street)	(1,778)	(1,778)
Right to Buy Ringfence Agreement (Hartopp & Lannoy)	(1,738)	-
Right to Buy Ringfence Agreement (Farm Lane)	(1,509)	(2,043)
Transport for London Grant	(1,193)	(1,056)
Developer contributions (inc. section 106)	(1,326)	(7,063)
Other capital grants	(3,111)	(1,671)
Total	**(27,865)**	**(31,402)**

31. Related Parties

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

The related party transactions with our subsidiaries have been included in Note 33.

Central Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding.

Grants received from government departments are set out in Note 30.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in Note 24.

Information regarding reportable transactions has been collated by requiring Members and Chief Officers to declare any related party transactions. A review was also carried out of the Council's Register of Declarations of Interests and of the Register of Pecuniary and Non-Pecuniary Interests of Councillors drawn up from declarations made at Committee and other meetings.

The related party transactions for 2023/24 are set out below.

Name of body	2023/24				
	Loans and Investments	Expenditure	Income	Income outstanding to LBHF (LBHF debtor balance)	Balance outstanding (LBHF creditor balance)
	£000	£000	£000	£000	£000
Action on Disability	-	276	-	-	-
Hammersmith and Fulham Citizen Advice Bureau	-	686	(26)	-	-
Hammersmith and Fulham Volunteer Centre	-	125	-	-	-
Lyric Hammersmith	-	315	(125)	100	(4)
Sands End Arts and Community Centre	-	25	(25)	-	-
Western Riverside Waste Authority	-	9,127	-	-	-
West King Street Renewal LLP	29,823	70	(776)	36,268	-
Total	**29,823**	**10,624**	**(952)**	**36,368**	**(4)**

Name of body	2022/23 (restated)				
	Loans and Investments	Expenditure	Income	Income outstanding to LBHF (LBHF debtor balance)	Balance outstanding (LBHF creditor balance)
	£000	£000	£000	£000	£000
Action on Disability	-	376	-	-	-
Hammersmith and Fulham Citizen Advice Bureau	-	623	(20)	-	-
Hammersmith and Fulham Volunteer Centre	-	146	-	-	-
Lyric Hammersmith	-	242	-	114	-
Sands End Arts and Community Centre	-	151	(31)	6	-
Western Riverside Waste Authority	-	10,834	(1)	-	-
West King Street Renewal LLP	32,918	-	(1,963)	22,396	-
Total	**32,918**	**12,372**	**(2,015)**	**22,516**	-

In addition to the above, there are instances where Members have relationships or hold positions with other public bodies and voluntary organisations with which the Council does not have a financially material relationship, but with which the Council has a financial or influential relationship. These include schools.

Senior officers are also asked to disclose their related party transactions. Based on these returns, West King Street Renewal LLP is included above.

Pension Fund

The Council is the administering authority of the Pension Fund. A detailed summary of the Pension Fund Accounts is included within this Statement of Accounts in the Supplementary Financial Statements section.

Wormwood Scrubs

The Mayor and Burgesses of the Council are the Trustees of the Wormwood Scrubs Charitable Trust. The Trust's objective is to hold Wormwood Scrubs Open Space "upon trust for the perpetual use thereof the inhabitants of the Metropolis for exercise and recreation" as defined by the Wormwood Scrubs Act of 1879. Income and expenditure is detailed in Note 36.

Interest in Companies

The Council has interest in a number of companies; Lyric Theatre Hammersmith Limited, Housing Joint Ventures, LBHF Ventures Limited, LBHF Joint Ventures Limited, LBHF Family Support Services Limited, H&F Housing Developments Ltd and West King Street Renewal LLP. Full details are disclosed in Note 33.

Provision of key management personnel

Amounts were incurred by the Council for payments to employment agencies for the services of key management personnel. For the post of Monitoring Officer, the cost was £64k in 2023/24 (up to January 2024).

32. Better Care Fund Pooled Budget

The Authority has entered into a pooled budget arrangement with the NHS North West London Integrated Care Board (NWL ICB) for the provision of Adult Social Care services to older people, people with physical or learning disabilities, people with mental health problems and services to safeguard adults.

The aim is to meet the needs of people living in the area of the London Borough of Hammersmith & Fulham. Expenditure funded from this budget includes the provision of care in residential settings, community services enabling people to remain in their own homes and a community independence service which supports the reablement of residents. The BCF Pooled budget has since 2022/23 included Discharge Funds. These funds supported hospital discharges through a combination of additional re-ablement, homecare and residential placements.

The arrangement is made in accordance with Section 75 of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributed.

The pooled budget includes all income and expenditure relating to the Better Care Fund, whether funded by the local authority or the health service.

It is hosted by the London Borough of Hammersmith and Fulham, however, not all transactions pass through the Borough's accounting system.

For 2023/24, the overall level of the Better Care Pooled Fund contribution has fallen by £12.36m. This was primarily due to a review of the BCF undertaken at North West London Integrated Partnership Board, where a number of the services were removed from the BCF in 2023/24 and delivered by the host organisations. In addition, a number of other services were included in a new Section 75 agreement, managed by the Local Authority. These are the main reasons for the year-on-year change in the contributions and actual spends.

The following table summarises the position for 2023/24:

	2023/24	2022/23
	£000's	£000's
Contributions to the Pooled Budget:		
London Borough of Hammersmith & Fulham	(19,631)	(19,758)
NHS North West London Integrated Care Board (NHS NWL ICB)	(22,302)	(34,532)
Total Contributions	**(41,933)**	**(54,290)**
Expenditure Met by the Pooled Budget:		
Costs relating to the reablement of residents	5,500	5,620
Costs relating to care provided in residential settings or in community settings	34,100	51,978
Support Services and programme management relating to the BCF	1,911	2,153
Total Expenditure	**41,511**	**59,751**
Net (surplus)/deficit arising on the pooled budget in the year	(422)	5,461
Net (surplus)/deficit split by:		
Share of the net (surplus)/deficit due to the London Borough of Hammersmith & Fulham (includes capital resources)	(237)	79
Share of the net (surplus)/deficit due to the NHS NWL ICB	(185)	5,383

33. Interest in Companies

The Council has an involvement with a number of associated companies which are set out below. The assets, liabilities and reserves, income, expenditure and cashflows of these companies are not included in the Council's accounts as the Council's interest is not considered to be material and so does not justify such consolidation. Information is provided as to the general purpose of the company, its financial position, and any other material financial issues affecting the Council.

(i) Lyric Theatre Hammersmith Limited

This is a company limited by guarantee and a registered charity. Its main business is the promotion and encouragement of lively arts and theatre management. The Council supplies funding under a funding agreement to enable the company to carry out its charitable objectives. The revenue contributions by the

Council were £230k in 2022/23. The latest audited accounts available, those relating to 2022/23, show net assets of £9,291k (£10,270k in 2021/22) and net loss on its activities in that year of £979k (net loss of £678k in 2021/22). The Funding agreement also provides the financial arrangements and responsibilities of the Council and Theatre respectively as a consequence of the Company occupying its premises on the basis of a sub under lease from the Council. Copies of the accounts may be obtained from the Executive Director, Lyric Theatre, King Street, London W6 0QL.

(ii) Housing Joint Ventures

HFS Developments LLP is a joint venture between the Council (50%) and Stanhope Plc (50%) which was incorporated on 27 March 2014.

HFS Development 2 Limited is a joint venture between the Council (50%) and Stanhope Plc (50%) which was incorporated on 19 July 2016. The latest audited accounts available, those relating to 2022/23 show loss for the period amounted to £174k (loss of £127k in 2021/22).

(iii) LBHF Ventures Limited

LBHF Ventures Limited is a company wholly owned by the Council which was incorporated 9 June 2016. The Council invested £95,000, by way of share capital in LBHF Ventures Limited.

(iv) LBHF Family Support Services Limited

LBHF Family Support Services Limited was a Limited Company wholly owned by the Council, which was incorporated on 18 August 2017. The company was dormant during 2022/23 and 2023/24 and the company was dissolved on 21 May 2024.

(v) H&F Housing Developments Limited

H&F Housing Developments Limited is a limited company wholly owned by the Council. The company acts as 'nominee' company holding certain leases for the Council in trust (with the Council remaining ultimate beneficial owner via a trust deed).

(vii) West King Street Renewal LLP

West King Street Renewal (WKSR) LLP was incorporated in March 2020 as a joint venture between the Council and A2 Dominion Developments Limited. As at 31st March 2024, the Council has £25m invested in the company as an equity investment and £4.8m via a revolving loan facility. In addition, the Council has a long-term debtor with the LLP of £36.3m relating to the Council's purchase of the Civic Campus commercial units, currently under development.

The principal place of business of the joint venture is London, UK. The loan is a revolving facility up to £10m. It is controlled through a loan agreement with interest payable by the LLP to the Council and is used by the LLP for cash flow purposes. The £25m equity investment, together with any associated profit share, will be distributed back to the Council upon completion of the project and subject to the relevant underpinning agreements.

WKSR LLP's audited accounts for the 2022/23 financial year can be found below:

WKSR LLP Full accounts to 31 March 2023 (Companies House)

34. Contingent Assets and Contingent Liabilities

Contingent Assets

The council does not have any material contingent assets.

Contingent Liabilities

As at 31 March 2024, the Council is involved in a number of claims and ongoing commercial negotiations that may give rise to a future liability. When considering the estimated potential value of these claims, in combination with an assessment of their likely viability, these are considered to be manageable within the overall Council's resources (were any to crystalise). It is not possible, due to considerations of legal privilege and/or confidentiality requirements, to provide further information or give an assessment of the likely success of any such claims. Contingent liabilities are periodically reviewed and, as further information comes to light, are reassessed as necessary.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council 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 Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Non Current Assets subject to valuations and Investment Properties	Asset valuations are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties. However, the valuation of property will inevitably be an estimate and property values can be volatile. Should evidence emerge in 2024/25 that causes the Council to amend these estimates, the estimated fair value of its property and dwellings could change.	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). For example, a 10 per cent reduction in the net book value of Council Dwellings (total NBV £1.36 billion) would result in a reduction of £136 million (Revaluation Reserve of £22 million and a £114 million charge to the CIES). Conversely, an increase in value would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the CIES and / or gains being recorded as appropriate in the CIES. Depreciation charges for operational buildings will change in direct proportion to the change in estimated fair value. The net book value of non-current assets subject to potential revaluation is £1.82 billion.
Pensions Liability	The Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. The estimates of the net liability to pay pensions depends on several judgements and assumptions. In particular, those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund's assets. The total pension liability as at 31 March 2024 is £38.7m.	A change in the key assumptions can be illustrated as follows: • 0.1% decrease in the discount rate assumption would result in an increase in promised retirement benefits of £22m • 0.1% increase in assumed earnings would increase the value of the liabilities by approximately £1m • 0.1% increase in pension increases would increase the liability by approximately £22m • A one-year increase in life expectancy would increase the liability by approximately £54m

36. Trust Funds

The Mayor and Burgesses of the Council are the Trustees of the Wormwood Scrubs Charitable Trust. The Trust's objective is to hold Wormwood Scrubs Open Space "upon trust for the perpetual use thereof the inhabitants of the Metropolis for exercise and recreation" as defined by the Wormwood Scrubs Act of 1879. The table below shows the operating costs and income of the Trust:

	2023/24 £000	2022/23 £000
Balance at 1st April	**(6,458)**	**(6,031)**
Income	(1,497)	(1,331)
Sub total	**(7,955)**	**(7,362)**
Less:		
Expenditure and Transfers	822	904
Balance at 31 March	**(7,133)**	**(6,458)**

37. Events after the Reporting Period

The Statement of Accounts have been prepared up to 31 March 2024 and were authorised for issue by the Executive Director of Finance & Corporate Services on XX November 2024. There are no material adjusting events after the balance sheet date to report.

38. Statement of Accounting Policies

i. GENERAL PRINCIPLES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024.

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.

The Statement of Accounts has been prepared on a 'going concern' basis.

ii. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise due to 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 Council'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.

iii. 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 the sale of goods is recognised when the Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- 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 the exact amount of a debtor or creditor was not known at the time of closing the accounts then an estimated amount has been used.
- The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

Any known uncollectable debts are written off and where there is uncertainty over debt recovery, an allowance for doubtful debt is made. In both instances a charge is made to revenue.

iv. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to services as agreed in the annual budget.

v. 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 Council when there is reasonable assurance that:

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

38. Statement of Accounting Policies (cont'd)

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using 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 & Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance 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. When 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.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to help pay for facilities and community services such as: transport including roads, schools/colleges, medical/health services, sports and open spaces.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charge may be used to fund revenue expenditure.

vi. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment 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.
- amortisation of intangible assets attributable to the service.

The Council 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 Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund balance through a Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council'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 Council's share of the end of year balances in respect of council tax and NDR relating to arrears, provision for impairment of doubtful debts, overpayments and prepayments and appeals.

38. Statement of Accounting Policies (cont'd)

viii. 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 Council 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.

ix. 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, if it is probable that the future economic benefits, or service potential associated with the item, will flow to the Council 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.

The threshold for capital expenditure has been set at £10,000.

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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

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 Council). 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 Council.

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 (EUV-SH).
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- school buildings, sports centres and libraries – are deemed of a specialist nature and are measured at depreciated replacement cost which is used as an estimate of current value.
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Depreciated Replacement Cost is used as an estimate of current value where there is no market-based evidence of current value because of the specialist nature of an asset, for example schools.

Depreciated Historical Cost basis is used as a proxy for current value where non-property assets have short useful lives or low values (or both).

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

All items of property, plant and equipment, except Council Dwellings, are revalued on a four-year rolling programme. Council Dwellings are revalued annually.

38. Statement of Accounting Policies (cont'd)

Where decreases in value are identified, they are accounted for by:

- 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).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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 by:

- 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).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted, where material, 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 assets 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).

The estimated life is determined at the time of acquisition or when the asset has been revalued. Assets are depreciated from the year after their acquisition or completion, and are depreciated in the year of disposal. Depreciation is calculated on a straight-line basis with no residual value.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, leading to a significantly different depreciation profile, the components are depreciated separately.

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is assessed 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 previously recognised losses 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.

38. Statement of Accounting Policies (cont'd)

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. 75% of receipts relating to Right to Buy disposals (net of statutory deductions and allowances) is payable to the Government, except where receipts have been retained under the 1-4-1 replacement scheme.

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 Council'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 property, plant or equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

x. HERITAGE ASSETS

A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Valuation Policy

The Council discloses Heritage Assets on a market valuation basis on the balance sheet. Heritage assets are accounted for in accordance with the Council's accounting policies on property, plant and equipment, except where it is not practical to obtain a valuation. Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations.

Depreciation, amortisation and impairment policy

The Council has a policy of not charging depreciation or amortisation on heritage assets which have indefinite lives. The carrying amount of a heritage asset shall be reviewed where there is evidence of impairment; for example, where an asset has suffered physical deterioration or breakage or new doubts arise as to its authenticity.

The Council has reported four categories of heritage assets:

(i) Art Collections
This category consists of pictures and works of art including historical paintings, sketches and other artwork including the Cecil French Bequest and is reported in the balance sheet at market valuation.

(ii) Books & Printed Materials
This category consists of books, and other printed material such as press, pictures, drawings and prints.

(iii) Ceramics & Glass

(iv) Other Heritage Assets
This category consists of clocks, watches, coins, general items, jewellery, silver items, vertu, other decorative arts and the Mylne Bequest.

These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

xi. 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.

38. Statement of Accounting Policies (cont'd)

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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.

xii. LEASES

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.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

38. Statement of Accounting Policies (cont'd)

The Council as Lessor

Finance Leases

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. At the commencement of the lease, 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. A gain, representing the Council's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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 Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xiii. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the Property, Plant and Equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Council's existing PFI scheme (which provides services for vulnerable older people in the borough) the liability was written down by an initial capital contribution of £2.9m.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into the following elements:

- fair value of the services received during the year – debited to Adult Social Care service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge between 8-17% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

38. Statement of Accounting Policies (cont'd)

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

xiv. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

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.

The depreciable amount of an intangible asset is amortised over its useful life, usually 4 years but ranging between 3 to 10 years, 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.

xv. INVENTORIES

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the 'First-in, First-out' (FIFO) costing formula.

xvi. 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 investments that, having originally been invested for no longer than three months, are repayable on demand or readily convertible to known amounts of cash with an insignificant risk of change in value. Fixed Deposits are not considered to be readily convertible since they are only repayable at the point of maturity and cannot be traded or redeemed without penalty.

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

Cash and Cash Equivalents are held to meet the daily cash flow needs of the Council. These are distinct from investments that are held for the purposes of capital protection or appreciation and/or earning a return.

xvii. FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council 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 Council 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.

38. Statement of Accounting Policies (cont'd)

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in 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 Council 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 cashflow 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 Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council 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 Council, 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.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain 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.

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

38. Statement of Accounting Policies (cont'd)

xviii. 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 wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) 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 wage and 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 Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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 Council are members of the following pension schemes:

- Under the provisions of the Local Government Pension Scheme: the London Borough of Hammersmith and Fulham Pension Fund, administered by London Borough of Hammersmith and Fulham.
- Also under the Local Government Pension Scheme: the London Pensions Fund Authority (LPFA) Pension Fund, administered by the LPFA.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

However, the arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

Pension funds under the Local Government Scheme are accounted for as defined benefits schemes.

The liabilities of the Funds attributable to the Council 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 of 4.75% (2.70% in 2021/22). Both FRS102 and IAS19 state that the discount rate used to place a value on the obligations should be determined by reference to market yields on high quality corporate bonds at the reporting date. Our actuaries have adopted an approach to setting the discount rate whereby a corporate bond yield curve is constructed based on the constituents of the iBoxx AA corporate bond index.

38. Statement of Accounting Policies (cont'd)

The assets of the Funds attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities and pooled investment vehicles – current bid price
- fixed interest securities net market value based on current yields at the balance sheet date
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions 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 arising from current year decisions whose effect relates to years of service earned in earlier year – debited to the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of Centrally Managed Budgets.
  - **net interest on the net defined benefit liability/(asset)**: i.e. net interest expense for the Council – 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.
- **Remeasurement** comprising:
  - **Re-measurement of 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 debited to the Pensions Reserve.
  - **Contributions paid to the Funds**: 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 Council 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 Council 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.

xix. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the Council 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 Council 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 Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

38. Statement of Accounting Policies (cont'd)

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 Council settles the obligation.

Contingent Liabilities

A contingent liability arises where:
(a) an event has taken place that gives the Council 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 Council, or
(b) in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts if the sums involved are likely to be material.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts if the sums involved are likely to be material.

xx. RESERVES

The Council 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 in order to manage the accounting processes for non-current assets (e.g. Revaluation Reserve), financial instruments, retirement (e.g. Pensions Reserve) and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxi. INTERESTS IN COMPANIES AND OTHER ENTITIES

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities it is required to prepare group accounts.

The Council has interests in a number of companies and other entities however, based on consideration of criteria to determine what constitutes a material interest, the Council has determined that Group Accounts is not required for 2023/24. Companies in which the Council has an interest are detailed in Note 33 to the Core Financial Statements.

The Code determines that investments in joint ventures are to be held at either fair value or cost in the Council's accounts. The Council has taken the decision to value them at cost but is of the view that both methods would result in materially equivalent values.

xxii. EVENTS AFTER THE BALANCE SHEET DATE

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
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is 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.

38. Statement of Accounting Policies (cont'd)

xxiii. FOREIGN CURRENCY TRANSLATION

Where the Council 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 a 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.

xxiv. VAT

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.

xxv. EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial position.

xxvi. FAIR VALUE MEASUREMENT

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability 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 Council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant. Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council 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.

39. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 38, the Council 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:

Accounting for Schools – Recognition of Schools
The Council has assessed the legal framework underlying each type of school and determined the treatment of non-current assets within the financial statements according to whether it owns or has some responsibility for, control over or benefit from the service potential of the premises and land occupied.

The Council has considered its accounting classification for each school on an individual case basis in conjunction with relevant dioceses for voluntary aided and voluntary controlled schools. As a result, the Council:

- Recognises school assets for community schools on its balance sheet because the rights and obligations associated with such schools rests with the Council; and
- Assesses that the assets relating to academies, voluntary aided (VA), voluntary controlled (VC) or free schools are not controlled by the Council but, following consultation and review, the VA and VC schools have been deemed to be owned by the relevant dioceses.

Recognition of the disposal of school assets on the Council's balance sheet occurs on the date on which a school converts to academy status, not on the date of any related announcement. Neither is any impairment recognised by the Council prior to conversion.

39. Critical Judgements in Applying Accounting Policies (cont'd)

Group Accounts
With respect to the policy on Interest in Companies and Other Entities (Note 38. xxi), the group boundaries have been estimated using the criteria associated with the Code of Practice. In line with the Code the Council has not identified any companies within the group boundary that would require it to complete Group Accounts on grounds of materiality.

40. Accounting Standards not yet adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

None of the amendments listed above are expected to have any significant impact on the amounts to be reported in the financial statements and have limited application to local authorities.

The adoption of the accounting standard IFRS 16 Leases from 1st April 2024 will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities. The implementation of IFRS 16 is likely to have a material impact on the Council's balance sheet however the impact on the income and expenditure account is anticipated to be below materiality.

SUPPLEMENTARY FINANCIAL STATEMENTS

Collection Fund Account

Housing Revenue Account (HRA)

Pension Fund Accounts

Collection Fund Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	2023/24			2022/23			
	Business Rates	**Council Tax**	**Total**	**Business Rates**	**Council Tax**	**Total**	
	£000	£000	£000	£000	£000	£000	Notes
Income							
Council Tax	-	(111,884)	(111,884)	-	(101,984)	(101,984)	1
Council Tax Hardship Fund/S13A Funding	-	(753)	(753)	-	(3,631)	(3,631)	
Business Rates	(219,922)	-	(219,922)	(224,387)	-	(224,387)	2
Business Rate Supplement	(7,005)	-	(7,005)	(7,537)	-	(7,537)	
Transitional Protection Payment	(10,007)	-	(10,007)	1,893	-	1,893	
Total Income	**(236,934)**	**(112,637)**	**(349,571)**	**(230,031)**	**(105,615)**	**(335,646)**	
Expenditure							
Precepts and Demands:							
Central Government (CLG)	69,133	-	69,133	64,564	-	64,564	
LB Hammersmith & Fulham	62,848	73,180	136,028	58,694	68,440	127,134	
Greater London Authority	77,513	36,440	113,953	72,389	32,542	104,931	
Business Rate Supplement							
Payment to the Greater London Authority	6,992	-	6,992	7,525	-	7,525	2
Cost of collection	13	-	13	13	-	13	
Charges to Collection Fund							
Write-offs of uncollectable amounts	120	381	501	3	610	613	
Increase/ (Decrease) in Allowance for Doubtful Debts	10,053	1,564	11,617	2,018	6,080	8,098	
Increase/ (Decrease) in Provision for Appeals	(10,569)	-	(10,569)	(19,535)	-	(19,535)	
Distribution/(Recovery) of prior year surplus/(deficit)	25,776	(1,983)	23,793	(41,995)	671	(41,324)	
Cost of collection	571	-	571	587	-	587	
Total Expenditure	**242,450**	**109,582**	**352,032**	**144,263**	**108,343**	**252,606**	
Movement on Fund balance	**5,516**	**(3,055)**	**2,461**	**(85,769)**	**2,728**	**(83,041)**	
(Surplus)/Deficit as at 1 April	(45,882)	2,309	(43,573)	39,887	(419)	39,468	
(Surplus)/Deficit as at 31 March	**(40,366)**	**(746)**	**(41,112)**	**(45,882)**	**2,309**	**(43,573)**	3

N.B. The Increase/(Decrease) in Provision for Appeals is presented to align with the NNDR3 return.

Notes to the Collection Fund Account

1. Income from Council Tax

Council Tax Income is the amount payable by council taxpayers, inclusive of changes arising during the year for successful appeals against valuation banding, new properties, disabled relief and exempt properties. The Council's tax base is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. For 2023/24 it was calculated as follows:

Band	Number of Dwellings 2023/24	Total after Exemptions, Disregards and Disabled Relief	Ratio to Band D	Band D Equivalent Properties	Adjustments for New Properties, other exemptions etc.	Adjustments for Council Tax Support	Total Band D equivalents 2023/24	Band D equivalents 2022/23
A	4,111	3,064	6/9	2,043	(18)	(707)	1,318	1,519
B	6,650	4,951	7/9	3,851	(55)	(1,292)	2,504	2,702
C	14,411	12,445	8/9	11,062	(149)	(2,574)	8,339	8,479
D	25,854	23,068	1	23,068	(143)	(3,103)	19,822	19,547
E	16,896	15,399	11/9	18,820	(125)	(1,577)	17,118	16,377
F	10,750	9,953	13/9	14,377	(7)	(574)	13,796	13,009
G	11,682	11,006	15/9	18,343	35	(307)	18,071	17,772
H	2,811	2,786	18/9	5,573	-	(9)	5,564	5,402
Total	**93,165**	**82,672**		**97,137**	**(462)**	**(10,143)**	**86,532**	**84,807**

The 2023/24 Council Tax Base after allowing for adjustments for non-collection was 83,936 (2022/23 in 82,263).

The Council set a 2023/24 Band D charge of £871.86 (£831.96 in 2022/23), inclusive of the Adult Social Care Precept set at 3%. The GLA's Band D charge for 2023/24 was £434.14 (£395.59 in 2022/23) making a total Band D Council Tax charge for 2023/24 of £1,306.00 (2022/23 of £1,227.55).

2. National Non-Domestic Rates

NNDR is organised and administered on a national basis. The council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate (set by the Government). The National Non-Domestic Rateable Value at 31 March 2024 was £562.3m (£568.1m as at 31 March 2023). The standard NNDR multiplier for 2023/24 was 51.2 pence (51.2 pence in 2022/23). The Small Business Rate Relief multiplier for 2023/24 was 49.9 pence (49.9 pence in 2022/23).

The council is also required to collect a Business Rate Supplement (BRS) from NNDR taxpayers. This BRS is then paid over to Greater London Authority (GLA) who have responsibility for applying it to the Crossrail project across London.

3. Collection Fund Balance

A proportion of the Collection Fund balance above is properly attributable to the GLA or Central Government and thus should not be wholly taken to the net worth component of the Council's Balance Sheet. Only an element calculated pro rata to the precepts above therefore appears as a balance in the net worth section of the Council's Balance Sheet with the remainder treated as an accrual to the other authorities.

	2023/24			2022/23		
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
	£000	£000	£000	£000	£000	£000
LBHammersmith and Fulham	(12,110)	(475)	**(12,585)**	(13,765)	1,633	(12,132)
Greater London Authority	(14,935)	(271)	**(15,206)**	(16,977)	675	(16,302)
Central Government (DLUHC)	(13,321)	-	**(13,321)**	(15,141)	-	(15,141)
	(40,366)	**(746)**	**(41,112)**	**(45,883)**	**2,308**	**(43,575)**

Housing Revenue Account (HRA)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

HRA Income and Expenditure Statement

	Notes	2023/24 £000	2022/23 £000
Income			
Dwelling Rents		(75,561)	(70,437)
Non-dwelling rents		-	17
Charges for services and facilities		(22,571)	(14,563)
Contributions towards expenditure		(751)	(686)
		(98,883)	**(85,669)**
Expenditure			
Repairs and maintenance and management			
Repairs and maintenance		22,089	18,329
Supervision and management		53,863	50,928
Rents, rates, taxes and other charges		1,004	1,103
Depreciation and impairment of non-current assets	6	17,176	17,305
Depreciation and impairment of non-current assets - dwelling revaluation	6	103,279	36,473
Debt management costs		139	109
Movement in the allowance for bad debts		324	1,158
		197,874	**125,405**
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		**98,991**	**39,736**
HRA services' share of Non Distributed Costs		124	4,370
Net (Income)/Cost for HRA Services		**99,115**	**44,106**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain)/loss on sale of HRA non-current assets		(5,114)	(7,551)
Net (gains)/losses from fair value adjustments on investment properties		(383)	(755)
Income and expenditure in relation to investment properties		(3,214)	(3,084)
Interest payable and similar charges		13,239	9,423
Interest and investment income		(2,246)	(790)
Net interest on the net defined benefit liability (asset)		487	1,968
Capital grants and contributions		(12,996)	(2,734)
(Surplus)/deficit for the year on HRA services		**88,888**	**40,583**
Movement on the HRA Statement			
Balance on the HRA at the end of the previous year		**(10,020)**	**(15,564)**
(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		88,888	40,583
Adjustments between accounting basis and funding basis under statute	1	(83,015)	(35,471)
Net (increase)/decrease before transfers to/(from) reserves		5,873	5,112
Transfers to/(from) reserves			
Earmarked Reserves*		(1,226)	432
(Increase)/decrease in year on the HRA		**4,647**	**5,544**
Balance on the HRA at the end of the current year		**(5,373)**	**(10,020)**

* For movements in HRA Earmarked Reserves refer to Note 4 of the Core Financial Statements

Notes to the Housing Revenue Account

1. Adjustments between accounting basis and funding basis under statute

	2023/24 £000	2022/23 £000
Charges for depreciation of non-dwellings	(283)	(244)
Charges for depreciation of dwellings	17,176	17,305
Reversal of Major Repairs Allowance credited to the HRA	(16,893)	(17,061)
Impairment/Revaluation gains, losses (charged to the I&E)	(103,279)	(36,473)
Revenue expenditure funded from capital under statute (REFCUS)	(93)	(246)
Movements in the market value of investment properties	-	-
Capital Funding	16,413	4,589
Gain or loss on sale of HRA non-current assets	4,422	7,072
HRA Self-Financing Resettlement	-	-
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	-	-
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	-	-
HRA share of contributions (to)/from the Pensions Reserve	(478)	(10,413)
	(83,015)	**(35,471)**

2. Housing Stock

The Council has overall responsibility for managing the housing stock. The average number of dwellings during 2023/24 was 11,952. The stock movement during the year was as shown in the table below. The figure for hostels is based on dwelling equivalents.

	Dwellings Number	Hostels Number	Equity Share Number	Total Number
Number at 1 April 2023	11,963	67	11	12,041
Adjustment to opening balance	-	-	-	-
Additions	5	-	-	5
Transfers	-	-	-	-
Disposals	(27)	-	-	(27)
Number at 31 March 2024	**11,941**	**67**	**11**	**12,019**

3. Stock Valuation

The net balance sheet value of land, housing dwellings and other assets within the HRA is as follows:

	2023/24 £000	2022/23 £000
Operational Assets		
Housing Dwellings	1,358,108	1,460,077
Other Land and Buildings	8,766	10,796
Vehicles, Plant, Equipment	35	113
Intangible Assets	915	217
Non Operational Assets		
Surplus Assets	7,600	8,360
Investment Properties	51,789	51,939
	1,427,213	**1,531,502**

The open market, vacant possession fair value of houses and flats within the HRA as at 31 March 2024 was £5.4 billion. This compares to the balance sheet value of £1.36 billion for the Council's dwelling stock and hostels as at 31 March 2024. This is an indication of the economic and social cost of providing Council housing at less than full market rents.

4. Capital Expenditure Financing

	2023/24 £000	2022/23 £000
Borrowing	46,288	41,650
Major Repairs Reserve	17,176	17,860
Other Grants and Contributions	16,634	4,700
Capital Receipts	2,689	1,566
Total	**82,787**	**65,776**

5. Capital Receipts

During the year the following net capital receipts from disposals were received:

	2023/24 £000	2022/23 £000
Dwelling & Hostels	(7,525)	(9,089)
Non-Dwellings	(468)	(3,414)
Total	**(7,993)**	**(12,503)**

6. Depreciation and Impairment

The total charge for depreciation and impairment within the Council's HRA is shown below:

	2023/24 £000	2022/23 £000
Operational Assets		
Depreciation		
Dwellings	16,893	17,061
Other Land and Buildings	160	159
Vehicles, Plant, Equipment and Intangible Assets	123	85
Sub-total depreciation and impairment of non-current assets	**17,176**	**17,305**
Revaluation (Gain) / Loss - dwellings	103,279	36,473
Total	**120,455**	**53,778**

7. Rent Arrears and Allowance for Doubtful Debts

Gross rent arrears were as follows:

	2023/24 £000	2022/23 £000
Main Council Stock	6,548	7,382
Hostels	224	215
Total	**6,772**	**7,597**

Allowances for Doubtful Debts at 31 March were:

	2023/24 £000	2022/23 £000
Main Council Stock	(5,958)	(6,856)
Hostels	(223)	(214)
Total	**(6,181)**	**(7,070)**

Pension Fund Accounts

Fund Account

Net Assets Statement

Notes to the Pension Fund

FUND ACCOUNT

	Notes	2023/24		2022/23	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	7	31,323		27,421	
From Members	7	10,303	41,626	9,539	36,960
Transfers In from other Pension Funds			8,299		6,847
Benefits					
Pensions	8	(44,317)		(40,045)	
Commutation & Lump Sum Retirement Benefits	8	(8,966)		(7,792)	
Payment in respect of tax		(473)	(53,756)	(210)	(48,047)
Payments to and on account of leavers					
Transfers Out to other Pension Funds			(6,980)		(6,738)
Refunds to members leaving service			(109)		(84)
Net Additions (Withdrawals) from dealings with members			**(10,920)**		**(11,062)**
Management expenses	9		**(10,857)**		**(8,283)**
Returns on Investments					
Investment Income	10		19,531		24,673
Other Income	10		-		21
Profit and losses on disposal of investments and changes in value of investments	12		89,367		(39,819)
Net Return on Investments			**108,898**		**(15,125)**
Net Increase (Decrease) in the net assets available for benefits during the year			**87,121**		**(34,470)**
Opening Net Assets of the Scheme			**1,290,443**		**1,324,913**
Closing Net Assets of the Scheme			**1,377,564**		**1,290,443**

NET ASSET STATEMENT

	Notes	31 March 2024 £000	31 March 2023 £000
Investment Assets			
Equities	11	150	150
Pooled Property Vehicles	11	73,256	78,572
Pooled Investment Vehicles	11	1,183,983	1,118,138
Private Equity / Infrastructure	11	96,035	63,531
Cash Deposits	11	7,456	20,245
Other Investment Balances			
Investment Income Due	11	18	39
Net Investment Assets	11	**1,360,898**	**1,280,675**
Current Assets	19	3,929	3,911
Current Liabilities	20	(2,905)	(1,979)
Cash Balances (held directly by Fund)		15,642	7,836
Net assets of the Fund available to fund benefits at the period end		**1,377,564**	**1,290,443**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 18a.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 1. DESCRIPTION OF HAMMERSMITH AND FULHAM PENSION FUND

a) General

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Hammersmith and Fulham Council (the Council). It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. Teachers are excluded from this scheme as they are administered under the Teachers' Pension Scheme.

The benefits payable in respect of service from 1 April 2014 are based on an employee's career average revalued earnings (CARE) and the number of years of eligible service. The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final salary and the number of years eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

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

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from investment returns on the Fund's investment assets. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

b) Pension Fund Committee

The Council has delegated the investment arrangements of the scheme to the Audit and Pensions Committee, which in December 2014 formed a Pension Fund Committee (the Committee) and delegated all pensions responsibilities to it. The Committee decides on the investment strategy most suitable to meet the liabilities of the Fund and has responsibility for the investment strategy. The Committee is made up of seven members, five of whom are elected representatives of the Council with voting rights, one employer representative and one co-opted members. Members of the admitted bodies and representatives of the Trade Unions may attend the Committee meetings but have no voting rights.

The Committee reports annually to the Audit and Pensions Committee and has full delegated authority to make investment decisions. The Committee obtains and considers advice from the Director of Finance, and as necessary from the Fund's appointed actuary, investment managers and adviser.

c) Pensions Board

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Local Pensions Board to oversee the governance arrangements of the Pension Fund. The Board meets twice a year and has its own Terms of Reference. Board members are independent of the Pension Fund Committee.

d) Investment Principles

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Committee approved an Investment Strategy Statement on 15 November 2023 (available on the Council's website). The Statement shows the Council's compliance with the Myner's principles of investment management.

The Committee has delegated the management of the Fund's investments to regulated investment managers (see note 11), appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

e) Membership

Membership of the LGPS is voluntary, and whilst employees are auto-enrolled into the scheme, they are free to choose whether to stay in or leave the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Hammersmith & Fulham Pension Fund include:

- Scheduled bodies, which are local academies 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 and private contractors undertaking a local authority function following outsourcing to the private sector.

The deferred member numbers include 791 undecided leavers, who are no longer paying contributions or in receipt of benefits.

	31 March 2024	31 March 2023
Number of Active Employers	51	48
Contributing employees	5,016	5,150
Pensioners receiving benefit	6,046	5,960
Deferred members	6,243	6,218
Total members	**17,305**	**17,328**

Details of the scheduled and admitted bodies are included in the Fund's Annual Report.

NOTE 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarise the Fund's transactions for 2023/24 and its position at year end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they consider the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Council has opted to disclose this information in a note to the accounts (Note 18).

The Hammersmith & Fulham Pension Fund is a statutory, state back Local Government Pension Scheme (LGPS) that, as at 31 March 2022, is 105% funded on a conservative basis and backed by an administering authority with tax raising powers. As such, the Pension Fund Accounts have been prepared on a going concern basis.

It is recognised that the current environment gives rise to a risk of uncertainty and volatility in investment markets and the Fund has reviewed fund manager assessments and no material uncertainty has been identified. The Fund continues to monitor cashflows and invests in a diverse range of investment vehicles including availability to liquid assets.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contribution Income

Normal contributions, both from active members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

c) Investment Income

Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements.

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

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. Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profits and 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. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

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. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. 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) Voluntary Scheme Pays, Mandatory Scheme Pays and lifetime allowance

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

g) Management Expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses 2016".

Administrative expenses – All staff costs of the pension administration team are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and governance – All staff costs associated with governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.

Investment management expenses – The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage, and/or a fee based on performance.

Where an investment manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

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 Asset 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 value of the asset are recognised in the Fund account.

The values of investments as shown in the Net Asset Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14a).

i) 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 (see Note 14a).

j) 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 the 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.

k) Cash and Cash Equivalents

Cash comprises cash in hand and deposits with financial institutions which are repayable on demand without penalty.

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 party to the liability. The Fund recognises liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised costs are carried at amortised cost i.e., the amount carried in the Net Asset Statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

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 International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of retirement benefits by way of a note to the Net Assets Statement (Note 18a).

n) Additional Voluntary Contributions (AVCs)

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 21. There are also some residual policies with Scottish Widows, which are disclosed in Note 21, but it is not open for new members.

o) Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund based on actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out separately in Note 9.

NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The accounts contain certain estimated figures that are based on assumptions made by the Council and other bodies about the future or that are otherwise uncertain. Estimates are made because they are required to satisfy relevant standards or regulations and are based on best judgement at the time, derived from historical experience, current trends and other relevant factors. As a result, actual results may differ materially from those assumptions.

NOTE 5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made considering historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

Description of asset	Uncertainties	Basis of valuation
Actuarial present value of promised retirement benefits (Note 18a)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Hymans Robertson are engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: • 0.1% decrease in the discount rate assumption would result in an increase in promised retirement benefits of £22m • 0.1% increase in assumed earnings would increase the value of the liabilities by approximately £1m • 0.1% increase in pension increases would increase the liability by approximately £22m • A one-year increase in life expectancy would increase the liability by approximately £54m

The items for which there is a significant risk of material adjustment are:

a) Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 18a. The estimates of the net liability to pay pensions depends on several judgements and assumptions. In particular, those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund's assets. Management has agreed a reasonable set of actuarial assumptions in consultation with the actuary which derives the total pension fund liability

b) Private debt/Infrastructure investments/Other Illiquid Investments

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also subject to some valuation uncertainty. Several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. As at 31 March 2024, the assets invested with Partners Group were valued at £39.7m (£45.6m in 2022/23).

The same applies to the Aviva Infrastructure which has a quarterly valuation cycle. As at 31 March 2024, the value of the investment was £15.2m (£26.0m in 2022/23). The same applies to the Quinbrook Infrastructure investment which is new for the 2023-24 financial year. As at 31 March 2024, the value of the investment was £47.6m. The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d

The fair value of several illiquid assets in the portfolio are also subject to some valuation uncertainty as their carrying value is dependent on the latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required. As at the 31 March 2024, these assets and their values are Darwin Alternatives (£29m), Alpha Real Capital (£79m), Man Group (£24m) and Abrdn Multi-Sector Private Credit (£51m). Regarding Darwin Alternatives, Alpha Real Capital and Man Group assets, the values for these assets

are not based on recently observed market prices. For Abrdn Multi-Sector Private Credit, several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d.

NOTE 6. EVENTS AFTER THE BALANCE SHEET

There are no events after the balance sheet date.

NOTE 7. CONTRIBUTIONS RECEIVABLE

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The administering body, scheduled bodies, and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the fund.

The table below shows a breakdown of the total amount of employers' and employees' contributions.

	Employers' Contributions				Employees'	
	Normal		Deficit Recovery		Contributions	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	£000	£000	£000	£000	£000	£000
Administering Authority	24,609	18,687	1,121	3,844	8,694	8,141
Scheduled Bodies	4,163	3,821	-	24	1,232	1,092
Admitted Bodies	1,449	1,060	(19)	(15)	377	306
Total	**30,221**	**23,568**	**1,102**	**3,853**	**10,303**	**9,539**
Total Contributions			**31,323**	**27,421**	**10,303**	**9,539**

NOTE 8. BENEFITS PAYABLE

The table below shows a breakdown of the total amount of benefits payable.

	Pensions		Lump sum retirement benefits		Lump sum death benefits	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
	£000	£000	£000	£000	£000	£000
Administering Authority	(40,186)	(36,543)	(5,915)	(5,662)	(909)	(598)
Scheduled Bodies	(771)	(599)	(238)	(529)	(451)	(290)
Admitted Bodies	(3,360)	(2,903)	(1,328)	(528)	(125)	(185)
Total	**(44,317)**	**(40,045)**	**(7,481)**	**(6,719)**	**(1,485)**	**(1,073)**
Total Lump Sum Benefits					**(8,966)**	**(7,792)**

NOTE 9. MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

	2023/24 £000	2022/23 £000
Administrative costs	(1,329)	(962)
Investment management expenses	(9,184)	(7,014)
Oversight and governance costs	(344)	(307)
	(10,857)	**(8,283)**

The table below provides a breakdown of the Investment Management Expenses. The fund transitioned assets between managers in year which resulted in increased transaction costs. Additionally, due to new requirements related to the cost transparency initiatives, the Fund was able to ascertain its transaction costs more accurately.

	2023/24 £000	2022/23 £000
Management fees	(5,580)	(5,428)
Performance fees	(672)	(107)
Transaction costs	(2,864)	(1,377)
Custody Fees	(68)	(102)
	(9,184)	**(7,014)**

NOTE 10. INVESTMENT INCOME

The table below shows a breakdown of investment income.

	2023/24 £000	2022/23 £000
Pooled investments - unit trusts and other managed funds	16,626	22,386
Income from Alternative Investments	2,139	1,982
Interest on Cash Deposits	766	305
Other Investment Income	-	21
Total	**19,531**	**24,694**

NOTE 11. INVESTMENT STRATEGY

During 2023/24 the Fund's investment strategy had the following developments:

- In February 2023, the Pension Fund committee agreed a top up of 2.5% (£37m) into the Alpha Real Capital (Commercial Ground Rents) fund. This was funded in May 2023.
- In July 2023, The Pension Fund Committee agreed a 3.5% (£45m) allocation to Quinbrook Renewable Infrastructure. At 31 March 2024, £3.1m of this commitment remains undrawn.
- In September 2023, the Committee agreed a 10% (£129m) allocation to Allspring Global. This commitment was funded in full in December 2023.
- In September 2023, the Committee agreed a 5% (£64.5m) allocation to LCIV Insight Buy and Maintain Bonds, with a 2.5% allocation to each of the short and long duration sub-funds. This commitment was funded in full in December 2023.
- In order to fund the new investments, the Fund fully divested from LCIV PIMCO – Global Bond Fund and made partial redemptions from LGIM – MSCI Low Carbon, LCIV Morgan Stanley – Global Equity Quality Fund, and LCIV Ruffer – Absolute Return Funds.

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2024 €8.3m (£7.1m) still remained unfunded.

As shareholders of London LGPS CIV Ltd, (the organisation set up to run pooled LGPS investments in London) the Fund has funded £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. The Fund

has been active in the transfer of assets under management to the London Collective Investment Vehicle (LCIV) to gain efficiencies and fee reductions. As at 31 March 2024, the Fund had £809m invested with the London CIV, which accounts for 59.5% of the fund's total assets.

The market value and proportion of investments managed by each fund manager at 31 March 2024 was as follows:

	31 March 2024		31 March 2023	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
Investments manager by the London CIV asset pool				
LGIM - MSCI Low Carbon (Passive)	412,468	30.3%	399,782	31.3%
Ruffer - Absolute Return (Active)	151,199	11.1%	232,271	18.1%
PIMCO - Global Bonds (Active)	-	0.0%	90,078	7.0%
Morgan Stanley - Global Equity Quality Fund	179,216	13.2%	185,900	14.5%
Insight - Buy and Maintain (Short Duration)	33,056	2.4%	-	0.0%
Insight - Buy and Maintain (Long Duration)	33,508	2.5%	-	0.0%
	809,447	**59.5%**	**908,031**	**70.9%**
Investments managed outside of the London CIV asset pool				
Darwin Alternatives - Leisure Fund	28,995	2.1%	34,694	2.7%
Alpha Real Capital - Ground Rents	78,962	5.8%	55,930	4.4%
Man Group - Affordable Housing	23,643	1.7%	24,027	1.9%
Oak Hill Advisers - Secured Income (Active)	73,581	5.4%	65,179	5.1%
Abrdn - Long Lease Property	49,613	3.6%	54,545	4.3%
Aviva - Private Infrastructure	15,209	1.1%	25,965	2.0%
Partners Group - Infrastructure	33,163	2.4%	37,536	2.9%
Partners Group - Multi Asset Private Credit	6,487	0.5%	8,094	0.6%
Invesco - Private Equity	-	0.0%	-	0.0%
Unigestion - Private Equity	30	0.0%	30	0.0%
Inhouse Cash - Cash	7,474	0.5%	20,284	1.6%
London CIV Ltd	150	0.0%	150	0.0%
NT Ultra Short Bond Fund	-	0.0%	1	0.0%
Allspring Global - Buy and Maintain Bonds	135,290	9.9%	-	0.0%
Quinbrook - UK Renewable Infrastructure	47,633	3.6%	-	0.0%
Abrdn MSPC	51,221	3.9%	46,209	3.6%
	551,451	**40.5%**	**372,644**	**29.1%**
	1,360,898	**100.0%**	**1,280,675**	**100.0%**

The table below shows the Fund investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

	31 March 2024		31 March 2023	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
LGIM - MSCI Low Carbon (Passive)	412,468	30.3%	399,782	31.2%
Ruffer - Absolute Return (Active)	151,199	11.1%	232,271	18.1%
PIMCO - Global Bonds (Active)	-	0.0%	90,078	7.0%
Oak Hill Advisers - Secured Income (Active)	73,581	5.4%	65,179	5.1%
Allspring Global - Buy and Maintain Bonds	135,290	9.9%	-	0.0%
Alpha Real Capital - Ground Rents	78,962	5.8%	-	0.0%
Morgan Stanley - Global Sustain Fund	179,216	13.2%	185,900	14.5%

NOTE 12. RECONCILIATION OF MOVEMENT IN INVESTMENTS

The table below shows a reconciliation of the movement in the total investment assets of the Fund by asset class during 2023/24

Fund Manager	Value at 1 April 2023 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2024 £000
Equities	150	-	-	-	**150**
Pooled Investment Vehicles	1,118,138	232,617	(267,154)	100,382	**1,183,983**
Pooled Property Vehicles*	78,572	1,881	171	(7,368)	**73,256**
Private Equity / Infrastructure*	63,531	50,304	(14,197)	(3,603)	**96,035**
Sub-total	**1,260,391**	**284,802**	**(281,180)**	**89,411**	**1,353,424**
Cash Deposits	20,245			(31)	**7,456**
Investment income due	39			-	**18**
Spot FX contracts	-			(13)	**-**
Totals	**1,280,675**	**284,802**	**(281,180)**	**89,367**	**1,360,898**

The equivalent analysis for 2022/23 is provided below:

Fund Manager	Value at 1 April 2022 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2023 £000
Equities	150	-	-	-	**150**
Pooled equity investments	1,127,189	67,000	(74,963)	(1,088)	**1,118,138**
Pooled property investments	87,987	6,999	(1,998)	(14,416)	**78,572**
Private equity/infrastructure	72,202	28,261	(12,580)	(24,352)	**63,531**
Sub-total	**1,287,528**	**102,260**	**(89,541)**	**(39,856)**	**1,260,391**
Cash Deposits	32,104			152	**20,245**
Investment income due	7			-	**39**
Spot FX contracts	-			(115)	**-**
Totals	**1,319,639**	**102,260**	**(89,541)**	**(39,819)**	**1,280,675**

NOTE 13. FAIR VALUE BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Investment Manager	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - Equity funds UK and Overseas Managed Funds	LGIM – MSCI Low Carbon Ruffer – Absolute Return Fund Morgan Stanley – Global Sustain Fund	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
Unquoted bonds and unit trusts	Oak Hill Advisors Allspring Global Bonds LCIV Insight Buy and Maintain Bonds (Short Duration)	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services	Evaluated price feeds	Not required

	LCIV Insight Buy and Maintain Bonds (Long Duration)				
Pooled Long Lease Property Fund	Abrdn- Long Lease Property	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price	In house evaluation of market data	Not required
Private equity	Unigestion	Level 3	Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple Revenue multiple	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts
Infrastructure funds	Partners Group – Infrastructure Aviva Infrastructure Quinbrook Renewable Infrastructure	Level 3	Valued by Fund Managers at the lower of cost and fair value.	Managers use their judgement having regard to the Equity and Venture Capital Valuation Guidelines 2012 guidelines noted above	Upward valuations are only considered where there is validation of the investment objectives, and such progress can be demonstrated. Downward valuations are enacted where the manager considers there is an impairment to the underlying investment
Illiquid Alternatives	Darwin Alternatives Man Group Alpha Real Abrdn – MSPC Partners - MSPC	Level 3	Valued by Fund Managers at the lower of cost and fair value.	In house evaluation of market data	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts

Aviva Infrastructure

One of the LBHF Pension Fund's infrastructure investment managers, Aviva, were facing legal challenge from a former construction contractor relating to a contractual dispute on one of their biomass infrastructure projects.

Within the manager's financial statements at 31 December 2019, 31 December 2020, 31 December 2021, and 31 December 2022, fund management were unable to quantify the financial impact of the challenge, thus placing a degree of uncertainty on the value of the portfolio overall. As such the underlying accounts were qualified by the auditors.

The full and final value of the legal dispute has now been settled and with an additional amount of associated costs the total impact for the investment will be c.£46.7m.

On the 20th of June 2022, the committee voted to disinvest from the Aviva fund with the redemption documents being submitted prior to the 30th of June 2022 deadline for redemptions. The disinvested monies should have

been returned to the fund by 31 December 2023. There were prolonged delays to the receipt of the redeemed monies, with the first tranche of redemption monies paid in January 2024 and the final redemption payment made on the 30 September 2024. The carrying value of the total infrastructure portfolio in the LBHF Pension Fund at the 31 March 2024 was £15m.

Having carefully considered this fund's financial statements, audit opinion and LBHF Pension Fund's holding in the fund being under redemption procedure, officers do not consider that this could result in any material uncertainty in the context of LBHF's total pension fund value. This is because the maximum value of the claims lodged are approximately 3% of the total portfolio value of the underlying Aviva fund and officers do not consider that there will be any further legal challenge/ claims that could result in a material uncertainty both in terms of containment within this particular investment and disclosures in the wider financial statements.

Cash Classification

For the Fund, cash at custodian is simply a sweep from the custodian into a nominated Money Market Fund and an overnight rate paid. The full cash amount needs to be available for potential investment/withdrawal the next morning and is purely there to service investment and payment of pensions. It is therefore understood that this cash should be amortised cost. It is however not correct to assume cash would always be amortised cost. When an investment committee has taken an active decision to hold cash as part of its asset allocation and invests in a liquidity fund there would almost certainly be duration and variable NAV, in this circumstance we would expect the IFRS9 treatment to be Fair Value at Profit and Loss.

NOTE 14a. VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The definitions of the levels are detailed below.

Level 1 – Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Examples are quoted equities, quoted index linked securities and unit trusts. All level 1 investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2 – Quoted prices are not available for financial instruments at this level. The valuation techniques used to determine fair value use inputs that are based significantly on observable market data.

Level 3 – Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data e.g., private equity investments.

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. The Partners Group Multi Asset Credit and Infrastructure funds are closed ended and therefore not tradable. The valuation is based on market prices where available for some underlying assets and on estimates of prices in secondary markets for others.

	31 March 2024			31 March 2023		
	Quoted Market Price	Using observable inputs	With significant unobservable inputs	Quoted Market Price	Using observable inputs	With significant unobservable inputs
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£000	£000	£000	£000	£000	£000
Financial Assets						
Designated at fair value through profit and loss	-	1,067,931	285,493	-	1,027,756	232,635
Total Financial Assets	**-**	**1,067,931**	**285,493**	**-**	**1,027,756**	**232,635**
Financial Liabilities						
Designated at fair value through profit and loss	-	-	-		-	-
Total Financial Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Net Financial Assets	**-**	**1,067,931**	**285,493**	**-**	**1,027,756**	**232,635**
			1,353,424			**1,260,391**

NOTE 14b. TRANSFERS BETWEEN LEVELS 1 AND 2

In 2023/24 the Fund's operational activity resulted in no transfers between Levels 1 and 2.

NOTE 14c. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market Value as at 31/03/2023	Transfers in/out of Level 3	Purchases	Sales	Unrealised gains / (losses)	Realised gains / (losses)	Market Value as at 31/03/2024
Overseas venture capital	37,566	-	-	(1,212)	(3,176)	14	33,192
UK Infrastructure	25,965	-	50,882	(11,536)	204	(2,673)	62,843
UK Venture Capital	88,051	-	38,850	(1,475)	(16,334)	-	109,092
London LGPS CIV	150	-	-	-	-	-	150
Private Credit Funds	46,209	-	-	(1,901)	6,914	-	51,221
UK Equity Funds	34,694	-	-	-	(5,699)	-	28,995
Total	**232,635**	**-**	**89,732**	**(16,124)**	**(18,091)**	**(2,659)**	**285,493**

NOTE 14d. SENSITIVITY OF ASSETS VALUED AT LEVEL 3

The Pension Fund has analysed historical data and current trends in consultation with independent investment advisors to determine the accuracy of the valuations of its Level 3 investments. The potential impact on the reported valuations as at 31 March 2024 has been estimated to be accurate within the following ranges:

Description of assets	Assessed Valuation Range (+)	Assessed Valuation Range (-)	Value at 31 March 2024	Value on increase	Value on decrease
			£000	£000	£000
Aviva - Private Infrastructure	6.90%	7.70%	15,209	16,259	14,038
Partners Group - Infrastructure	6.60%	7.75%	33,163	35,352	30,593
Partners Group - Multi Asset Private Credit	9.73%	9.73%	6,487	7,118	5,856
Darwin Alternatives - Leisure Fund	7.40%	6.50%	28,995	31,141	27,110
Abrdn MSPC	2.77%	2.77%	51,221	52,637	49,805
Alpha Real Capital - Ground Rents	7.30%	6.40%	78,962	84,726	73,908
Quinbrook - UK Renewable Infrastructure	16.60%	13.80%	47,633	55,540	41,060
Man Group - Affordable Housing	9.40%	8.70%	23,643	25,865	21,586
Total			**285,313**	**308,638**	**263,956**

*Three assets (totalling £0.180m) have been excluded from this note due to immateriality.

NOTE 15a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and liabilities split by UK and Overseas, by category and Net Assets Statement heading as at the balance sheet date. All investments are quoted unless stated.

	31 March 2024			31 March 2023		
	Designated at fair value through profit & loss £000	Financial assets at amortised cost £000	Financial Liabilities at amortised cost £000	Designated at fair value through profit & loss £000	Financial assets at amortised cost £000	Financial Liabilities at amortised cost £000
FINANCIAL ASSETS						
Index Linked Securities						
Pooled Investment Vehicles:						
UK equity funds	742,883	-	-	817,953	-	-
UK fixed income fund	259,562	-	-	144,382	-	-
UK property fund	102,251	-	-	113,266	-	-
UK infrastructure	141,804	-	-	81,895	-	-
Overseas fixed income fund	73,581	-	-	65,179	-	-
Overseas infrastructure	33,163	-	-	37,536	-	-
Overseas venture capital	30	-	-	30	-	-
London LGPS CIV	150	-	-	150	-	-
Investment income due	-	19	-	-	39	-
Cash deposits with managers	-	7,455	-	-	20,245	-
Debtors	-	3,929	-	-	3,911	-
Cash balances (held by fund)	-	15,642	-	-	7,836	-
	1,353,424	27,045	-	1,260,391	32,031	-
FINANCIAL LIABILITIES						
Creditors	-	-	(2,905)	-	-	(1,979)
	-	-	(2,905)	-	-	(1,979)
GRAND TOTALS	**1,353,424**	**27,045**	**(2,905)**	**1,260,391**	**32,031**	**(1,979)**
			1,377,564			**1,290,443**

NOTE 15b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

This table summarises the net gains and losses on financial instruments classified by type of instrument.

	31 March 2024	31 March 2023
	£000	£000
Financial Assets		
Fair value through profit and loss	89,410	(39,856)
Loans and receivables	-	152
Financial Liabilities		
Fair value through profit and loss	(43)	(115)
	89,367	**(39,819)**

NOTE 16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund's liabilities are sensitive to inflation through pension and pay increases, interest rates and mortality rates. The assets that would most closely match the liabilities are a combination of index-linked gilts, as the liabilities move in accordance with changes in the relevant gilt yields and changes in inflation.

The Pension Fund Committee maintains a Pension Fund risk register and reviews the risks and appropriate mitigating actions at every meeting.

a) Market Risk

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. To manage excessive volatility in market risk, the Fund continues to invest its assets in a broad range of asset classes in terms of geographical and industry sectors and individual securities which are expected to produce returns above their benchmarks over the long term, albeit with greater volatility. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

The aim of the investment strategy is to maximise the opportunity for gains across the whole Fund's portfolio within a tolerable level of risk of an overall reduction in the value of the Fund. Responsibility for the Fund's investment strategy rests with the Pension Fund Committee and is reviewed on a regular basis.

On 24 February 2022, Russia invaded Ukraine, a severe escalation in the conflict which had been ongoing since 2014. Subsequently, numerous global powers implemented sanctions against major Russian banks and financial institutions, including freezing of overseas assets and removing access to SWIFT international payments. The Pension Fund can report that as at 31 March 2024, the value of investments in Russia or Ukraine is immaterial.

b) Price Risk

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 price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of the derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

All assets except for cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 8.4% higher or 8.4% lower.

Assets exposed to price risk

	Value	Price Risk	Positive increase	Negative increase
	£000		£000	£000
At 31st March 2024	1,353,274	8.5%	1,468,800	1,237,748
At 31st March 2023	1,288,511	9.3%	1,407,552	1,169,170

c) Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed Interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

Fixed income investments, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at 31 March 2024 and what the value would have been if interest rates had been 1% higher or 1% lower.

Assets exposed to interest rate risk

	Value	+ 1%	- 1%
	£000	£000	£000
At 31st March 2024	428,565	410,599	453,104
At 31st March 2023	328,483	318,649	344,299

d) Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling.

The Fund recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

In order to mitigate the risk, one of the Fund's investment managers enters into forward foreign exchange contracts (accounted for as derivatives) to hedge the currency risk which arises from undertaking non-sterling transactions. In addition, several of the pooled investment vehicles partially or fully hedge the currency back into sterling. These actions reduce the overall currency risk the Fund is exposed to.

Assets exposed to currency risk

	Value £000	Currency Risk	Positive increase £000	Negative increase £000
At 31st March 2024	590,357	7.4%	633,778	546,936
At 31st March 2023	676,661	7.2%	725,540	627,782

e) 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 of investments 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 financial 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 fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

f) 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 there are adequate cash resources to meet its commitments. This will particularly be the case for cash to meet the pensioner payroll costs, and cash to meet investment commitments. The Fund has immediate access to its cash holdings.

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 19.7% of the Fund's Net Assets at 31 March 2024 (16.8% at 31 March 2023). The remaining assets can all be liquidated within days.

Manager	Portfolio	31 March 2024 £000	31 March 2023 £000
Standard Life	Property	49,613	54,545
Partners Group	Infrastructure	33,163	37,536
Partners Group	Multi Asset Credit	6,487	8,094
Invesco	Private Equity	-	-
Unigestion	Private Equity	30	30
Darwin Alternatives	Illiquid Alternatives	28,995	34,694
Alpha Real Capital	Ground Rents	78,962	55,930
Quinbrook	Infrastructure	47,633	-
Man Group	Property	23,643	24,027
		268,526	**214,856**

NOTE 17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund had the following commitments at the balance sheet date:

	31 March 2024 £000	31 March 2023 £000
Quinbrook Renewable Infrastructure	3,155	-
Alpha Real Capital	-	37,000
Man Group - Affordable Housing	6,189	8,013
Partners Group Direct Infrastructure Fund 2015	7,103	7,320
	16,447	**52,333**

NOTE 18. FUNDING ARRANGEMENTS

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Hammersmith & Fulham Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The latest full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund was carried out by Hymans Robertson, the Fund's actuary, as at 31 March 2022 in accordance with the Funding Strategy Statement of the Fund and the Local Government Pension Scheme Regulations 2013. The results were published in the triennial valuation report dated 29 March 2023. This valuation set the employer contribution rates from 1 April 2023 through to 31 March 2026.

The 2022 valuation certified a common contribution rate of 20.7% of pensionable pay (17.4% as at March 2019) to be paid by each employing body participating in the Fund, based on a funding level of 105% (97% as at March 2019). In addition, each employing body must pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The actuary's smoothed market value of the scheme's assets at 31 March 2022 was £1,325m (£1,043m in 2019) and the actuary assessed the present value of the funded obligation at £1,267m indicating a net asset of £58m (£1,079m 2019).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

Financial Assumptions	March 2022	March 2019
Consumer Price Index (CPI) increases	2.70%	2.60%
Salary Increases	3.70%	3.60%
Pension Increases	2.70%	2.40%
Discount Rate	4.40%	5.00%

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates for the Pension Fund are based on the full valuation of the scheme as at 31 March 2022. The next actuarial valuation of the Fund was carried out by the Fund's actuary Hyman's Robertson as at 31 March 2025 and will set contribution rates for the period 1 April 2026 to 31 March 2029. The 2022 Triennial valuation has now been signed off and is publicly available.

The contribution rate is set on the basis of the cost of future benefit accrual, increased to keep the funding level at 100% over a period of 20 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension payments when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

NOTE 18a. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31 March 2024. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

	31 March 2024	31 March 2023
	£000	£000
Present Value of Promised Retirement Benefits*	(1,355)	(1,339)
Fair Value of Scheme Assets (bid value)	1,378	1,290
Net Asset/(Liability)	23	(49)

The assumptions applied by the actuary are set out below:

Financial Assumptions	31 March 2024	31 March 2023
Salary increases	3.80%	4.00%
Pension increases	2.80%	3.00%
Discount Rate	4.80%	4.75%

Demographic Assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Life Expectancy from age 65		31 March 2024	31 March 2023
Retiring today	Males	21.6	21.8
	Females	24.3	24.5
Retiring in 20 years	Males	22.6	22.8
	Females	25.6	25.8

NOTE 19. CURRENT ASSETS

Debtors	31 March 2024 £000	31 March 2023 £000
Contributions due - employers	2,153	1,627
Contributions due - employees	743	678
London Borough of Hammersmith and Fulham	47	50
Sundry Debtors	986	1,556
	3,929	**3,911**

Analysis of debtors	31 March 2024 £000	31 March 2023 £000
Local authorities	47	50
Other entities and individuals	3,791	3,393
Central Government	91	468
	3,929	**3,911**

NOTE 20. CURRENT LIABILITIES

Creditors	31 March 2024 £000	31 March 2023 £000
Unpaid Benefits	(719)	(659)
Management Expenses	(1,278)	(901)
Sundry Creditors	(908)	(419)
	(2,905)	**(1,979)**

Analysis of Creditors	31 March 2024 £000	31 March 2023 £000
Other entities and individuals	(2,905)	(1,979)
	(2,905)	**(1,979)**

NOTE 21. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Fund's AVC providers are Scottish Widows Workplace Savings and Utmost Life and Pensions. AVCs are invested separately from the Pension Fund and their valuations are shown in the table below.

Scottish Widows Workplace Savings	31 March 2024 £000	31 March 2023 £000
Market Value at 31st March	848	857
Contributions during the year	(60)	7
Utmost Life and Pensions		
Market Value at 31st March	152	154

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the investments are not included in the Pension Fund Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

NOTE 22. RELATED PARTIES

London Borough of Hammersmith and Fulham

The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £1.1m in 2023/24 (£0.777m in 2022/23) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Council made £24.6m of contributions in year (£18.7m in 2022/23).

The Pension Fund's accounting and governance management is carried out through a shared service with Westminster City Council. Westminster City Council incurred costs of £0.206m in 2023/24 (£0.183m in 2022/23) in relation to the accounting and governance of the Fund and were reimbursed for the expense.

Key management personnel

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Strategic Director of Finance and Governance (from May 2020, the Director of Finance), the Tri-Borough Director of Treasury and Pensions and the Director of Corporate Services (from May 2020, the Director of Resources). Total remuneration payable to key management personnel in respect of the pension fund is set out below:

	31 March 2024 £000	31 March 2023 £000
Short-term benefits	33	30
Post-employment Benefits	20	(179)
	53	**(149)**

NOTE 23. EXTERNAL AUDIT COSTS

The external audit fee payable to Fund's external auditors, Grant Thornton LLP, was £86,884 (£36,556 in 2022/23).

Draft Annual Governance Statement 2023/24

1.0 Introduction

Hammersmith & Fulham is a wonderful place to live, work and visit. Our Vision for the borough is ambitious, and is set out in our corporate plan, which was adopted at the end of 2023. The H&F Plan (2023-26) outlines the Council's aims and ambitions and serves as a golden thread for everything that we do as we strive to make H&F a stronger, safer and kinder borough for everyone.

Our Vision is underpinned by our six values, which inform how we operate:

- Building shared prosperity
- Rising to the challenge of the climate and ecological emergency
- Creating a compassionate and inclusive Council
- Taking pride in Hammersmith & Fulham
- Doing things with residents, not to them
- Being ruthlessly, financially efficient.

In all of the services we provide, we are looking to advance our values and support those residents who need it most. In 2023/24, we have continued to place priority on supporting residents and local businesses that have faced hardship from the significant rise in everyday costs. To support this, we have strengthened our own internal governance and partnership arrangements to build resilience to the challenges the Cost of Living has placed on service delivery. We have brought people and organisations together through the Cost-of-Living (COL) Alliance and ensured immediate support is available to residents that need it through crisis and financial payments, as well as providing additional funding to prevent homelessness, reduce housing costs, tackle food poverty, and address fuel poverty.

Our response has extended the Council's long-standing policy commitments to free breakfasts to every primary school child in the borough, free adult homecare (the only local authority to do this) and a generous Council Tax Reduction Scheme. The COL crisis has shown the importance of these policies, especially in the absence of a national strategy to tackle poverty and short-term temporary funding.

We will keep listening and working with residents in the pursuit of progress – responding to local, national and international challenges which affect us all. In 2023/24, supporting the continued improvement in our housing repairs service and addressing housing complaints have also been key priorities for the organisation, as set out in the H&F Plan.

We want all of our services to be of the highest standard and inclusive and accessible to all, whilst ensuring that our resources are used effectively, compliantly with our responsibilities, and supported by good governance. In line with our commitment to Ruthless Financial Efficiency, we manage our finances responsibly and compassionately, but also effectively. It is essential that our residents, businesses, service users, suppliers and partners all have confidence in our governance arrangements and the way we fully account for the money we receive and how we spend it. Our ways of working enable us to provide the right services and responses effectively, efficiently, and consistently – supporting us to take informed, transparent, and lawful decisions.

In recent years, we have a fantastic record of keeping Council tax and charges to residents low. However, in 2023/24, we have continued to face some of the most difficult financial circumstances the Council has ever faced. Funding from central government has reduced by 55% in real terms and 23% in cash terms, from £164m in 2010/11 to £126m in 2024/25. The economic impact of the last few years has put further pressure on Council finances. The challenge in setting a balanced budget has been to protect services, which make H&F special. We have had little choice but to raise Council tax by 2.99% for 2024/25, as the majority of local authorities have done, during this period of extreme financial pressure. This will ensure that we continue to provide and support essential services for residents at this time.

Our organisational strategy is set in the context of major negative impacts of:

- Cuts in government funding and an increase in our costs due to the effects of inflation, high interest rates and unfunded additional burdens.
- Climate change, global warming and extreme weather events.
- The devastating conflict in Gaza, and the escalating developments in the wider region.
- Devastation of Russia's illegal war in Ukraine – with impacts which continue to be felt globally.
- Significant increases in fuel and energy costs. .

We have faced pressures, like many local authorities, from additional burdens being placed on us by national government, without adequate and sustained funding to meet those responsibilities. This adds to the financial challenges facing local government and the need for proper funding of the vital public services that the sector provides.

Our Annual Governance Statement (AGS) demonstrates how we continually prioritise strong governance arrangements and controls to manage key risks in meeting our strategic aims. We do this by co-producing services and policies with residents, service users and partners, and by upholding high standards of conduct and behaviour. Proactive risk and

assurance management arrangements are central to our governance approach, and the efficient delivery of our key objectives.

2.0 Hammersmith & Fulham's (H&F) corporate governance responsibilities

H&F's governance arrangements aim to ensure we uphold our values, remain compliant, and do the right things for residents through effective processes and controls; being timely, inclusive, open, honest and accountable. This includes ensuring we conduct our business in accordance with the law and to proper standards, and that public money is properly accounted for and used effectively.

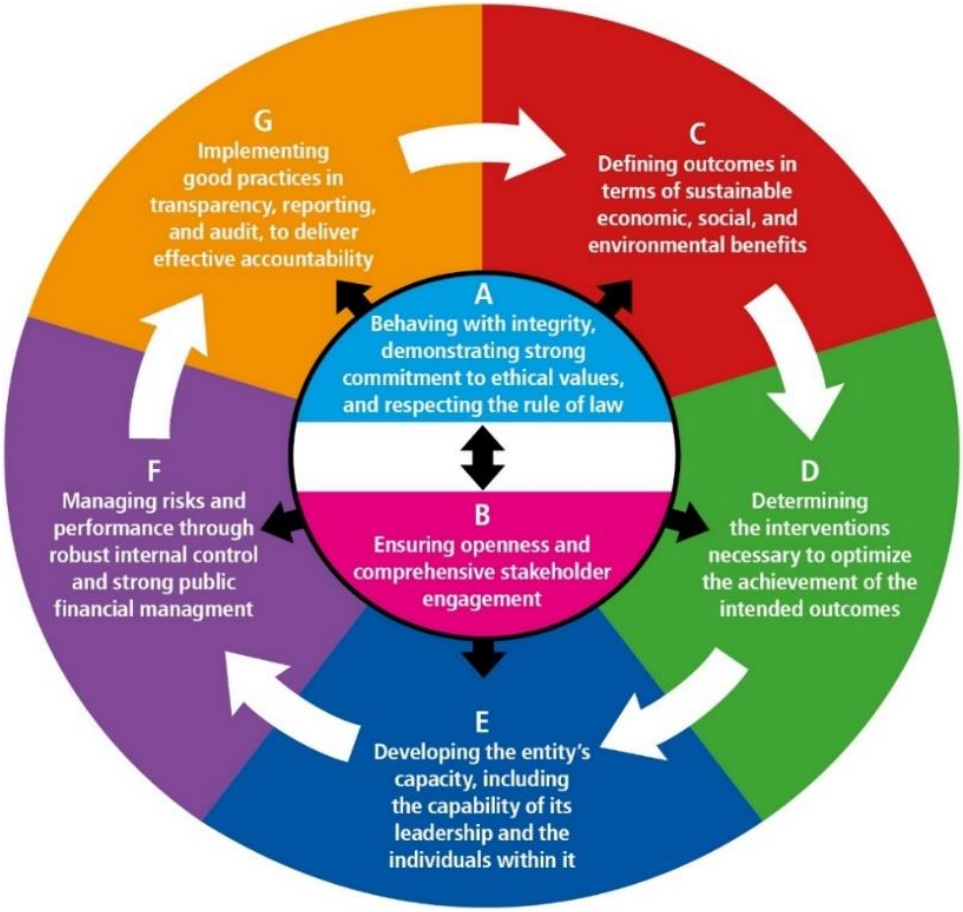
The AGS has been prepared in accordance with guidance and principles produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), the 'Delivering Good Governance in Local Government Framework'. The AGS also embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

The CIPFA Financial Management Code (FM Code) was introduced in October 2019 as the first professional code for general financial management in local authorities. The FM Code provides guidance for good and sustainable financial management and compliance and provides assurance that resources are being managed effectively. Compliance with the FM Code helps to strengthen the framework that surrounds financial decision making at H&F and is reviewed by Full Council annually. The Council's Constitution provides the local framework by which many decisions are governed.

3.0 What this Statement tells you

The AGS describes how H&F has, for the year ended 31 March 2024, complied with its Governance Code and the requirements of the Accounts and Audit Regulations 2015. It also describes how the effectiveness of the governance arrangements have been monitored and evaluated during the year and sets out any changes planned for 2024/25.

The following diagram provides a summary of information on the areas that the AGS has considered in accordance with the CIPFA/ SOLACE 'Delivering Good Governance in Local Government Framework' principles.



4.0 The governance framework

Our governance framework enables us to monitor the achievement of our objectives and to consider whether these have led to the delivery of appropriate, cost-effective services.

A detailed overview of our governance framework is provided at Appendix A. In summary, it includes:

- The H&F Constitution – This sets out how H&F operates, how decisions are made, our local code of corporate governance and the rules, protocols and codes of practice under which the Council, its Councillors, and its officers operate, to ensure that we are efficient, transparent, and accountable to residents. It sets out the functions of statutory officers and committees and explains their role in ensuring statutory obligations are met. We continue to monitor and, where necessary, amend the Constitution.

- **Codes of Conduct** – H&F has clear policies in place to define standards of behaviour for Members and staff. The Member code of conduct was reviewed in 2021/22 and is to be reviewed again in 2024/25. H&F has a Code of Conduct for employees and a whistleblowing policy, which are reviewed periodically. These policies and associated practices set out expectations of officers and Members to behave with integrity, and H&F's strong commitment to ethical values and rule of law. All policies are available on the Council's intranet and easily accessible to staff. H&F's annual appraisal process asks staff to re-affirm they have no conflicts of interest and that they are familiar with the Council's code of conduct and behaviours framework, with links to the relevant policies and guidance provided.

- **Scrutiny** – H&F's overview and scrutiny function is delivered through six Policy and Accountability Committees (PACs), covering all major service areas. The PACs are overseen by a Policy and Oversight Board which includes the chair of each PAC. Together, the PACs are part of our commitment to public engagement and working with residents in developing policy and strengthening H&F's decision-making process.

- **Risk management framework** – This is fundamental to H&F's system of internal control and forms part of a sound business operating model. It involves an ongoing process to identify the risks to our policies, aims and objectives, and to prioritise them according to likelihood and impact. It requires the risks to be managed efficiently, effectively and economically. The corporate risk register is reviewed quarterly and reported to the Audit Committee and senior management. Most corporate risks have remained stable during the year.

  The Strategic Leadership Team (SLT) has a regular focus on corporate risks, including an in-depth examination into housing repairs and complaints, as well as considering and discussing departmental risks. Thematic or programme risk registers are maintained in respect of emerging risk areas. In 2023/24, this included important areas such as the cost-of-living crisis, increasing inflation and economic uncertainty, enhancing H&F's cyber security resilience, and its preparedness for severe weather and terrorist incidents. The invasion of Ukraine has continued to impact on some risks, including economy, supply chain, and cyber security.

- **External audit** – H&F's external auditors have statutory powers and responsibilities and are required to review and report on H&F's financial statements, providing an opinion on the accounts and arrangements in place for securing economy, efficiency and effectiveness in H&F's use of resources. The 2020/21 financial accounts were signed-off by the External Auditor in May 2023, whilst the 2021/22 and 2022/23 accounts were signed-off in February 2024 and March 2024 respectively. In each instance the auditor issued an unqualified opinion. Recommendations arising from the External Auditors reviews are reported to the Audit Committee and regularly monitored by SLT. As part of this process, SLT will assess the effectiveness of the process to secure improvements.

- **Internal audit** - The internal audit service provides assurance and reviews the adequacy of the controls. It carries out a comprehensive programme of review activity consistent with the Audit Strategy, the core risks faced by H&F, and is in line with the Public Sector Internal Audit Standards.

- **The Audit Committee** - The Audit Committee has a standing brief to review the effectiveness of risk management arrangements, the internal control environment and associated anti-fraud and corruption arrangements. It does this through, amongst other things, overseeing the work of Internal Audit, the Corporate Anti-Fraud Service and External Audit, and by reviewing our Corporate Risk Register.

- **External inspection** - Council services are subject to statutory external inspections, through various regulatory bodies including Ofsted and Care Quality Commission (CQC)[1], and national government. This is an important part of the Council's assurance framework. During 2023/24, the Council was subject to an inspection of local authority Children's Services (ILACS) by Ofsted. This is a major inspection, and the inspectors gave the Council an Outstanding rating, the highest judgement. The Council's Adult Social Care reablement and respite services was reinspected by the CQC, and maintained their Outstanding rating for the third time.

- **Strategic leadership** - H&F's most senior management team is the SLT, made up of the Chief Executive (Head of the Paid Service and appointed by Full Council) and six department Strategic Directors. Each

[1] CQC are the independent regulator of health and ACS in England.

Strategic Director has key accountabilities but together they are jointly responsible (under the Chief Executive) for turning priorities set by Cabinet into operational policy. Over the past 12 months, the Chief Executive, SLT and elected Members have continued to meet to build assurance capability of H&F, providing leadership on standards, expectations and strengthening assurance regimes, ways of working, and approaches. This has been done through management boards and weekly SLT meetings focussed on either business, assurance, or finance matters. Changes to the Strategic Directors meant that the Monitoring Officer (MO) role is no longer held by the Strategic Director of Corporate Resources. The MO (also the Director of Legal Services) was therefore invited to join the SLT meetings. SLT Assurance meetings have continued to be chaired by the Tri-Borough Director of Audit, Fraud, Risk and Assurance, and attended by risk/assurance leads in the Council in addition to SLT. SLT Finance is also attended by all departmental Finance Heads.

- **Commissioning and procurement of goods and services** - The effective commissioning and procurement of goods, works and services is of strategic importance to H&F's operations, while contract management helps to provide value for money and ensure that outcomes and outputs are delivered. Operational procedures for tendering, the use of H&F's e-tendering system, contract letting, contract management and the use of consultants are included in the Contract Standing Orders which form part of H&F's Constitution.

The boards, committees and structure set out above provide significant assurance and opportunities to audit, scrutinise and challenge H&F's operations.

5.0 Effectiveness of H&F's governance arrangements

The systems and processes that comprise H&F's governance arrangements have been evaluated for effectiveness for 2023/24 and are described in this section.

Corporate governance arrangements

Financial management

There continues to be robust arrangements for effective financial control through our accounting procedures, key financial systems, the Financial Regulations, and audit arrangements. These include established budget planning procedures, which are subject to risk assessment, and periodic budget monitoring reports to Members. Our Treasury Management arrangements, whereby H&F invests and borrows funds to meet its operating requirements, follow professional practice and are subject to regular review and scrutiny by the Audit Committee. During the year, dedicated monthly Finance SLT meetings provided oversight of financial planning, management, and reporting against our major programmes and projects.

To mitigate the long-term and real term reduction in grants from central government, continued high levels of inflation and interest rates, alongside the wider impact of the cost-of-living crisis, our value of being Ruthlessly Financially Efficient is helping to drive efficiency in our services, whilst maintaining our commitment to the most vulnerable and being a compassionate and inclusive council. This has looked at all areas of our work, considering different ways of delivering services and working more effectively. The Medium-Term Financial Strategy (MTFS) sets out a strategic approach to meeting the financial challenges we face.

Commissioning and procurement of goods and services

H&F's Sourcing Strategy sets out the approach to secure resident outcomes and value for money through the commissioning and procurement of goods and services. The strategy details how we will achieve modern and efficient operations through our forward plan of procurement, and the operational procedures and training needed. It also details how we will secure added value through our spending power.

H&F is preparing for the new procurement regulations which will come into effect in October 2024, with clear forward plans, identification of key performance indicators to include under the performance requirements of the regulations, enhanced conflict of interest arrangements, and revised business processes.

Commercial operations

H&F ensures effective overview of any Council-owned companies through reporting of progress of companies to executives who hold the shareholder function. Business plans are provided where the company delivers significant activity. There is also dedicated focus on any joint ventures.

Regular reviews of companies have seen the winding up and closure of several companies in recent years. Any persons fulfilling the role of company Director on wholly owned Council companies, or joint ventures, are trained and insured. Regular internal officer reporting supports preparation of reports to the Executive and management of any risks identified. Learning has been sought from published External Auditor Public Interest and best practice reports and Section 114 reports. Our actions also reflect the implementation of recommendations arising from such cases seen elsewhere.

Doing things with residents

H&F and its partners have comprehensive arrangements for identifying and prioritising residents' needs. Our annual budget and MTFS were robustly developed through a series of officer and Councillor challenge events, including public scrutiny and review by the Policy and Oversight Board and PACs.

We aspire to be the country's leading borough for co-production, expanding co-production across Council departments and services so that residents are fully involved from the earliest stage in shaping their services. In 2023/24 we established a new co-production group with residents called 'Co-production Matters' co-chaired by a Cabinet Member. This group helps oversee our work across the Council. Its work is complemented by scrutiny of co-production by PACs. This has included co-producing a new draft digital inclusion strategy and a new vision for Independent Living.

Resident-led commissions have been central to our value to do things with residents, not to them, and to co-production. We have commissioned resident-led commissions to put residents at the heart of policy development on a wide variety of topics, and many of their recommendations have been put into action. Our Disabled People's Commission was awarded the Certificate in Excellence 2024 by the Institute of Excellence.

Business planning and performance management

In December 2023, Cabinet adopted the H&F Plan for 2023-26. *A Stronger, Safer, Kinder Borough for Everyone*, contains our strategy to deliver our Vision, setting out what we want to achieve for our residents. It provides a comprehensive and cross-cutting set of ambitions, identifying key outcomes in terms of sustainable economic, social and environmental benefits. It restates our commitment to work together with residents, businesses, partners, and our staff, to tackle the biggest challenges facing our communities.

The H&F Plan builds on and supersedes the 2022/23 Business Objectives plan and is supported by a wider programme of statutory delivery, policy development, business planning and change and transformation activities across the Council. The plan sets out how we will measure success, with a progress report to Cabinet in 2025.

The Council has established arrangements for the management of its objectives and optimising the achievement of intended outcomes. Key decisions consider alternative options for achieving the desired sustainable economic, social and environmental outcomes and the preferred option to meet the future needs of residents and the community within the funding available. Standard project, programme and service management practices inform the planning and delivery of activities.

A corporate performance framework has been in place throughout 2023/24 and beneath this, departmental and service performance frameworks. These reports, plans and frameworks, together with associated management arrangements, enable the Council to review data on delivery progress against the agreed performance objectives and intended outcomes.

SLT and Cabinet Members have continued to have close oversight of H&F's major change and transformation activities. Monthly Finance SLT meetings agree business cases and assure delivery of a portfolio of major projects and programmes. The Development Board has oversight of major development and regeneration schemes that are delivering a significant pipeline of affordable housing. These arrangements are supported through regular monitoring of capital programmes, and through project and programme level governance.

Control systems and environment

A review of the effectiveness of the system of internal audit was undertaken in 2023/24 with the internal audit service found to rate as "Generally Conforms" with respect to the Public Sector Internal Audit Standards – this is the top rating achievable. The outcome of this assessment is due to be reported to the Audit Committee in June 2024.

Based upon the programme of work for 2023/24, the Shared Director of Audit, Fraud, Risk and Insurance's opinion on H&F's control environment, governance arrangements and risk management arrangements, is that they are satisfactory. Whilst some areas of improvement have been identified and reported to the Audit Committee, good progress has been made to implement recommendations in a timely manner, with no significant issues outstanding.

From 2021/22, the Internal Audit service moved to a '3 plus 9' annual audit plan – setting out the next three months of audit activity in detail, keeping the remaining nine months more flexible. Regular conversations with Strategic Directors and their management teams, reviews of risk registers, and scanning the external risk environment, has enabled audit work to keep pace with the organisation.

H&F has a zero-tolerance approach towards fraud and corruption and has established arrangements for managing the risk of fraud and conducting investigations into specific concerns. The Audit Committee receives regular updates on our anti-fraud and corruption arrangements, including how it is responding to emerging fraud risks.

Director and functional assurance

Directors have completed statements detailing their confidence in arrangements for managing their recognised core risk areas, which have been subject to independent review. This reflects the directors' responsibilities for both the management of risk and the effectiveness of controls. The statements received in this regard generally indicated that

management systems were viewed as effective or very effective, with actions being implemented in specific areas where the need for improvement in controls was identified.

The Head of Paid Service is the Chief Executive. They have overall corporate management and operational responsibility for the Council. They are supported in this responsibility through the operation and business of SLT, which meets weekly. They also provide professional advice to Members in the decision-making process in line with the Constitution. The Head of Paid Service and Monitoring Officer have ensured in 2023/24 that records of the Council's decisions are kept and published. The Head of Paid Service has had an active role, representing the Council on various local, sub-regional and regional partnerships, and external bodies. The Head of Paid Service oversees the Chief Executive's Office, which provides day-to-day support for the effective discharge of their function.

The Strategic Director of Finance is responsible for the proper administration of H&F's financial affairs, as required by Section 151 of the Local Government Act (1972), and H&F's financial management arrangements are compliant with the governance requirements set out in CIPFAs 'Statement on the Role of the Chief Financial Officer in Local Government' (2016). The Strategic Director of Finance Chairs the monthly dedicated finance board of the SLT.

The Monitoring Officer maintains the Constitution, which is agreed at Full Council and oversaw the receiving and registering of Members' interests. The Monitoring Officer advises on compliance with the Constitution and ensures that decision making is lawful, and in line with the budget and policy framework.

The Monitoring Officer was supported by H&F's Legal Services and Democratic Services. Legal Services provide legal implications on all Executive decisions and has advised on all H&F's legal matters during the year unless the Director of Legal Services has commissioned external legal advice. The Monitoring Officer and Legal Services are regularly consulted for advice as part of the Council's day-to-day business and are represented on key governance groups.

The Monitoring Officer has a legal responsibility to consider matters of potential unlawfulness and has confirmed there has not been the need to make a report concerning any proposal, decision or omission that would give rise to unlawfulness or maladministration. The Monitoring Officer is satisfied that the arrangements that have been put in place, work effectively, decisions have been made in accordance with the budget and policy framework, and no matters of significance have been omitted from this Statement.

However, the Monitoring Officer has noted the position regarding housing repairs and has taken action to hold the responsible officers to account in support of instructions given by the Chief Executive – to target priorities and ensure that appropriate resources and monitoring arrangements are more fully in place to facilitate service delivery and recognise the urgent need for service improvement.

Effectiveness of department arrangements

Adult Social Care and Public Health

Co-production lies at the heart of Adult Social Care, and we continue to embed this across all services and through the work of the Department Leadership Team (DLT). The last year has seen the department working with residents with Autism and their carers, the Dementia Action Alliance, the Transitions and Preparation for Adulthood service, and the Direct Payment Steering Group which is co-chaired by residents.[2]

The Adult Social Care and Public Health DLT meets weekly. The team includes all Heads of Service, the Principal Social Worker, and workstream leads, as well as the Strategic Director of Adult Social Services (DASS), Director of Public Health, and other senior officers. All appropriate decisions are fed through the team and recorded on the Director's decision log, before going through corporate governance to SLT, the Cabinet Member, and Cabinet as required.

Planning is ongoing for a Care Quality Commission (CQC) Inspection of Adult Social Care which has been announced for 2024. Preparation for the inspection has been supported by a mock inspection and subsequent Peer Review by a former DASS (formerly of Croydon Council). The CQC Inspection will also involve our borough-based partnership across Health, Social Care and the Voluntary and Community Sector. Preparations are being overseen by a Director and working group, with in-depth examination of key areas, webinars with providers and Members, and staff briefings informing a self-evaluation assessment, and submission of a comprehensive Information Return.

Our in-house Adult Social Care services remain "Outstanding" in relation to CQC regulation and are working with our commissioned services to support their ongoing improvement. Homecare and Independent Living (HCIL) re-procurement has reached the award stage, following Cabinet approval on 15th January 2024.

The Social Care MTFS Savings Plan is subject to review and challenge by DLT and the Cabinet Member, with mandatory monthly budget meetings to provide oversight of all savings targets and spend. We continue to challenge the NHS Continuing Healthcare (CHC) for those cases that are complex needs and high costs. We also continue to manage demand in home care and direct payments by right-sizing packages of care, where a review has evidenced a change in need.

[2] The Direct Payment Steering Group is responsible for the promotion of information on direct payments to residents at a strategic level, to help break down obstacles to residents, and encourage uptake. The steering group itself does not make decisions regarding payments, and all direct payments must adhere to the Care Act.

The Director of Public Health (DPH) is an active member of the North-West London DPH group. They feed into the Health and Wellbeing Board and the Health and Adult Social Care PAC. They receive clinical supervision from the DPH network as well as reporting directly to the DASS.

Since the creation of the North-West London Integrated Care System (ICS), the local Health Care Partnership has been established. It is jointly chaired by the DASS and the NHS Borough Director. We have established a governance structure through the ICS, to the Integrated Care Board and Council, and onto the statutory Health & Wellbeing Board. Items that are of joint interest such as the Better Care Fund, and NHS Same Day access to primary care, are discussed at the board in the first instance. This year, a Director of Partnerships has been appointed to hold all the organisations to account.

Children's Services

Our Children's Services are passionate about delivering excellent services to our children and families. Children and Young People are seen, heard, and valued in H&F. Their participation is widespread, immersive, high profile and influential. There are extensive community programmes which are well publicised across various fora. These include commissioned services to support young people to achieve independence, as well as a programme of holiday activities which provide an inclusive suite of events for children of all abilities to be visible in their communities.

Performance reports show high practice standards being sustained, including the timeliness of assessments and supervision, with further reporting demonstrating increased oversight from child protection Chairs and Independent Reviewing Officers. We have a continued programme of quality assurance with internal and external audits, and thematic reviews to support continuous improvement.

All schools are rated Good or Outstanding by Ofsted. We have had our annual education and children's social care conversations with Ofsted. Discussions were positive and highlighted our continued strengths, and our ability to identify and respond to challenges quickly.

We continue to challenge and hold our partners to account through our partnership meetings. The H&F Local Safeguarding Children Partnership (LSCP) is now well embedded and has strengthened its membership. There is a well engaged multi-agency partnership who ensure our children and young people are safeguarded. The focus has been on responding to National Reviews and ensuring that services are rigorously challenged.

Children and young people are at the heart of H&F's new strategy for Special Education Needs and Disabilities (SEND) services. The strategy's vision of children leading 'happy, healthy, and fulfilling lives', which was co-produced with families, sits at the centre of our key priorities. We have co-produced our SEND Outcomes Framework with support from the Council for Disabled Children, to help identify the goals that are important to children, young people, and their families. This work has provided the framework for our refreshed Scorecard as we embed effective performance measures to track the efficacy of our services and support.

Our dedicated commissioning and transformation team who are central to formulating savings, reforming services, and keeping costs down, have continued to drive dynamic partnerships and secure third-party investment. This has included receiving additional income for a Fostering Recruitment Hub, our Family Networks, and the Safety Valve agreement with the Department for Education.

The department continues to deliver excellent services in the context of rising and increasingly complex need, market fragility, the cost-of-living crisis, and the national economic position. These challenges will continue to pose risks to the service in meeting need within the financial constraints. We have continued to respond dynamically to these risks and have well developed systems to monitor and manage them.

Environmental Services

Our Environmental Services' priorities are governed in part by statutory requirements, working closely with key partners, including Transport for London (TfL), Food Standards Agency (FSA), Health and Safety Executive (HSE) and the Department for Levelling Up, Housing and Communities (DLUHC).

We undertake consultation exercises to inform our policies and key service priorities. Our Hate Crime Strategy aims and objectives were co-produced with residents, community groups, the H&F Youth Council, and statutory partners. Officers continue to work with the Safer Cycle Pathway Disabled Residents Team to improve the Council`s performance in key service areas, such as waste. We aim to embed co-production in the department, having achieved notable success with ongoing work on the King Street Safer Cycle Pathway scheme – a collaborative achievement across multiple departments.

In 2023/24 H&F launched its £5m Green Investment scheme, the largest of any similar Council scheme to date. This innovative and cost-effective scheme allows the Council to engage with the local community on its green ambitions whilst also securing investment at a cheaper rate than more traditional borrowing methods. We have a loan agreement in place with each investor to make sure that we repay their loan at the agreed rate/time and use their investment only for green purposes.

Some challenges have been faced by the department in 2023/24, including implementation of the Clean Air Neighbourhoods scheme, the roll-out of containerisation for the collection of waste, emergency planning for a potential cyber-attack, and the ongoing developments to Hammersmith Bridge.

National challenges include considerable shortages in many key professions including Engineers, Land Surveyors, Computer Aided Design Specialists, and Environmental Health Officers. All Assistant Directors are developing succession plans to identify and grow talent, to fill leadership, business-critical, and hard-to-recruit positions.

Performance monitoring is reported at the DLT Finance and Performance monthly meetings, including updates to a suite of key performance indicators. Budget management continues to require close monitoring and reporting, as significant national economic pressures impact on service demand, spend, contract costs, and the availability of external funding and commercial income.

The Environment department has embedded strong governance through establishing boards which include a Digital Board, Business Board, Commercialisation Board, and the Environment Health & Safety Board. These boards are cross-departmental and share ideas, providing peer challenge and oversight of priorities. An example of this is our work around digital transformation, which complements our value to continually be more ruthlessly financially efficient.

Housing

The Council's commitment to improving the Housing department and rebuilding trust with our residents is unwavering. We have made strides in enhancing our services and addressing the concerns raised by both residents and the Housing Ombudsman. The Chief Executive chairs a regular task group which has representatives from across the Council to oversee the improvement plan.

In 2023/24, H&F was subject to an investigation by the Housing Ombudsman. This investigation brought to light areas requiring improvement. We have embraced the Ombudsman's findings and recommendations, demonstrating our dedication to continuous improvement. Our proactive measures are yielding results, and we are committed to fully implementing the Ombudsman's recommendations.

In anticipation of the Social Housing (Regulation) Act 2023, we are diligently working to align our policies and practices with the new national consumer standards. This proactive approach ensures that we comply with regulatory requirements, and also enhance the quality of service for residents. In addition to this, external auditors Pennington Choice awarded the H&F Housing Services "reasonable assurance" in the big six compliance area (Gas, Asbestos, Fire, Electrical, Water Hygiene, and Lifts) which form part of the consumer standards.

Housing repairs has remained a focal point of our service improvement efforts. In March 2024, Cabinet agreed the termination of the contract with Morgan Sindall for responsive repairs. We are in the process of selecting a new contractor to commence operations from September 2024, ensuring a seamless transition and continued service. The launch of a new pilot on the White City Estate marks a significant milestone. By directly managing repairs, we aim to address residents' needs more effectively and efficiently. Our Estate Action Days provide an opportunity for us to engage with residents, and we have also introduced a Directors' Report for the Housing Residents Forum to further enhance our communication with residents. The Asset Management team has completed over 12,000 stock condition surveys. These surveys are crucial in identifying necessary improvements and future-proofing our housing for the benefit of H&F residents and will enable us to better inform our future capital works.

The housing service has made advancements in complaint handling, achieving strong response rates for Stage 1 complaints and Stage 2 complaints (98% and 99% respectively). Despite this, the volume of complaints remains too high. To address this, we have established a Complaints Improvement Board, dedicated to reducing the quantity of complaints through strategic initiatives and targeted actions. In addition, the Repairs contact centre has significantly improved its service by increasing call answer rates to 97%, reducing average wait times to 1 minute, and enhancing the customer experience through expert engagement.

Despite these improvements, we acknowledge that there is still a considerable journey ahead. We are steadfast in our resolve to work with residents to enhance the housing service. Our efforts thus far lay the foundation for further progress, and we are dedicated to continuing this journey with transparency, accountability, and a focus on the well-being of our residents.

Corporate Services

During 2023/24 a new Corporate Services department was created, bringing together key services that support other departments and services to deliver H&F's priorities. The department includes Legal Services, Democratic Services, People and Talent (Human Resources), Digital Services, Communications and Resident Services. The Department Leadership Team (DLT) ensures compliance in a number of areas, including the management of our digital, information management, technical and human resources, and legal, democratic and electoral processes.

In addition, the department has supported improvement in the Housing Repairs service and the associated complaint handling, providing corporate oversight, support and advice to ensure compliance with the Housing Ombudsman's revised Complaint Handling Code, and an improved resident experience. The department is currently working with all departments to ensure compliance with the Local Government and Social Care Ombudsman Complaint Handling Code, ahead of the April 2026 deadline for adoption.

The department oversees compliance with a range of statutory duties associated with committee and electoral service management. The department also manages corporate risks on behalf of the whole Council, such as cyber security. Identifying and further developing our approach to risk management in these areas has been and will continue to be a key focus. The department has also supported the Council's cost-of-living response and has managed delivery of support to residents, always ensuring that monitoring and reporting requirements are complied with.

Resident Services have key financial responsibilities in respect of the collection of Council Tax and Non-Domestic Rates, the payment of benefits, and are audited regularly by both internal and external audit. Our most recent internal audits have concluded that the services have delivered 'substantial assurance'.

People and Talent (Human Resources)

H&F's People Strategy supports our vision to be the most inclusive workplace and the best Council to work for. The workforce is one of our greatest assets and the strategy sets out a clear commitment to create an inclusive, confident, capable, and creative workforce to deliver our vision. The strategy invests in initiatives and practices which will attract, grow and retain talent, and increase productivity.

New managers and staff are supported through induction programmes as a mandatory requirement. Ongoing identification of staff development needs, including senior officers, is provided through the performance appraisal framework. Member induction and training is managed by Governance services.

The health, safety and wellbeing of staff remains a priority alongside equity, diversity and inclusion. Our aim is to be the most inclusive borough as we deliver actions identified in H&F's Equality Action Plan. Our Race Equality groups are firmly embedded - reaching both our workforce and residents. We have also introduced a number of staff diversity networks under the umbrella of 'The H&F Way' with co-production a continued focus. During 2023, we won workforce awards including the Regional National Apprenticeship Awards and the Public Services People Managers Association (PPMA) Best Learning and Development Award. We were also shortlisted for the LGC award for our Diversity and Inclusion Programme.

To ensure a capable and creative workforce, The H&F Academy aims to develop inclusive employment pathways for our residents and internal workforce development and progression, with a focus on skills for future resilience. The H&F Academy consists of multiple strands including our graduate programme, apprenticeships, supported interns, work experience opportunities, and our Get Ahead Programme, promoting internal staff progression and development opportunities.

Additionally, we are investing in initiatives to ensure we remain competitive in a challenging marketplace. Attracting the best talent is more important than ever and ensuring that we have a diverse and inclusive recruitment process puts us in the best place to do this. We are accredited with a number of charters and partner organisations which support our inclusive recruitment and retention strategies. We have recently received Timewise accreditation (an accreditation to demonstrate that we are a fair and flexible employer) and we've pledged our commitment to the Age Friendly Employer Pledge, recognising the value of older workers.

We are also members of the Opening Doors Campaign and Race at Work Charter and we were awarded Disability Confident Employer (Level 2) last year with the aim of becoming a Disability Confident Leader during 2024/2025 (Level 3). All of these help us to demonstrate our continued commitment to removing barriers to recruitment. We are delighted to be partnering with Inclusion London as we roll out our two-year corporate programme of training to all staff on Disability, Equity, and Co-production.

To help address the challenges faced with the recruitment of Social Workers, we're partnering with the London Innovation and Improvement Alliance, supporting London to recruit Social Workers. We are also working in partnership with the LGA, other boroughs and educational establishments, to develop innovative approaches to address the attraction and retention of 'hard to fill roles'.

H&F has maintained a focus on workforce planning, workforce effectiveness, and staff wellbeing and resilience. Workforce resilience remains strong despite the turbulence of the marketplace, and we continue to closely monitor our position. We continue to measure our performance through staff engagement, regular communications strategies, and benchmarking against key metrics. H&F has also worked closely with Trade Unions and has established regular forums to develop partnership working and collaborative approaches to resolving workforce matters.

In March 2024, there was a significant award in a tribunal matter. Once we have received the reasons for that award, we can form our grounds of appeal. As a result of the liability judgement (2022), which related to an unfair dismissal claim for a member of staff who worked with the authority in 2017 – 2018, a number of lessons learned have been implemented, including:

- Absence management training workshops for managers.
- A rolling two-year programme of disability, equity and co-production training which is mandatory for all staff.
- Reinforcement of H&F's employee assistance programme and wellness centre, and the launch of a new mobile app, providing staff with confidential 24/7 access.

Managing information

Information governance policies and standards are in place, providing assurance about the security of our information assets and data handling procedures. Information Management requirements are considered as part of H&F's Key Decisions. The Senior Information Risk Owner is ultimately accountable for the assurance of information security at H&F. The Head of Information and Data Protection Officer monitors internal compliance and advises on data protection obligations as required under Article 39 of the General Data Protection Regulation (GDPR). Caldicott Guardians are responsible for ensuring that health and social care information is managed appropriately, and that our annual Data Security and Protection Toolkit submission meets the required levels of compliance.

H&F has continued to meet the requirements of the GDPR and the Data Protection Act 2018 in 2023/24. Formal assessments of data privacy and security risk have been completed for projects involving personal data and to assess the security of applications and third-party connections to the H&F corporate network.

H&F's updated GDPR training programme is mandatory for all staff to ensure they are fully aware of legal responsibilities when handling personal data. The National Cyber Security Centre (NCSC) training module 'staying safe online' has been added to the employee induction programme. Training is extended to Members to support their handling of personal data which is held either by H&F or shared directly by residents. All officers and Members sign an updated Personal Commitment Statement, outlining our expectations when using corporate devices or the corporate network.

H&F has an Information Asset Register - a software solution to manage our information assets - providing greater oversight of the information held within the Council. This further increases H&F's resilience to cyber security threats through enhanced risk assessments, data mapping, and incident response capabilities. The register has been populated and has improved H&F's ability to comply with data protection law through the ability to produce a Record of Processing Activity. H&F has pan-London data sharing agreements (DSA) to support joined-up working through the lawful sharing of personal data.

H&F implemented additional technical controls and cyber security solutions in 2023/24 to further protect H&F from the ever-present cyber threat landscape and continues to review cyber security risks and implement any required mitigations regularly. A 24/7 Security Operations Centre was implemented in April 2024, which monitors and alerts the Council to cyber risks and incidents. In 2023/24 some of the Council's third-party suppliers have been targeted by cyber criminals, and experienced cyber security breaches. The third party supplier investigation is underway, however, to date there is no indication that H&F data has been impacted.

In March 2024, H&F carried out a cross-Council emergency planning and business continuity exercise focusing on the threat and impact of a ransomware attacks. Business Continuity plans are in place for all services, which are being refreshed in light of the exercise. H&F has carried out a rolling programme of phishing tests in 2023/24, including an all-staff phishing test. All staff have been required to complete two phishing training modules which build on all-staff communications and briefings. These exercises included how to manage the risk of phishing and supply chain security risks.

To secure further assurances and validate our cyber security preparedness, we invited the Local Government Association (LGA) to undertake Cyber security peer review. The informal feedback received from the LGA has been very positive, and we await their findings in a formal report.

Significant issues for 2023/24

Table 1: Progress against significant issues for the year 2023/24

Hammersmith Bridge - Working towards securing a fair, affordable funding solution to enable the re-opening and refurbishment of this important national heritage infrastructure asset
The Outline Business Case (OBC) for the restoration of Hammersmith Bridge was first sent to the Department for Transport (DfT) for review in December 2022. It was formally submitted on 31 March 2023. It was presented to the DfT's Investment Portfolio Delivery Committee (IPDC) on 19 June 2023. Following requests for further information it was resubmitted and tabled for the IPDC on 20 November. Three days prior to the 20 November IPDC meeting, H&F were informed the OBC was being dropped as an agenda item because of "more time-critical decisions". It was rescheduled to be presented at the 8 January 2024 meeting. It was pulled from the agenda for that meeting because DfT officials had not met "conditions" which the IPDC had asked them to meet. It is now unknown when the IPDC will consider the business case. The tender preparation for the procurement exercise (lasting 18-24 months) to award the Design, Build, Finance and Maintain (DBFM) contract has progressed as far as possible until the OBC is approved. The planning application for the design of a temporary truss solution was submitted but placed on hold whilst approval is sought for the OBC. We are continuing to work closely with DfT and TfL to progress towards a consultation on a Toll Order or a Road User Charging Scheme (RUCS), so that it is available before the award of the above contract. The detailed geotechnical investigations on the bridge foundations are largely completed, and detailed analysis is in progress. Completion of the stabilisation was suspended in late 2023 due to the requirement for some refabricated

steel plates for the pedestals, while damage caused to the bridge's gantry by a boat made it difficult to carry out safety checks. Stabilisation works will restart in 2024 and are expected to be completed by the end of the year. The diversion of the Cadent Gas mains away from the bridge in preparation for the strengthening will also be finished in 2024.

Securing assurance for residents on the quality and value for money of housing repairs

The improvement within the Repairs service has been encouraging over the last 12 months. The team's commitment to operational excellence is evident in the progress achieved:

- Old, outstanding repairs jobs - reduced by 90% across the year
- Legal disrepair cases - reduced by 25% across the Council
- Damp and mould cases - outstanding cases have been reduced by three-quarters.

These operational improvements are complemented by strategic initiatives aimed at enhancing service delivery and efficiency. The introduction of the 'Housing Hub' serves as a centralised point for handling repairs, complaints, and wider housing issues, while the 'Home MOT' offer ensures prompt and effective problem resolution to residents' concerns.

However, we recognise that repair-related complaints remain the most significant reason for complaints and housing ombudsman cases, therefore we have started the transition of contractor management from Morgan Sindall to ARK contractors. We have been able to keep the continuity of repair services without disruption. This strategic shift is part of a comprehensive response to improve service quality and efficiency.

In addition to the onboarding of new contractors in the interim, we have also set up the White City Estate Direct Labour Organisation (DLO) pilot and Estate Action Days to further improve living conditions by directly addressing repairs and engaging closely with residents to meet their needs. With the Repairs Contact Centre achieving a 98% answer rate and answering the majority of calls within 1 minute, and with new contractors like ARK contractors and London Flow mobilised to deliver essential repairs, our service delivery will continue to improve.

Furthermore, we are working proactively across the Council to re-procure a new repairs contractor, which is set to be completed before 1 September 2024. This reflects a steadfast dedication to continuous improvement.

Securing assurance on delivery of the Civic Campus Programme

The Civic Campus continues to be delayed due to the impact of the site incident in May 2022. Principal delays concern the completion of the steel structure of the glass box extension, and the consequences of sustained water ingress and damage in the Town Hall requiring repair and restoration. Works are closely monitored by the Client Management Team (CMT) which has been expanded to bring in further specialist technical and legal advisers. Analysis of the build programme with specialist programme planners is underway to establish an updated programme.

The Health & Safety Executive (HSE) report on the site incident is still awaited, and the Council is making representations to the HSE regarding this continued delay and its impact on the conclusion of the outstanding insurance claim.

The commercial strategy for the Town Hall has been advanced to complete soft market testing for the various catering operations, retail, food and beverage space, and 6th floor restaurant. Lease negotiations are underway with the cinema operator.

The pace of residential sales for the first phase of the private units are in line with the sales and marketing strategy of the Limited Liability Partnership (LLP) between the Council and A2Dominion Developments Limited. Despite the wider economic challenges of high interest rates, affordable units are expected to be launched later in 2024.

Housing Fire Safety

All our 49 higher risk buildings are registered with the Building Safety Regulator as required under the Building Safety Act. Details are available to residents through the Regulator's public website.

Major capital work enhancement programmes continue including external works, installation of suppression systems, and upgrading of fire doors. Fire Risk Assessments are in place for all our buildings.

We will continue to offer Personal Emergency Evacuation Plans (PEEPs) to our housing residents with priority focus on higher risk premises, and persons known to adult social care.

Funding for Schools - Funding for pupils with high needs is provided through Dedicated Schools Grant (DSG) from government

Delivery against the Safety Valve agreement with the DfE has been a priority in 2023/24. There has been a rigorous programme approach to the management of the High Needs Block expenditure, and the implementation of our early intervention programme, to provide effective and timely support to meet children's needs optimally and prevent unnecessary escalation of severity and cost.

The delivery of this complex programme and the associated mitigations has resulted in an in-year balanced position in 2021/22, 2022/23 and forecasted for 2023/24, delivering £4.9m of mitigations in 2023/24. The DfE has subsequently released £19.5m of the Safety Valve funding, with the remaining £1m due in 2024/25.
Housing Revenue Account – Financial Sustainability
The strategic and financial operating environment of the HRA has continued to be challenging in 2023/24. The emerging pressures identified at the beginning of the year have been managed downwards, through management action and effective financial management, as the year has progressed. The reduced budget deficit of £1.4m (from £4.1m in 22/23) is expected to enable HRA general reserves to be maintained above £5m in future years. This level of general balances is considered reasonable given the overall levels of income and expenditure within the HRA. In February 2024, Cabinet approved a balanced budget with no deficit for the year 2024/25, and an updated 10-year business plan.

Significant issues for 2024/25

Table 2: Significant issues identified for the year 2024/25

Hammersmith Bridge Working towards securing a fair, affordable funding solution to enable the re-opening and refurbishment of this important national heritage infrastructure asset.
During 2024/25 we hope to receive a decision on the business case from DfT. The tender documentation for the full bridge refurbishment will be finalised subject to the business case being approved. We will also be working closely with DfT and TfL to progress a Toll Order or a Road User Charging Scheme (RUCS) so that it is available before the award of the above contract. The planning application for the reference design of a temporary truss solution has been submitted and will be progressed if the business case is approved. In the meantime, we will progress completion of the geotechnical investigations, and complete the diversion of the Cadent Gas mains away from the bridge in preparation for the strengthening and restoration works.
Securing assurance for residents on the quality and value for money of housing repairs
As of 1st April 2024, H&F Housing Services is a regulatory service. The service is focussing on several areas that includes a root and branch restructure aligned to the new consumer standards and residents' needs. Housing Services is now delivering on the recommendations in the Housing Ombudsman Action Plan with an improved complaints and responsive repairs service to ensure we embed a culture of accountability and ownership at all levels. We are also applying the Housing Ombudsman complaint handling principles to provide better services to residents. This will be overseen by a Neighbourhood Management Board, which establishes a solid platform from which to respond to the new Social Housing Act and related consumer standards.
Securing assurance on delivery of the Civic Campus Programme
The site steelwork incident (May 2022) remains under investigation and the HSE report is still awaited. Construction is progressing, with scrutiny of site activity and management arrangements being further increased for assurance. Robust governance is in place for the overall programme and is delivered in accordance with H&F's Programme Management Office standards. In addition to the build workstream, resources and plans are in place for delivering workstreams relating to establishing operations, digital, place shaping and commercial activities. The overall structure, terms of reference, and delivery plans have been subject to review. Clear governance arrangements are also in place for the Joint Venture company – between H&F and A2Dominion – delivering the new build works under 'Contract B'. Additional specialist consultants have been appointed to robustly manage issues that could impact the programme and outcomes.
Funding for Schools Funding for pupils with high needs is provided through Dedicated Schools Grant (DSG) from government
Delivery against the Safety Valve plan will continue to be a priority in 2024/25 to ensure the HNB continues to move towards a position of structural balance by the end of the agreement in 2025/26. This includes receipt of the profiled £1m Safety Valve payment for 2024/25. Following consultation with Schools in Autumn 2023, further contributions to support High Needs were agreed in the schools' budget for 2024/25. Budget work for 2025/26 will commence in consultation with the Hammersmith and Fulham Schools Forum in Autumn 2024, once provisional funding allocations have been advised by the DfE.

Housing Revenue Account – Financial Sustainability
The strategic and financial operating environment for the Council's housing service remains challenging, including factors such as; continued high inflation and interest rates – whilst also delivering investment in existing and new homes; improving services to residents; and improving building safety. However, the management action and effective financial management taken recently has enabled the setting of a balanced budget with no deficit for 2024/25. The financial position of the HRA will continue to be reviewed and monitored as part of the Council's financial planning and monitoring processes. Emerging and existing risks will be rigorously managed, and mitigations implemented to ensure the long-term sustainability of services and financial resilience. Minimum general balances of £5m will be maintained through the coming year and onwards.

6.0 Review conclusion

H&F is satisfied that the governance arrangements continue to be regarded as fit for purpose. A good level of assurance has been achieved following the conclusion of the review. Corporate governance arrangements have operated effectively in supporting H&F in meeting its challenges and responsibilities, not least the continued response to the cost-of-living crisis. These will continue to be monitored to ensure that they remain effective and legally compliant throughout 2024/25 and into the future.

Signed:

Leader of the Council, Councillor Stephen Cowan

Signed:

Chief Executive, Sharon Lea

Date:

On behalf of the **London Borough of Hammersmith & Fulham**

Appendix A – Hammersmith & Fulham's Governance Framework

Our Constitution

The H&F Constitution sets out the functions of key governance officers, including the statutory posts of 'Head of Paid Service' (fulfilled by the Chief Executive), 'Monitoring Officer' (Director of Corporate Resources), 'Director of Children's Services' (DCS) (Strategic Director of Children's Services), 'Director of Adult Social Services' (DASS) (Strategic Director of Independent LivingSocial Care) and 'Section 151 Officer' (Strategic Director of Finance) and explains the role of these officers for ensuring that processes are in place for enabling H&F to meet its statutory obligations and also for providing advice to Members, officers and committees on staff management, financial, legal and ethical governance issues.

Local Code of Corporate Governance

H&F has in place a Local Code of Corporate Governance. The Code identifies the principles of good governance and transparency to which H&F subscribes and identifies the structures, systems, and processes that it has established to ensure that good governance in practice is achieved. This can be found within the H&F Constitution.

Policy and Accountability Committees (PACs)

The Policy and Oversight Board oversees H&F's overview and scrutiny function. In 2023/24 this was delivered through six Policy and Accountability Committees (PACs), covering all of our major service areas. The PACs in 2023/24 were:

- Children and Education Policy and Accountability Committee
- Climate Change and Ecology Policy and Accountability Committee
- Health and Adult Social Care Policy and Accountability Committee
- Housing and Homelessness Policy and Accountability Committee
- Social Inclusion and Community Safety Policy and Accountability Committee
- The Economy, Arts, Sports and Public Realm Policy and Accountability Committee.

The membership of the Policy and Oversight Board includes the Chairs of each of the PACs and an Opposition Member. The PACs have cross-cutting remits designed to reflect H&F's key priorities and objectives. They are each comprised of five elected non-executive Members. Committees were also able to co-opt Members who had a particular expertise or direct knowledge of the service user perspective to assist with their work. Co-optees were usually non-voting although the parent governor and diocesan representatives on the Children and Education PAC are entitled to vote on education matters.

Committee members had access to the list of Key Decisions (a rolling list of Key Decisions which the Cabinet and individual Cabinet Members planned to take in the coming months), which assists in the development of work programmes and the identification of forthcoming key executive decisions deserving closer scrutiny and input.

PACs also have a wider role in policy development, originating topics of interest. They feedback their views to the Cabinet and individual Cabinet Members, officers, external partners and service providers. Through the PACs, 30 non-executive members and 7 co-opted members participate in scrutinising Council business, external organisations such as the NHS, the Police, and other statutory bodies.

The Chair of the Health and Adult Social Care PAC is also a member of the North West London Joint Health Overview & Scrutiny Committee, alongside representatives from the boroughs of Brent, Camden, Ealing, Harrow, Hounslow, Kensington and Chelsea, Richmond, Wandsworth and Westminster. It meets with representatives of NHS inner North West London to consider matters concerning healthcare subject to consultation.

Managing risk

All Members and managers are responsible for ensuring that risk implications are considered in the decisions they take. This is especially important as H&F reshapes its services to meet its financial challenges. Members and senior management identify the principal risks to H&F achieving its objectives. These, together with the significant risks to planning and delivering services are recorded in a corporate risk register, which also record the controls necessary to manage the risks. The corporate risk register is reviewed on a quarterly basis by SLT, and then presented to the Audit Committee for consideration.

Specific assurance is sought concerning those risks associated with the key elements of the governance framework and that any necessary improvements to controls have been implemented. The governance framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Audit and external inspection assurances

In accordance with statutory requirements, the annual external audit includes examining and certifying whether the financial statements are 'true and fair', and assessing our arrangements for securing economy, efficiency and effectiveness in the use of resources. In recent years there have been a number of well publicised sector-wide delays in the completion of audit work and the signing-off of Local Authority accounts. During 2023/24 the Council has been able to clear its backlog, with the 2020/21 accounts signed-off in May 2023, whilst the 2021/22 and 2022/23 accounts were signed-off in February 2024 and March 2024 respectively. In each instance the auditor issued an unqualified opinion.

The Internal Audit service is a key means of assurance. It is responsible for reviewing the adequacy of the controls throughout all areas of H&F and is managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). The Audit Committee receives regular updates, along with the Head of Internal Audit's Annual Opinion.

The Audit Committee approve the Internal Audit Charter, which sets out the Internal Audit role and its responsibilities and clarifies its independence, and the planned audit coverage.

Council services are also subject to statutory external inspections, through various regulatory bodies including Ofsted and Care Quality Commission (CQC)[3]. There have been some changes to the external inspection framework, with a new local area inspection framework for Special Education Needs (SEND), a new framework for the inspection of Adult Social Services by CQC, a new regulator for high-rise buildings (the Building Safety Regulator), and enhancements to the inspection powers of the Regulator of Social Housing who will be commencing inspections of local authorities in 2024/25.

SLT and management assurance

The SLT is chaired by the Chief Executive and includes the six Strategic Directors responsible for the six departments plus the Monitoring Officer. It is responsible for the forward-looking approach to delivering services and H&F's transformation programmes - ensuring we are best placed to meet the future needs of residents and the community within the funding available. This involves working in new ways with public and voluntary sectors, and ensuring services innovate to meet the continuing needs of residents and the demands of new legislation.

Pillars of governance framework

The three pillars of H&F's governance framework are set out in the table below.

Table 3: Pillars of H&Fs governance framework in 2023/24

Corporate Governance	Management Team	Services are delivered economically, efficiently & effectively
• Constitution (including statutory officers, scheme of delegation, financial management and contract standing orders) • Audit Committee • Standards Committee • Pension Fund Committee • Internal Audit and External Audit • Independent external sources (e.g. inspections) • Council, Cabinet, Policy and Oversight Board and PACs • MTFS • Complaints system • People and Talent (HR) policies and procedures • Whistleblowing and other countering fraud arrangements • Risk management framework • Performance management frameworks • Codes of conduct	• The role of Chief Officers • Delivery of H&F's aims and objectives • Corporate planning • Delivery, Financial, Service Improvement and Commissioning Plans • Officer codes of conduct • Performance appraisal • The role of the Chief Financial Officer • The role of the Head of Internal Audit • Roles and responsibilities of Members and Officers • Timely production of the Statement of Accounts • Completion of External and Internal reports recommendations • SLT review of Corporate Governance	• Management of risk • Effectiveness of internal controls • Democratic engagement and public accountability • Budget and financial management arrangements • Standards of conduct and behaviour • Compliance with laws and regulations, internal policies and procedures • Action plans dealing with significant issues are approved, actioned and reported on • Ombudsman reports • Electoral Commission reports • Policy and Oversight Board and PAC reviews • Effectiveness reviews of Audit Committee, Policy and Oversight Board, PACs and Internal Audit • Employee performance • Compliance with procurement regulations • Stakeholder engagement • Evaluation of benefits gained from investments and projects.

[3] CQC are the independent regulator of health and ACS in England.

GLOSSARY OF TERMS

ACCOUNTING PERIOD
The timescale during which accounts are prepared. Local authority accounts have an overall accounting period of one year from 1st April to 31st March.

ACCOUNTING POLICIES
Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements. Accounting polices define the process whereby transactions and other events are reflected in financial statements.

ACCOUNTING STANDARDS
A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practice.

ACCRUALS BASIS
Accounting for income and expenditure during the financial year in which they are earned or incurred, not when money is received or paid.

ACQUISITIONS
The Council spends funds from the capital programme to buy assets such as land and buildings.

ACTUARIAL VALUATION
The Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates every three years.

AGENCY SERVICES
Services provided by or for another local authority or public body where the cost of carrying out the service is reimbursed.

AMORTISATION
The equivalent of depreciation for intangible assets.

APPROPRIATION
The transfer of ownership of an asset, from one Service Area to another at an agreed (usually market or outstanding debt) value.

ASSET REGISTER
A record of Council assets including land and buildings, housing, infrastructure, vehicles, equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

BALANCES
The amount of money left over at the end of the financial year after allowing for all expenditure and income that has taken place. These are also known as financial reserves. They comprise the General Fund balance, the Collection Fund balance, the Housing Revenue Account balance and the Education Establishment Account balance.

BUDGET
A forecast of the Council's planned expenditure and income, either over a set period or for a specific project.

CAPITAL ADJUSTMENT ACCOUNT
See Note 3c of the Statement of Accounts.

CAPITAL EXPENDITURE
Expenditure on the acquisition or creation of Council assets such as houses, offices, schools and roads or expenditure that adds to and does not merely maintain the value of an existing asset.

CAPITAL FINANCING
Capital financing is the process which occurs after capital expenditure has been incurred. There are a number of different sources of capital funding such as government capital / revenue grants, non-government grants, contributions from private developers, capital receipts and unsupported borrowing. Various funding sources are applied to capital spend to ensure that a project is fully financed from approved finance sources.

CAPITAL FINANCING REQUIREMENT (CFR)
The authority's total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

CAPITALISATION
Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

CAPITAL RECEIPTS
Proceeds from the sale of capital assets (e.g. land, buildings and equipment). These receipts are used to pay for additional capital expenditure.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)
The professional accountancy body for public services which recommends accounting practice for the preparation of local authority accounts.

COLLECTION FUND
The Collection Fund is a separate account kept by every billing authority into which Council Tax and Business rates are paid.

COMMUNITY ASSETS
Assets that the local 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.

CONTINGENT ASSET
A potential asset that is uncertain because it depends on the outcome of a future event.

CONTINGENT LIABILITY
A potential liability that is uncertain because it depends on the outcome of a future event.

CREDITOR
An individual or body to which the Council owes money at the balance sheet date.

CURRENT SERVICE COST
The increase in the present value of pension liabilities expected to arise from employee service in the current period.

DEBTOR
An individual or body that owes money to the Council at the balance sheet date.

DEFERRED CREDITS
This is the term applied to deferred capital receipts and represents capital income still to be received. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

DEFERRED LIABILITIES
An amount owed by the Council that will be repaid over a significant period of time. An example of this is outstanding finance lease obligations.

DEFINED BENEFIT PENSION SCHEME
A pension scheme in which a pensioner's benefits are specified, usually relating to their length of service and either final salary or average earnings.

DEPRECIATION
The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

EARMARKED RESERVE
See Note 4 of the Statement of Accounts.

EVENTS AFTER THE BALANCE SHEET DATE
Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue. Events arising after the Balance Sheet date should be reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

FAIR VALUE
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction.

FINANCE LEASE
Under this type of lease, the risks and rewards of ownership of the leased goods transfer to the lessee.

FINANCIAL INSTRUMENTS
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

FIXED ASSET
An asset that yields benefits to the Council and the services it provides for a period of more than a year.

GENERAL FUND
The council's main revenue account that covers the net cost of all services other than the provision of council housing for rent.

GOVERNMENT GRANTS
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

GROSS EXPENDITURE
The total cost of providing the Council's services before deducting income from government grants, fees and charges etc.

HISTORICAL COST
The amount originally paid for a fixed asset.

HOUSING REVENUE ACCOUNT
A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local authorities are not allowed to make up any deficit on the HRA from the General Fund.

IAS19
This International Accounting Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

IMPAIRMENT LOSS
A loss arising from an event that significantly reduces an asset's value. An example is physical damage or a fall in market value.

INFRASTRUCTURE ASSETS
Fixed assets that cannot be taken away or transferred, and whose benefits can only be obtained by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSET
Fixed assets that do not have physical substance but are identified and controlled by the Council and bring benefits to the Council for more than one year. Typical examples include software licences, internally developed software and websites developed to deliver services rather than information about services.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
The Accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities have been required to produce full accounts using IFRS from 1st April 2010.

INVESTMENT PROPERTIES
Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

LEVIES
Payments to London-wide bodies such as the London Pension Fund Authority. The cost of these bodies is borne by local authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount that the Council must charge to the CIES each year and set aside as a provision for the repayment of external loans and meeting other credit liabilities.

NON-DOMESTIC RATES (NDR)
The rates paid by businesses. The amount paid is based on the rateable value set by the Valuation Office multiplied by a rate in the £ set by the government which is the same throughout the country. The rates are collected by local authorities and shared between central and local government. The rates collected within Hammersmith and Fulham are shared as follows: Department for Levelling Up, Housing and Communities (DLUHC) (33%), The London Borough of Hammersmith and Fulham (30%) and the Greater London Authority (37%). (As of 8 July 2024, DLUHC reverted to its former name, Ministry of Housing, Communities and Local Government.)

NET BOOK VALUE
The value of an asset as recorded in the accounts. This usually equates to the net current replacement or original cost less any depreciation charged against the asset over its life to date.

NET REALISABLE VALUE
The open market value of the asset less the expenses to be incurred in realising the asset.

OPERATIONAL ASSETS
A fixed asset held and occupied, used or consumed by the Council in the direct delivery of services.

OUTTURN
Actual income and expenditure in a financial year.

PAST SERVICE COST
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

PRIVATE FINANCE INITIATIVE (PFI)
Contracts typically involving a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

POOLING ARRANGEMENTS (CAPITAL RECEIPTS)
Since 1st April 2004, 75% of 'Right to Buy' capital receipts have to be paid to DLUHC; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects. Changes introduced in 2013 mean an authority can retain an RTB receipt in its entirety when it can be demonstrated that it will be reinvested in a replacement home (known as the 1-4-1 scheme).

PRECEPT
A precept is a charge raised by another Authority to meet its net expenditure. The precepting Authority for this Council is the Greater London Authority (GLA). The GLA calculates its total spending needs for the year and sets its own council tax in the same way as a London Borough. Each Billing authority then collects the tax for them.

PRIOR PERIOD ADJUSTMENTS
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

PROVISIONS
A provision is an amount set aside in the accounts for liabilities anticipated in the future which cannot always be accurately quantified. IAS37 defines a provision as a present obligation as the result of a past event; where it is probable that the transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of that obligation.

PUBLIC SECTOR AUDIT APPOINTMENTS LTD (PSAA)
The PSAA is responsible for the appointment of local government external auditors and will continue in this role for the 2023/24 audit of accounts.

PUBLIC WORKS LOAN BOARD (PWLB)
A central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

RELATED PARTIES
Related Parties are those individuals and entities that the Council either has the ability to influence, or to be influenced by. Related parties include the Government, subsidiary and associated companies, the Pension Fund, Councillors and senior officers.

RESERVES
See Note 4 of the Statement of Accounts.

REVENUE CONTRIBUTIONS TO CAPITAL OUTLAY (RCCO)
The use of revenue monies to pay for capital expenditure – also known as Direct Revenue Financing (DRF).

REVENUE EXPENDITURE
Expenditure on day-to-day items such as salaries, wages and running costs. These items are paid for from service income, Revenue Support Grant, NNDR and Council Tax. Under the Local Government Finance Act all expenditure is deemed to be revenue unless it is specifically classified as capital.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that is classified as capital expenditure under statutory provisions, but does not result in the creation or enhancement of fixed assets owned by the Council. Such expenditure incurred during the year is treated as revenue expenditure and charged to the relevant service in the CIES.

REVENUE SUPPORT GRANT (RSG)
The main grant payable to support local authorities' revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure and income from the NNDR pool and Council Tax. The Revenue Support Grant is distributed as part of the Formula Grant.

RIGHT TO BUY
The council is legally required to sell council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to DLUHC under pooling arrangements.

STOCKS
The amount of unused or unconsumed stocks held in expectation of future use.

SUPPORTED CAPITAL EXPENDITURE
This is capital expenditure funded by government, either as a one-off capital grant or as part of the annual RSG settlement to cover the financing costs of monies borrowed.

TRANSFER PAYMENTS
A payment to a person or organisation that does not result in a reciprocal benefit or service being provided to the council. The main examples are housing and council tax benefit. In most cases the cost of transfer payments is either fully or partially reimbursed by Central Government.

USEFUL LIFE
The period over which the Council will benefit from the use of a fixed asset.

WRITE-OFFS
Elimination of an asset or liability over a defined period, usually by means of charging or crediting the CIES.

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Grant Thornton

The Audit Findings Report for the London Borough of Hammersmith and Fulham

Year ended 31 March 2024



Grant Thornton

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Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG
www.grantthornton.co.uk

London Borough of Hammersmith and Fulham

Town Hall, King Street
Hammersmith
London W6 9JU

October 2024

Dear Members of the Audit Committee

Audit Findings for the London Borough of Hammersmith and Fulham for the 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Paul Dossett

Partner
For Grant Thornton UK LLP

Chartered Accountants
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Your key Grant Thornton team members are:

Paul Dossett
Key Audit Partner
E Paul.Dossett@uk.gt.com

Nick Halliwell
Senior Manager
E Nick.J.Halliwell@uk.gt.com

Alisha Nor Ezannee
In Charge Accountant
E Alisha.B.Nor.Ezannee@uk.gt.com

Kit Marlar
Assistant Manager
E Kit.C.Marlar@uk.gt.com

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the London Borough of Hammersmith and Fulham Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed remotely during July-September 2024. We are pleased to note we were able to conclude the audit fieldwork largely by the end of September. There does remain some aspects regarding valuations that required management to liaise with their valuer which has resulted in some additional work in October, however this has been limited to the valuations work and following the updates through the financial statements. We are pleased we have been able to bring this work forwards and thank the finance team for their support during the course of the audit. We note this reflects a return to the more typical timeline and we will work hard with management to ensure this continues in future years.

Our findings are summarised on pages 41 to 45. We have not identified adjustments to the financial statements that have impacted on the Council's General Fund position. We did identify a prior period adjustment which has a £25.4m impact on the 2021-22 and 2022-23 net asset position. In 2023-24 the impact is £13.5m. There were three further adjustments which relate to changes in property valuations and the Pension's which have a net impact of £6.9 million in increasing the net asset position of the Council.

Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- Conclusion on final queries relating to the Council's Pension Fund and responses from the Pension Fund auditors.
- Receipt of management representation letter; and
- Review of the final set of financial statements with updated consistency checklists to check updates flow through the MIRS.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited. This is subject to the information being updated to ensure consistency with updates identified in the financial statements.

Our anticipated financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is nearing completion. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2024.

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1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). Updates to the Code now require us to have completed our Value for Money opinion and communicated any key recommendations prior to finalising the audit opinion.

Due to this we have ensured we focused on completing our review of the prior year key recommendation relating to Housing (HRA). We will ensure the remainder of the work is complete ahead oof the Audit committee meeting to enable us to finalise the audit following this meeting. We will then ensure per the requirements the Annual auditors report is shared with management within a month of signing the audit and then taken to the next available Audit Committee meeting.

We have completed our review of the two prior year key recommendations. From this review we are of the view they still apply to the 2023-24 year. We do note that the Council have made good progress since this was noted in the 2022-23 Annual Auditor's report. For details of the progress against this key recommendation please see the VFM section pages 27-29.

Although we acknowledge the progress made on this matter in the year in our view the key recommendations still apply in the year. This reflects the fact the Council are still under special measures with the Housing regulator at the date of writing this report. And it will be important to assess how the changes made are further embedded into the way the Council works in the 2024-25 year prior to us concluding are key recommendations raised in November 2023 have been fully addressed. But we do note the positive progress made to date.

Due to these Key recommendations still standing we are under the Code required to report a significant weakness in arrangements in relation to this matter in our audit opinion. Our findings are set out in the value for money arrangements section of this report (Section 3).

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code but cannot formally conclude the audit and issue the audit certificate for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received the approved Pension Fund Annual report.

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1. Headlines

Significant matters

Prior period adjustments (PPAs) relating to the Council's Property Plant and Equipment – 25.4 million

In our review of the council's accounts, we identified there was a significant gain of (11.9m) on disposal of the Civic Campus land site. This related to a barter agreement to exchange the asset with West King Street Renewal LLP (WKSR). This resulted in us reconsidering the value of the underlying asset due to the asset having a previous value of nil due to being held as an Asset Under Construction.

The Council had in 2020 impaired the valuation of the land asset incorporated within WKSR to nil following the commencement of the regeneration project and clearance of the site. This was following the valuation exercise performed in year, on reflection the Council note this was in error and was due to communication issues regarding the valuation method.

Following entering the regeneration project it was agreed as part of the scheme that the site would act as a barter in an exchange deal. This was reviewed for best consideration purposes by BNP Paribas at £25.4m and the agreement was that the land site would be exchanged for works being undertaken on the Glass Pod. WKSR elected to bring forward part of this transaction as was permitted in the agreement and in the year £11.9m of the Glass pod was exchanged for land of the same commensurate value as the land.

In reviewing this transaction, we challenged the Council on the previous value of nil given this barter agreement was in place. Following a further review by the Council and discussion with their valuer it was determined the asset had not been appropriately valued or classified. It was determined that the asset should be valued as a Surplus Asset, given this agreement was in place. In terms of determining the value of the asset the valuer and Council noted the value determined in the exchange agreement of £25.4m represents the agreed value of the asset and best reflects the assets value. As part of the agreement if the Glass pods attached to the barter end up costing less to construct the Council will be refunded up to the £25.4m of the asset.

Given this issue impacts the prior year and is material this requires a prior period adjustment to be posted. As per the IAS8 requirements as this impacts the Balance sheet a third Balance sheet is required to make this adjustment. The following adjustments are proposed in the 3 financial years:

- 31st March 2022 the full £25.4m balance will be posted to Property Plant and equipment-Surplus assets, with the reserves position adjusted accordingly. Note this has no impact on the General Fund. Note this will create the requirement for a third balance sheet.
- 31st March 2023 will reflect this position with no changes in the CIES.
- 31st March 2024 £13.5m to be posted to PPE-Surplus assets. With gains on disposal removed from the statement of accounts which impacts both the CIES, MIRS and Cash flow statement.

These adjustments have no impact on the General Fund reserves.

We are satisfied these adjustments proposed fairly reflect the accounts. However, we do note that within the barter agreement there is potentially a non-financial asset within the contract. This is because if the building asset purchased by the Council costs more to build than the Council has set as the purchase price of £25m in the agreement there is a gain to the Council. Per our discussions with management and those involved in the scheme we are satisfied this would not be material. It is also noted this transaction will be concluded in the next financial year and therefore this uncertainty will only impact this year's financial statements.

In our Action plan, we have proposed recommendations regarding the valuations process and its review. We note the need for specific attention to be given to unusual changes in asset valuations year on year and attention to the classification approach for assets, as this can significantly impact the valuation method of the asset.

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1. Headlines

Significant matters	
IFRIC 14 Application to Council's LGPS Pension Liability In the previous years audit we requested the Council to review IFRIC 14 in relation to the LPFA asset scheme following this moving into a surplus position. However, during the course of the audit it was identified nationally that consideration should also be given to the standard when there is a net liability position as well as the standard requires preparers to consider the impact of for example secondary contributions over the actuarial horizon.	Historically, local authorities have reported significant net pension liabilities on their balance sheets, and therefore the impact of IFRIC 14 could reasonably be assumed to be minimal. However, recent market fluctuations have meant that, for some authorities, net pension liabilities have significantly reduced, and in some cases the balance reversed so there is a net pension asset. As a result, the consideration of IFRIC 14 has become much more important. An authority can recognise an IAS 19 pension asset on its balance sheet to the extent that associated future economic benefits will be available to it. This benefit would be in the form of a reduction in future employer pension contributions. The economic benefit available to an authority as a reduction in future contributions is any reduction in the minimum funding requirement arising from an early payment, and the estimated future service cost less the minimum funding requirement contributions for future service contributions, if no early payment had been made. If this is less than the net asset initially calculated, it acts as a ceiling on the asset value which can be recognised on the balance sheet. In some cases, the actuary may determine that, as well as contributions for future service costs, there is a requirement for the authority to make good an existing pension shortfall in respect of services already received. This may be reflected in the actuary's certificate as required secondary contributions. Where this is the case, consideration needs to be given as to whether these contributions will be available to the authority after they are paid into the plan. To the extent that they will not be available, the authority needs to recognise a liability as the obligation arises. This can have the effect of reducing a net pension asset or increasing a net pension liability. The potential impact of IFRIC 14 can be highly material to an authority's financial statements. Actuaries, generally, will not consider the impact of IFRIC 14 unless specifically requested to do so by the authority. Having raised this matter with the Council and the need to consider the matter with their actuary for the LGPS scheme the Council consulted with Hymans Robertson on the matter. Following their review, they noted the matter would not impact the prior year accounts but did result in a negative impact of £5.5m to the closing balance in 2023-24. Management have agreed to amend the accounts in relation to this given the size of the amendment. We have assessed the work performed by the actuary and performed calculation checks of the actuaries work with no issues identified.

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1. Headlines

Significant matters	
Land measurement issue As part of our audit of the Other land and buildings balance, we test key assumptions in the valuation. For assets valued on the Depreciated replacement Cost model our testing of floor plans identified discrepancies. Due to this we asked the Council and valuation expert to review these differences.	As part of our assessment of the revaluation of Other Land and Buildings, we have identified discrepancies between the site areas provided by the client and those used in the valuer's calculation of the Depreciated Replacement Cost (DRC) Assets. Due to our testing being on only part of the population we have requested the valuer and Council to reassess the impact of this on the DRC population to gauge the risk of material misstatement in the 2023/24 Land and Building balance. Management has conducted a full assessment of the higher value assets (representing approximately 70% of the population). This assessment revealed a net understatement of £7 million and management have agreed to make this adjustment. This issue itself nets of against another asset's adjustment of £3.9 million where incorrect data was provided to the valuer following managements review. The net impact of this adjustment being £3.1 million. Additionally, management have undertaken an indicative review of the lower value assets (i.e. the residual 30% by value). This assessment broadly reflects the error rate established through the review of the higher value assets, representing a potential understatement of approximately £3.1 million. Management have agreed to include these items for revaluation as part of next year's revaluation exercise. We are finalising our review of this matter. We also expect to receive the updated valuation certificate following the completion of this work.
Yields applied to advertising hoardings (Investment Properties) As part of our testing of Investment properties we selected a number of advertising hoarding assets to test. These are an asset type with not a significant amount of market data available regarding sale prices. These assets have a value of £20.7m in the Councils accounts.	During our review of this asset, we noted that a higher yield had been applied to this asset than would otherwise have been expected. Additionally, this was significantly higher than that applied to the majority of the Council's Investment property portfolio. The impact of this is to depress the value of the asset. We therefore consulted on this matter with our valuation expert who noted differences in opinion regarding the following points: • They felt the yield being applied of 15% was too soft in particular for advertising hoardings in prime locations. • That the valuer should be using different yields for Prime or Subprime sites. The Council's valuation expert notes that there is not a large amount of comparable data regarding advertising hoarding sales leading to a potentially higher degree of subjectivity in this arena, but further to discussion, and on reassessment, they consider it appropriate to reduce the yield in this instance. We have received this update, and it has identified a £7.5 million increase in the Investment property valuation. We are finalising our review of this matter. We also expect to receive the updated valuation certificate following the completion of this work.
Classification error on Long term Investments in Associate and Joint Venture	An error in classification has been identified for a loan, which should have been categorized as a Long-term debtor instead of Investments in Associate & Joint Venture. The amount in question totals £22 million. This misclassification of the Loan to Education City has been rectified in the latest draft of the Statement of Accounts. This change has no bottom line impact and is a presentational adjustment to the Balance sheet. This is a technical classification adjustment identified from our audit work.

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1. Headlines

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. As a consequence of this, the authority's accounts for (years up to 2022/23) are expected to be/ have been backstopped and a disclaimer of opinion has been issued/ will be issued by 13 December 2024.

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026. Our intention is that over time we will re-build assurance in respect of prior years across all backstopped audits, taking account of guidance from the National Audit Office and the Financial Reporting Council.

We would like to express our gratitude to everyone at the Council for their support in working with us to successfully complete the 2023/24 audit in a timely manner, ahead of the backstop date. Thanks to the hard work and consistent effort from everyone, the financial accounts for three fiscal years, including 2023/24, has been signed of in the same calendar year and we are pleased that the backlog position has been recovered without the need to consider disclaimed positions as other Councils in the sector are having to. As a team we are also proud that we have managed to resolve a large number of our backlog audits ahead of these dates, as at May 2024 we had signed 65% of our 2022-23 audits, whereas the statistics for other firms nationally was 7%.

Updates regarding future backstop dates and plans in future years can be found in Appendix H.

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

The London Borough of Hammersmith and Fulham Council has historically managed its finances prudently, with a focus on maintaining a sustainable level of borrowing. However, balancing the financial position year on year has become increasingly challenging. In 2023/24, the Council's financial performance remained strong, with effective management of its borrowing. The level of unsupported borrowing for the Council is comparatively lower when compared to other London boroughs, reflecting responsible financial management.

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2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Financial Statement materiality for the Council audits has increased since our audit plan was reported in July 2024. The Council's materiality continued to use the same benchmark of 1.5% of gross expenditure and was increased to reflect higher gross expenditure in the draft financial statements.

Materiality for senior officers' remuneration and key management personnel disclosures has been adjusted from £100k due to increased stakeholder interest in these disclosures.

We set out in this table our determination of materiality for London Borough of Hammersmith and Fulham Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	13,000,000	This benchmark for materiality is approximately 1.5% of the Council's Gross Cost of Services Expenditure, taking into account the needs of financial statement users. The Authority's budget is expenditure-based, with the primary aim of providing services for the community, visitors, and businesses, and we have determined this as an appropriate benchmark for calculating materiality.
Performance materiality	9,100,000	Performance Materiality is based on a percentage (70%) of the overall materiality.
Trivial matters	650,000	This balance is set at approximately 5% of overall materiality.
Materiality for senior officers' remuneration and key management personnel disclosures	20,000	There is a high level of stakeholder interest in these disclosures



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2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
ISA (UK) 240 fraudulent revenue recognition (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	In the Audit Plan, we had determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition especially when the Council's General Fund reserves are in a stronger position than most councils. • Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of Local Authorities, mean that all forms of fraud are seen as unacceptable. There have been no changes to our assessment as reported in the Audit Plan. To gain assurance over revenue, we: • Documented our understanding of the revenue business process. • Tested a sample of revenue to gain assurance over the accuracy and occurrence of revenue recorded during the financial year. • Performed testing over post year-end receipts to assess completeness of revenue and receivables recognition. Therefore, at the planning stage we did not consider this to be a significant risk at the London Borough of Hammersmith and Fulham. No circumstances have subsequently arisen during the course of the audit process which would lead us to amend our initial assessment as reported in the Audit Plan.
Risk of fraud related to expenditure recognition under Practice Note 10 (rebutted) As reported in our Audit Plan, we also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We have considered the risk factors in Practice Note 10 as they apply to the Council expenditure streams.	We were satisfied that this does not present a significant risk of material misstatement in the 2023/24 accounts as: - The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong; - We have not found significant issues, errors or fraud in expenditure recognition in the prior year audits; - Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition. Therefore, at the planning stage we did not consider this to be a significant risk at the London Borough of Hammersmith and Fulham. No circumstances have subsequently arisen during the course of the audit process which would lead us to amend our initial assessment as reported in the Audit Plan.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	There have been no changes to our assessment as reported in the Audit Plan. We undertook the following procedures: • Evaluated the design and implementation of management controls over journals • Analysed the journals listing and determined the criteria for selecting high risk unusual journals • Identified and tested journals we considered to have the greatest risk of material misstatement or from our data analytics Journals that were identified to be unusual made during the year and the accounts production stage for appropriateness and corroboration. • Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence with a special focus on accounting provisions in the General Fund and Collection Fund and accounting between the General Fund and the Housing Revenue Account; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. In previous audits, we have noted the absence of a two-stage authorization process for journal entries. Recommendations were provided in our Audit Findings Reports for the audits the past 3 audit reports and this point remains the case for the 2023/24 audit. Our audits have not identified any material misstatements or instances of management overriding controls in our journal entry testing. However, it's important to recognize that potential fraud or errors could exist due to us having to take a proportionate approach in our testing and not testing all Journals. To address this, we have maintained the control recommendation for improvement related to two-stage authorisation, see Follow up of prior year recommendations (Appendix C). In our testing procedures we have not identified any instances of management override of controls from the procedures performed.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Closing Valuation of land and buildings (inc. Council dwellings) The Council revalue its Land and Buildings, Council Dwellings, Surplus Assets and Investment Property on an annual basis to ensure that the carrying value is not materially different from the current value (for Land and Buildings and Council Dwellings) or fair value (for Surplus Assets and Investment Properties) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.8 billion Land and Buildings – including Council Dwellings and Surplus Assets, £85.5m Investment Property) and the sensitivity of this estimate to changes in key assumptions. Management has engaged the services of a valuer to estimate the current value as at 31 March 2024. This significant risk is particularly focused on the valuers' key assumptions and inputs to the valuations as these are the greatest sources of estimation sensitivity.	Audit procedures undertaken in response to the identified risk included: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluated the competence, capabilities and objectivity of the valuation expert; • Written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code were met; • Engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpinned the valuation of Land and Buildings (including council dwellings); • Used our valuer to evaluate the appropriateness of obsolescence factors and rental yields, for the £85.5m investment Properties held in the balance sheet, used in asset valuation calculations where applicable; • Tested revaluations made during the year to see if they had been input correctly into the Council's asset register and financial statements; • Assessed the value of a sample of assets in relation to market rates for comparable properties; and • Tested a sample of beacon properties in respect of Council Dwellings to consider whether their valuation assumptions were appropriate and whether they were truly representative of the other properties within that beacon group. During our testing of the valuation of Land and Buildings, we have identified the following misstatements, as outlined in detail in the significant matters under section 1 Highlights : • Prior year understatement of Property Plant and equipment-Surplus Assets of £25.4m- details noted on slide 6. • An understatement of Other land and buildings of £6.2m detailed on slide 7. As detailed on page 6, we are still undertaking our management reviews in this area and we have also included an audit recommendation for the issues identified above in Appendix B.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the pension fund net liability – assumptions applied by the professional actuary in their calculation

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£33.2 million in the Authority's balance sheet at the 31 March 2024) and the sensitivity of the estimate to changes in key assumptions.

The Council's pension fund comprises of the Hammersmith and Fulham Pension Fund and the London Pension Fund Authority (LPFA) obligations, with a position as follows:

Pension Scheme	LBHF LGPS	LPFA LGPS
Gross assets	£1.252b	£31.2m
Gross liabilities	£1.285b	£53.8m
Asset ceiling applied	Nil	£22.5m
Net pension liability	£33.2m	£10k

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.

We have concluded that there is not a significant risk of material misstatement due to the source data used by the actuary in their calculation (we would reconsider this if it becomes apparent at the year-end that there significant special events relating to the source data (such as bulk transfers, redundancies or other significant movements of staff) which would need to be given special consideration during the audit. Despite not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement.

Audit procedures undertaken in response to the identified risk included:

- Updating our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- Assessing the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- Assessing the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud, Goodwin and Guaranteed Minimum Pension cases;
- Gaining assurances over the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- Testing the consistency of the disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- Undertaking procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report;
- Reviewing the actuaries calculation of the asset ceiling and ensuring that this has been estimated in accordance with the requirements of the accounting standard IFRIC14.
- Under the change award of the new Public Sector Auditor Appointments contract, London Pensions Fund Authority (LPFA) are now audited by Ernst & Young. We sent written instructions to EY to obtain assurances over IAS19 valuations, set out the procedures we require them to undertake on the LPFA Pension Fund and set out our materiality threshold.

We have not identified any material misstatements in response to this risk. However, we did require the Council to engage with their actuary regarding reviewing the impact of IFRIC 14 on the LGPS scheme. Following this review a £5.4m impact was noted which negatively impacts the net liability position.

We are awaiting receipt of requested confirmations from the London Pension Fund Authority auditor over the London Pensions Fund Authority IAS19 balance.

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2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary
Minimum Revenue Provision The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. MRP is required to be charged with respect to borrowing obtained as part of acquiring assets to be held in the General Fund (GF). No MRP charge is made in respect of borrowing for the acquisition of assets held in the Housing Revenue Account (HRA). According to regulations, this is on the basis that HRA assets should be self-financing, with local authorities being required to make an annual charge from the HRA to their Major Repairs Reserve in place of MRP, to maintain functionality of housing assets. MRP represents one of the few elements of capital financing in local authority financial statements which is a true charge to useable reserves, and therefore over time has the potential to have a significant impact on the Council's longer term financial sustainability. As a result of findings across the sector as a whole whereby MRP has been miscalculated or not calculated in accordance with the statutory guidance, we have identified this as a risk requiring specific audit attention.	Audit procedures undertaken in response to the identified risk included: • Understood and documented the Council's current policy for calculating the MRP charge for the year and evaluated whether this is in accordance with the statutory guidance; • Confirmed that the MRP policy has been appropriately understood and approved by Council's members; and • Substantively tested the inputs into the MRP calculation back to supporting evidence and the financial statements. • Evaluated key ratios in relation to borrowing, CFR and MRP and benchmark the Council's position against that of its closest peers, documenting and corroborating the reasons for any anomalies. • Formed a judgement that MRP provision made by the Council is prudent and in compliance with DLUHC/CIPFA requirements. Following consultation, the government have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025 , the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following. This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute. We have not identified any issues arising from our work in MRP. The MRP disclosed in the financial statements has been calculated appropriately in line with statutory guidance.
Breach of the HRA ringfence The Housing Revenue Account (HRA) should be self-financing. The HRA is strictly ringfenced to ensure that expenditure on maintaining dwellings and managing tenancies is balanced by rents charged to tenants and that rents cannot be subsidised by council tax or vice versa. As a result of findings across the sector as a whole, whereby there were transactions which breached the HRA ringfence either intentionally or otherwise, and in the context of the severe financial pressure facing the Council's HRA given major cost pressures and a challenging reserves position, we have identified this as a risk requiring specific audit attention.	Audit procedures undertaken in response to the identified risk included: • Understood and documented the Specifically identified and tested any unusual journals which impact the HRA and General Fund in unexpected transactions; and • Tailored into our existing work programmes across expenditure, income and balance sheet substantive testing, additional procedures to confirm that the impact of the transaction on the General Fund or HRA is corroborated by the evidence and substance of the underlying transaction. We have not identified any issues arising from our work in the Housing Revenue Account ringfence.

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2. Financial Statements: New issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation • Following consultation and agreement by Financial Reporting Advisory Board (FRAB), the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts.	In note 40 to the financial statements, the Council has disclosed the title of standard, the date of implementation and the nature of the change in the accounting policy, The Council has estimated that the implementation of IFRS 16 is likely to have a material impact on the Council's balance sheet however the impact on the income and expenditure account is anticipated to be below materiality.	The Council has implemented processes to identify all of its arrangements (leases/contracts/other agreements) that contain the right of use an asset. The Council remain on track to account for these arrangements in line with the leasing standard. This will be incorporated within the 2024-25 financial statements.

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other Land and Building valuations – £332.5m Other land and buildings comprises £252.5m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£80,0m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end	The Council has engaged Wilks, Head and Eve to complete the valuation of properties as at 31 March 2024 on a five yearly cyclical basis. 94% of total assets were revalued during 2023/24. The total year end valuation of other land and buildings was £332.5m, a net decrease of £7m from 2022/23 (£339.4m). This net decrease arises from the valuation process in combination with additions and enhancements of property assets during the year. Management has considered the year-end value of non-valued properties, taking into account all known movements since the date of the last valuation. Additionally, an assessment of assets not formally revalued at 31 March 2024 has been completed by management, who have asserted that the estimate of their value remains materially correct. Furthermore, management has reviewed the asset portfolio to determine whether there have been any significant changes to the assets, and if so, they have requested specific revaluation.	• We have assessed management's expert, Wilks, Head and Eve, to be competent capable and objective. • The valuer has correctly prepared the valuation using DRC on a modern equivalent asset basis for specialised properties, and EUV for non-specialised properties. • 94% of properties have been valued as at 31 March 2024. • We engaged our own valuation specialist, Lambert Smith Hampton, to provide a commentary on the instruction process for Wilks, Head and Eve, the valuation methodology and approach, and the resulting assumptions and any other relevant points. • We have carried out testing of the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate and have no issues to report. • Valuation methodologies applied are consistent with those applied in the prior year. • We have agreed the valuation reports provided by management's expert to the fixed asset register and to the financial statements.	● As documented on page 6, we have identified errors within the valuers calculations of DRC assets which has resulted in assets being undervalued by £6.2 million.

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £87.0m The total year end valuation of investment property was £87.0m, a net increase of £1.5m from 2022/23 (£85.5m).	The Council has engaged Wilks, Head and Eve to complete the valuation of properties as at 31 March 2024. All Investment Properties (garages, car parks and retail units predominantly) are required to be valued at fair value at the year end. The valuer has based the revaluation movements for the Council's investment portfolio on capitalising the rental income by an appropriate yield and any voids, which is referred to as the 'investment method'. The rental income was provided to the Valuer and the yields adopted were based on comparable and the valuer's opinion of value in relation to the variety of investments assets. Management challenges the valuers on their valuations if any movements appear unusual, as part of an analytical review exercise on the draft valuations. These will then either be corroborated by the valuer or amendments will be made in the final valuation, if deemed necessary by the valuer.	• We have assessed management's expert, Wilks, Head and Eve, to be competent capable and objective. • The valuer has correctly prepared the valuation using the fair value as at 31 March 2024. • All properties have been valued as at 31 March 2024. Additions in year of £0.1m are not subject to valuation. • We engaged our own valuation specialist, Lambert Smith Hampton, to provide a commentary on the instruction process for Wilks, Head and Eve, the valuation methodology and approach, and the resulting assumptions and any other relevant points. • We have agreed the valuation reports provided by management's expert to the fixed asset register and to the financial statements. • Valuation methodologies applied are consistent with those applied in the prior year. • We have carried out testing of the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate.	● As documented on page 6, the valuer has identified an adjustment following reviewing yields applied to advertising hoardings the impact to increase the value by £7.5 million.

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £1,358m The Council undertakes a Beacon based valuation approach as required by the Code. This produces an EUV valuation with a discount rate of 25% applied to the value to reflect the social housing discount factor.	The Council owns over 12,000 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Wilks, Head and Eve to complete the valuation of these properties. The year end valuation of Council Housing was £1,358m, a net decrease of £102m from 2022/23 (£1,460m).	• We have assessed management's expert, Wilks, Head and Eve, to be competent, capable and objective • We have assessed the methods and assumptions used by the valuer in the estimate. • We have selected a sample of the beacons to test the appropriateness of the beacon within the archetype property class and then to test the revalued amount to comparable property sales/marketed properties to assess whether the valuation movement was reasonable. • Reviewed those beacons/archetype groups which were not revalued in the year to assess whether the properties were still held at an appropriate/materially correct valuation. • Challenged the valuer assumptions employed. • The valuer has correctly prepared the valuation using the stock valuation guidance issued by DLUHC and has ensured the correct factor has been applied when calculating the Existing Use Value – Social Housing (EUV-SH) value disclosed within the accounts. • All properties have been valued as at 31 March 2023 No significant findings were identified from our audit of the accounting estimate relating to valuation of Council Housing.	●

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £33.2m The Council's total net pension liability at 31 March 2024 is £33.2m (PY £89.9m) comprising the Hammersmith and Fulham Pension Fund and the London Pension Fund Authority obligations.	The Council uses Hymans Robertson LLP and Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. Our key focus is on the LPGS scheme which uses Hymans Robertson LLP due to the significant size of the associated assets and liabilities.	• We have assessed the actuary, Barnett Waddingham and Hymans Robertson, to be competent, capable and objective. • We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	● Following a review of IFRIC 14 it was identified the LGPS scheme liability was understated by £5.5 million.

Assumption	Barnett Waddingham Actuary Value	Hymans Robertson Actuary Value	PwC range	Assessment
Discount rate	4.85%	4.8%	4.85%	●
Pension increase rate	2.95%	2.80	2.85% to 3%	●
Salary growth	3.95%	3.80	0.5-2.5% above CPI	●
Life expectancy – Males currently aged 45/65	20.2/21.0	21.6/22.6	PwC state the actuary approach gives a reasonable best estimate life expectancy(by use of SAPS or Club Vita table)	●
Life expectancy – Females currently aged 45/65	23.4/25.9	24.3/25.6		●

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
- We have confirmed there were no significant changes in 2023/24 to the valuation method.
- The Council's pension fund position is as follows:

Pension Scheme	LBHF LGPS	LPFA LGPS
Gross assets	£1.285m	£31.2m
Gross liabilities	£1.252m	£53.8m
Asset ceiling applied	Nil	£22.5m
Net pension liability	£33.2m	£10k

- Our assessment on the asset ceiling review has identified an understatement of £5.5m on the Hammersmith and Fulham Pension Fund. No issues identified for LPFA Pension Fund.

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2. Financial Statements: other judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £7.8m	The Council is responsible for repaying a proportion of successful rateable value appeals. Management uses an external organisation, Analyse Local, to calculate the level of provision required. Analyse Local's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to a reduction in outstanding appeals, the provision has decreased by £3.2m in 2023/24.	• We have assessed management's expert, Analyse Local, to be competent, capable and objective. • Analyse Local have used up to date data around outstanding appeals and potential information around unlodged appeals and historic success rates to form a reliable estimate of the impact on Rateable Values in the future, and timings based on historic observations. • The methodology used is consistent with comparable local authorities • The disclosure of the estimate in the financial statements was found to be adequate. We did identify upon review of the disclosure that the Council were not recording in the provisions note the value of the provision being written out in year. No other issues were identified in relation to this matter.	●

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £3.6m The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.	MRP is required to be charged with respect to borrowing obtained as part of acquiring assets to be held in the General Fund (GF). No MRP charge is made in respect of borrowing for the acquisition of assets held in the Housing Revenue Account (HRA). According to regulations, this is on the basis that HRA assets should be self-financing, with local authorities being required to make an annual charge from the HRA to their Major Repairs Reserve in place of MRP, to maintain functionality of housing assets. The year end MRP charge was £3.6m, a net increase of £1.3m from 2022/23. This represents a 0.6% charge against the CFR.	• The MRP charge for the year has been calculated in accordance with the methodologies permitted in the statutory guidance • The Council's policy on MRP in relation to borrowing taken out for the acquisition of General Fund assets complies with statutory guidance • The Council's policy on MRP was discussed and agreed with those charged with governance and approved by full council as part of the Treasury Management Strategy Statement in February 2023. • There have been no changes to the Council's MRP policy since 2022/23 • The level of increase in the MRP charge is reasonable in the context of additional borrowing incurred during the year, did not identify any significant findings or concerns. • The Council has considerably lower General Fund borrowing than many comparable sized councils and its MRP reflects that context.	● Our benchmarking exercise has identified that the Minimum Revenue provision charge of £3.6m which is 1.34% of the General Fund CFR is quite low compared to other Councils. We understand this is in part caused by a large amount of this CFR relating to Assets Under construction. If CFR is removed for assets not yet in use the CFR charged on the General Fund is 3.12%. No other matters have been noted from our work on this area.

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
SAP Covering general ledger, accounts payable, accounts receivable and payroll	ITGC assessment (design and implementation effectiveness only) ISAE3402 Report Review	●	●	●	●	Management override of controls – no issues arising

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

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2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, on the finalisation of the audit and the issue of our audit opinions on the financial statements including specific representations in respect of the Authority's assessment of whether the national concerns around RAAC are material to the Local Authority, the impact to the prior period adjustment and the potential liabilities associated with the equal pay tribunal that would impact the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking and investment counterparties. This permission was granted, and the requests were sent. All these requests were returned with positive confirmation. We wrote to those solicitors who worked with the Council during the year, to confirm the completeness of provisions and contingent liabilities. All responses requested have been received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations	All information and explanations requested from management were provided, with the exception of those relating to the outstanding matters detailed on page 4. The financial statements were published and a full suite of supporting working papers was provided to the audit team prior to the commencement of the audit. The quality of working papers provided by the finance team to the audit team remain of a good standard.

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2. Financial Statements: other communication requirements



Our responsibility

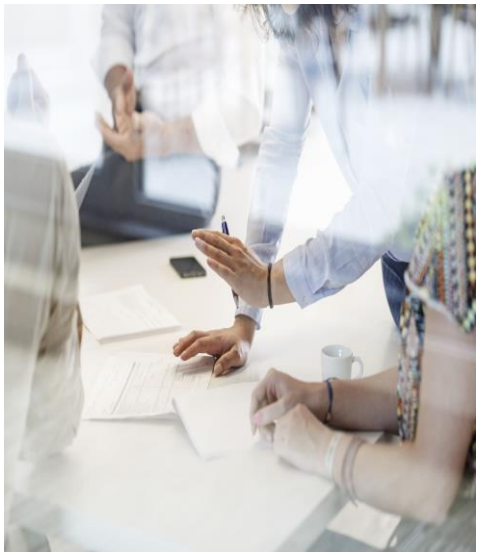
As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We note management will need to ensure updates to the financial statements are reflected in the final version of this report.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weaknesses. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2023/24 audit of London Borough of Hammersmith and Fulham Council in the audit report this will be done once we receive the final Pension fund Annual report and are able to release are consistency statement.



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3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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3. VFM: our procedures and conclusions

Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). Updates to the Code now require us to have completed our Value for Money opinion and communicated any key recommendations prior to finalising the audit opinion.

Due to this we have ensured we focused on completing our review of the prior year key recommendation relating to Housing. We will ensure the remainder of the work is complete ahead oof the Audit committee meeting to enable us to finalise the audit following this meeting. We will then ensure per the requirements the Annual auditors report is shared with management within a month of signing the audit and then taken to the next available Audit Committee meeting.

We have completed our review of the two prior year key recommendations. From this review we are of the view they still apply to the 2023-24 year. We do note that the Council have made good progress since this was noted in the 2022-23 Annual Auditor's report.

The Council have taken significant steps to better services and respond to issues highlighted by both residents and the Housing regulator. The Chief Executive leads a regular task group, comprising representatives from various Council Departments, to supervise the improvement plan. During the 2023/24 period, the Council underwent an investigation by the Housing Ombudsman, which identified areas needing improvement. They have accepted the Ombudsman's findings and recommendations, showcasing their commitment to ongoing enhancement. Their proactive efforts are already showing positive outcomes, and they are dedicated to fully implementing the Ombudsman's recommendations.

In preparation for the Social Housing (Regulation) Act 2023, the Council are actively updating their policies and procedures to meet the new national consumer standards. This proactive effort not only ensures compliance with regulatory mandates but also aims to improve the quality of services provided to residents. Additionally, external auditors Pennington Choice have granted H&F Housing Services "reasonable assurance" in the key compliance areas of Gas, Asbestos, Fire, Electrical, Water Hygiene, and Lifts, which are components of the consumer standards. In March 2024, the Cabinet decided to change the contract for responsive repairs. A new pilot at White City Estate aims to better meet residents' needs by directly managing repairs. 'Estate Action Days' helps the Council engage with residents, and the new Directors' Report for the 'Housing Residents Forum' enhances communication. The Asset Management team has completed over 12,000 stock condition surveys to identify necessary upgrades and plan future capital works for H&F residents.

The housing service has improved in handling complaints, achieving 98% and 99% response rates for Stage 1 and Stage 2 complaints. Despite this, complaints remain high. To tackle this, the Council have set up a 'Complaints Improvement Board' to reduce complaints through strategic actions. Additionally, the Repairs contact centre has boosted its service by raising call answer rates to 97%, cutting wait times to 1 minute, and improving customer experience with expert engagement.

Although we acknowledge the progress made on this matter in the year in our view the key recommendations still apply in the year. This reflects the fact the Council are still under special measures with the Housing regulator at the date of writing this report. And it will be important to assess how the changes made are further embedded into the way the Council works in the 2024-25 year prior to us concluding are key recommendations raised in November 2023 have been fully addressed. But we do acknowledge significant attention, and effort has been made in relation to this matter.

The two key recommendations from the prior year are noted on the next two pages of this report. Note they remain the same as they were in the 2022-23 year.

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3. VFM: Key Recommendation

	Recommendation	Type of recommendation *	Progress to date	Addressed?	Further action?
1	<u>Housing Revenue Account:</u> a. We recommend that the Council takes urgent steps to return the HRA to making operating surpluses sufficient to cover existing borrowing requirements and to start building up HRA general reserve balances. b. We recommend that the Council sets a target level of minimum HRA general reserve balances, expressed as a number of month's HRA expenditure and aims to meet this target in a specified number of years.	Key recommendation (Financial sustainability) Raised November 2023	a. Following on from the steps taken during 2022/23, the base deficit of £1.4m from 2023/24 has been wholly eliminated for 2024/25. A rent increase of 7.7% from 1 April 2024 (in line with September 2023 CPI plus 1%) together with the discontinuation of a temporary provision from reserves made during 2023/24, was necessary to protect the long term resilience of the HRA. The balanced budget set for 2024/25 is providing a strong foundation from which to make contributions to the HRA General Reserve in the coming years as the financial operating environment allows. b. The key strategic housing financial objective is to maintain the long-term financial resilience of the HRA and the 10-year Business Plan aims to maintain general balances equivalent to 5% of annual spend. The initial target minimum balance of £5m was met and exceeded during 2023/24 with a balance of £5.4m by 31 March 2024 in the HRA General Reserve (with another £6.2m in earmarked reserves). A 5% target for the HRA General Reserve is equivalent to £5.3m based on the 24/25 gross expenditure budget for the HRA of £106.7m. This is equivalent to 0.6 months of gross expenditure. The Council suggests that this could be used as the minimum requirement for the HRA General Reserve balance going forward with a target to achieve 1 month (currently £8.9m) within the next four years.	No	There has been significant improvement over the last six months however, we would like to see the new processes embed in 2024/25. We will revisit these recommendations as part of the 2024/25 VfM work.

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3. VFM: Key Recommendation

Recommendation	Type of recommendation *	Progress to date	Addressed?	Further action?
Housing Revenue Account:				
c. Within the constraints of the maximum rent increases allowed by the Regulator of Social Housing for social rents, HRA income should cover cost increases as far as possible, and this should be reflected in non-regulatory fee increases.	Key recommendation (Financial sustainability) Raised November 2023	c. The Council has optimised the position in terms of income generation for tenant service charges (full cost recovery) and for Council homes rental income (with use of the 5% rent flexibility for relets). A review of other non-regulatory fees (including commercial income, garage rents, advertising hoardings, management fees) will be undertaken to ensure that income from all housing assets is optimised for the HRA.	No	There has been significant improvement over the last six months however, we would like to see the new processes embed in 2024/25. We will revisit these recommendations as part of the 2024/25 VfM work.
d. We recommend that this financial model is used to demonstrate plans for returning the HRA to a position of financial sustainability and to demonstrate how both legally required works and new build aspirations might be funded and paid for. We would expect the financial business plan to allow reporting of various scenarios and for projections to be supported by extensive sensitivity analysis and stress testing.		d. The current 10-year financial business plan is being revised as part of the annual budget setting process and this will take into account the Council's latest plans to deliver both legally required works and affordable housing as well as demonstrate plans for a financially resilient, sustainable HRA. The report presented for Cabinet approval in February 2025 will include the results and implications of analysis and stress testing of key sensitivities.		
e. We recommend that a comprehensive exercise is undertaken to improve the quality of stock condition survey data. If all team members visiting homes are involved in validating existing records and updating stock condition data, this will give rise to a sense of ownership and increase confidence in the stock condition survey data amongst team members. This needs to be supported by appropriate technology.		e. The new stock condition surveys are almost complete and work has already begun to analyse the findings. This information will be used to develop the next Asset Management Strategy (2025-2030) which is expected to be completed in the new year. This will then enable a revised 5 year capital programme to be devised and this is expected to be finalised in the autumn of 2025.		

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3. VFM: Key Recommendation

Recommendation	Type of recommendation *	Progress to date	Addressed?	Further action?
Service Performance in Housing: The Council should continue on its improvement journey with the operational performance of its housing service to ensure it is meeting a minimum core service standard.	Key recommendation (Financial sustainability) Raised November 2023 Key recommendation (Improving economy, efficiency and effectiveness)	The governance arrangements established in 2023/24 have been continued and enhanced in ensuring delivery of the improvement journey for both operational and financial performance. Voids performance is reported on regularly at Service Improvement Board and the average level of income loss from voids has improved markedly in recent months with the average number of void properties reducing from an average in 23/24 of 320 to an average for the 24/25 financial year to date of 250.	No	There has been significant improvement over the last six months however, we would like to see the new processes embed in 2024/25. We will revisit these recommendations as part of the 2024/25 VfM work.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

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4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were identified as being provided for the 2023/24 financial year. We have set these out below, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	10,000	Self-Interest (because this is a recurring fee) Self-Review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £430,131 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate this threats.
Certification of Teachers Pension Return	12,500	Self-Interest (because this is a recurring fee) Self-Review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £430,131 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate this threats.
Certification of Housing Benefit subsidy claim	34,250	Self-Interest (because this is a recurring fee) Self-Review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £34,250 in comparison to the total fee for the audit of £430,131 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We have not prepared the form which we will be reviewing. The factual accuracy of our report, including representations from management, will be agreed with management however we will not be performing any management functions as a result of this work. We are satisfied there is sufficient safeguards in place to mitigate this threats.

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5. Independence considerations

Service	Fees £	Threats identified	Safeguards
Non-Audit related			
CFO Insights Subscription	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £430,131 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. The CFO insights service provides the Council with access to various data sources, which they decide how to use and make their own decisions about the delivery of services, therefore we do not believe there is an impact on the value for money conclusion.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

None of the services provided are subject to contingent fees.

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Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Audit opinion

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A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

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B. Action Plan – Audit of Financial Statements

We have identified 2 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Controls	Issue and risk	Recommendations
● Medium	**Floor Plans on the Assets** Our testing has identified a few discrepancies between the site areas provided by the client and those used in the valuer's calculation of the Depreciated Replacement Cost (DRC) Assets. The Council has confirmed that the site areas (predominantly in respect of school and education assets) relied on legacy data which could, over time, become outdated, impacting on the computation of DRC assets valuation. This resulted in additional work by the valuer and audit team and an adjustment to the valuation of £6.2 million.	Management should perform a regular review of the site areas to ensure that they are still appropriate. **Management response** Agreed – this will now be undertaken centrally within the corporate estates function.
● Medium	**Valuation of Advertising Hoardings** During the year, we identified that the Council's experts have applied a single yield to all advertising hoardings with no allowance for Prime and Subprime. We note that the Council's valuer noted that due to the nature of the asset there was very low levels of comparable sales data for them. This creates a risk that the valuation of these assets is not accurate.	Management should engage with their expert to ensure there is a comparable evidence to support the Valuer's derivation of Yields for advertising hoardings and ensuring that allowances are applied for Prime vs Subprime assets, instead of applying single yields to entire asset classes. We note updates have been made to the valuation during the course of the audit. But we recommend the Council engage with their valuer to obtain more comparable data regarding advertising hoarding valuations, so that the valuation has a greater level of reliability. **Management response** Agreed.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

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C. Follow up of prior year recommendations

We identified the following issues in the audit of London Borough of Hammersmith and Fulham Council's 2022/23 financial statements, which resulted in 8 recommendations being reported in our 2022/23 Audit Findings report. We have followed up on the implementation of our recommendations and note 4 are still to be completed.

Assessment	Controls	Issue and risk previously communicated	Update on actions taken to address the issue
✓	● Medium	**Bank Reconciliation** The following findings were identified from our review of bank reconciliations to gain assurance over cash and cash equivalents: • We identified for some school bank reconciliations the unreconciled figures incorrectly included April transactions. • We found that the reconciliation provided did not reconcile to the closing Trial Balance. We were able to gain sufficient assurance that there was no significant issue which would lead to misstatement of the cash and bank balance in the general ledger and account.	Following our review, we are satisfied this issue has been addressed.
✓	● Medium	**Missing Bank Account within Cash and Cash Equivalent Balance** Upon reviewing the completeness of the bank account, it was noted that 1 bank account amounting to £12k was not included in the Council's bank balance as at year end. Upon discussion with management with regards to the business process in ensuring the completeness of the bank accounts of the Council, it was noted that no process is completed to ensure the completeness of the bank accounts held by the Council. The account was used for funeral payments and emergency funds for residents referred to the Client Affairs (Social Care) service, and deposit money found from property searches and should have been included in the Council's cash balance.	The Council has now implemented an annual review of the bank accounts to ensure the completeness of the bank accounts of the Council, as such we have not noted any missing bank account within Cash and Cash Equivalent balance.
x	● Medium	**Housing Benefit Expenditure Reconciliation Issues** Whilst performing reconciliation of the year end Housing Benefit expenditure from the HB system to GL, there has been a variance of £2,241,482 noted. As discussed with the Council, the variance is due to the timing difference as the data interfaced through 2 systems (Academy to NEC and NEC to SAP) which will contra out the following week as and when the specific cycle of interfaces complete the full interface circle. This transaction creates uncertainty on the completeness and may lead to potential misstatement of the Housing Benefit expenditure.	This issue was raised in March 2023 and therefore has not been addressed in year. **Management response:** The review of the Housing Benefit reconciliation is being undertaken and is due to complete in 2024/25.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

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C. Follow up of prior year recommendations

Assessment	Controls	Issue and risk previously communicated	Update on actions taken to address the issue
Adjusted rating from medium to low due to mitigating controls and ongoing work on this area.	● Low	**Journal entries control environment** We identified during our testing of journal entries that there is no two-stage authorisation process for journal entry postings in place. We have not identified from our testing of journal entries any material misstatements or instances of management override of controls. However, we do not test every journal and there may be undetected fraud or error. In addition to a notification via email, users are alerted via a Teams notification, informing them of the need to approve a journal. An automated two stage approach within the system should continue to be reviewed in partnership with our finance system provider.	This issue has not been resolved for the 2023-24 financial period. We have upheld this recommendation as a best practice IT control to demonstrate the segregation of duties. We recommend implementing an automated two-stage approach within the system to mitigate the risk of journals being posted without approval. We do note management have mitigating controls in place and all Journals tested followed this therefore we have downgraded the rating of this recommendation to low and a best practise point. **Management response:** The journal process will continue to be reviewed, including enhancements to the existing off-line approval process.
✓	● Medium	**Accurate recording of grants and contributions received in advance** During our sample testing of long-term grants and contributions received in advance in 2020/21, we identified two items which had been classified as developer contributions but were in fact other grants received in advance. Whilst there is no impact on the balance sheet as at 31 March 2021, as both types of receipt comprise part of the same line item, the permitted usage of grants and contributions under statute can vary and as such there is a risk that budget-setting may be impacted by inaccurate recording.	We have reviewed the grants and contributions received in advance and found no misclassifications in the accounts as of 31 March 2024. However, management should continue to review the Grant Register to minimize the risk of misclassifying grants.

Assessment

✓ Action completed

X Not yet addressed

Controls

● High – Significant effect on financial statements

● Medium – Limited Effect on financial statements

● Low – Best practice

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C. Follow up of prior year recommendations

Assessment	Controls	Issue and risk previously communicated	Update on actions taken to address the issue
Adjusted rating from medium to low due to mitigating controls and ongoing work on this area.	Low	**Legacy balances brought forward in debtors and creditors listings provided to audit** As part of the audit approach, we test the existence and accuracy of creditor and debtor balances recorded in the balance sheet and as such requested a listing from management, as part of the initial working paper request list for the audit, of outstanding amounts at the balance sheet date. The Council's accounting system contains a high volume of legacy balances brought forward from the previous accounting system which have not subsequently been written down effectively as amounts have been settled. This issue led to significant challenges in undertaking audit procedures in these areas and presents a risk that management will be unable to effectively analyse their outstanding creditor and debtor balances for financial management purposes.	The first phase of the housekeeping exercise has been undertaken; this will now become a regular process as part of quarterly and year-end closing exercises. We identified some issues in our debtors testing which indicated that there are still some issues with legacy debtor balances which are not likely to be recoverable (including in collection fund debtors). We were satisfied from our testing of the expected credit loss/provision against debtors that this would not lead to any significant misstatement of the net debtor balance, but our view is that older unrecoverable gross debtors should be written out of the debtor ledger through regular housekeeping review. Given the housekeeping exercise has covered the key aspect of the recommendation we have downgraded this rating to a Best practise point going forwards. **Management response:** Housekeeping work has been regularized and is now ongoing.
✓	Medium	**Employee leaver forms** In our sample testing of employee leaver forms which was undertaken to gain an expectation for payroll expenditure recorded for the 2022/23, we identified a number of instances where overpayments of salaries had occurred due to no or late notification of resignation, either from the employee themselves or from their hiring manager. Whilst we are satisfied that this has not given rise to a material error in the 2022/23 financial statements, there is a risk that without sufficient monitoring of controls, more extensive overpayments could occur which are difficult for the Council to subsequently recover.	During our employee benefit testing, we did not identify any issues with the employee leaver form. However, management should continue to ensure that the processes and controls around employee leavers are consistently applied.

Assessment

✓ Action completed

X Not yet addressed

Controls

● High – Significant effect on financial statements

● Medium – Limited Effect on financial statements

● Low – Best practice

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D. Audit Adjustments – adjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £m	Balance Sheet £m	Impact on total net assets £m	Impact on general fund £m
Loan has been wrongly classified under the Investments in Associate & Joint Venture instead of Long-Term Debtors	Nil	22.1 Long-term debtors (22.1) Investments in Associate & Joint Venture	Nil	Nil
The net of undervaluation of the land asset in the prior year	Disposal write out 11.9 Revaluation Gain (25.4)	(25.4) Property, plant and equipment (11.9) Sale of disposal	13.5	Nil
Advertising Hoarding revaluation	(7.5)	7.5	7.5	Nil
Other land and building (DRC asset) floor plan revaluation	(3.9)	3.9	3.9	Nil
Adjustment to net liability due to IFRIC 14 application	5.5 Pension remeasurement	(5.5) Pension Liability	(5.5)	Nil
Overall impact	**19.4**	**19.4**	**19.4**	**Nil**

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D. Audit Adjustments - prior year unadjusted misstatements

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on general fund £000	Reason for not adjusting
Non-Domestic Rates Appeals Provision The Non-Domestic Rates Appeals have subsequently been settled at an amount £970k less than provided for.	(970) NDR provision expenditure	970 NDR appeals provision	(970)	This is an immaterial change to the NDR Appeals provision, adjusting the accounts would not materially change the financial position
Unrecorded liabilities Audit testing identified a number of 2022/23 payments made through the bank account that had not been accrued for in the 2022/23 financial statements. The potential error has been extrapolated.	1,262 Other expenditure	(1,262) Short-term creditors	1,262	This was an immaterial projected misstatement therefore not appropriate for management to adjust the financial statements for but gives assurance that those accounts areas are not materially misstated based on the errors found in our testing.
Other expenditure Audit testing identified a number of 2021/22 items of expenditure that should have been accrued for, but were not, hence were recorded in 2022/23, overstating the 2022/23 expenditure. The potential error has been extrapolated.	(959) Other expenditure	959 Reserves	(959)	This was an immaterial projected misstatement therefore not appropriate for management to adjust the financial statements for but gives assurance that those accounts areas are not materially misstated based on the errors found in our testing.
Overall impact	**(667)**	**667**	(667)	

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D. Audit Adjustments – misclassification and disclosure

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Area of the accounts	Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Cash flow statement	We noted that the additions figure as per the cashflow for Investing activities as provided is 149,472k. However, on the FS it is 134,199k. The difference between the 149,472k and 134,199k (which is the total in the capital financing note) is explained by two asset acquisitions which are essentially non-cash driven – these are the Civic Campus Glass Pod (£11.855m) and the net recognition and derecognition of finance leases (£3.419m) pursuant to waste and recycling vehicles.	The disclosure note should be amended.	✓
Note 9 – Property, Plant and Equipment	A few errors identified in Note 9 : - Prior year (2022/23) figures in the table were not updated from previous PY (2021/22) figures for Infrastructure Assets - The carrying value under cost model was not updated to reflect the financial year-end of March 31, 2024, for Council dwellings, other land and buildings, and surplus assets. - Misclassification of impairment of surplus assets amounting to £15.3m that is relating to impairment of other land and building.	The disclosure note should be amended.	✓
Note 14 – Leases	Council as Lessee have excluded both Private Sector Lease properties and Ricoh leases affecting the future minimum lease payments and expenditure charged to the service revenue accounts during the year.	The disclosure note should be amended.	✓
Note 16 - Debtors	Loan has been wrongly classified under the Investments in Associate & Joint Venture instead of Long-Term Debtors	The disclosure note should be amended.	✓
Note 21 - Financial instruments	Various errors identified in Note 21: - Client should remove disclosure of assets at fair value in the FI note that are not measured at FV where they do not have a fair value and to disclose the reason why no fair value has been provided - Prior period adjustment incorrectly proposed. Improvements to the note suggested showing the balance separately and in narrative regarding JV. The long-term investment for the loan incorrectly held in long term investments needs adjusting for consistency with other adjustments logged - Investments in Associates & Joint Ventures have been incorrectly included in the financial instruments, as they are not held at amortized cost but rather at cost. - Investments, PFI & Finance Lease liabilities and Local Authority bonds has been incorrectly included in the table as there is no fair value for these items. A disclosure should be added underneath the table stating these categories is not considered to be a material difference between cost and fair value.	The disclosure note should be amended.	✓

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D. Audit Adjustments – misclassification and disclosure (continued)

Area of the accounts	Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 17 - Cash and cash equivalents	Our review of the reconciling items attributed to the overdraft revealed balances that pertain to short-term deposits amounting to £2m. The current presentation includes these short-term deposit balances within the "Bank Overdraft" line, rather than netting them off against the short-term deposits balance. This method results in a misrepresentation of both the short-term deposits and the bank overdraft.	The disclosure note should be amended.	X
Note 20 – Provision	Provision used during the year should be amended from Nil to £2.8m to reflect the Council's provision settled during FY23/24	The disclosure note should be amended.	✓
Note 28 – External Audit Costs	Misstatement in grant fees of £12k. Grant fees was shown as £70k however as per Audit Plan, records fee is £58k.	The disclosure note should be amended.	✓
Note 30 - Grant Income	Classification error on S31 Grant - Business Rates Retention Scheme Relief and NDR Tariff/Top-up adjustment: - S31 Grant - Business Rates Retention Scheme Relief from £19,506k to £21,894k - NDR Tariff/Top-up adjustment from £2,388k to -	The disclosure note should be amended.	✓
Collection Fund Statement	Various errors identified in the collection fund statement: - Minor rounding error on the Total Band D equivalents 2023/24. This will need to be corrected from 17,119 to 17,118 and 5,563 to 5,564 to agree to Council Tax Base and Collection Rate 2023/24 and Delegation of the Business Rate Estimate that has been presented. - Transpose error in the Business rates disclosed under the 3. Collection Fund Balance. The rates has been disclosed in the wrong line within the authorities. - Error noted in 2. National Non-Domestic Rates (NNDR) on the standard multiplier used for 23/24. To amend from 54.6p to 51.2p to agree to business rates on the Council's website. - Successful appeals has been netted off in the Business Rates (BR) income during the year in and has also been included within the Business Rates expenditure during the year. Hence, no impact to the surplus/deficit of business rates 23/24. An additional narrative should be included in the Collection Fund statement disclosure to reflect the appeals.	The disclosure note should be amended.	✓

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E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services:

Audit fees	Proposed fee	Final fee
Scale fee	£430,131	£430,131
Additional work on Prior period adjustment *(detailed on page 6)*	NA	£3,000
Additional work on valuation issues *(detailed on page 8 yields and floorspace)*	NA	£2,750
Additional work on IFRIC 14 *(detailed on page 7)*	NA	£3,270
Use of expert (for valuation of Land and Building, Council dwellings and Investment properties) This is charged to us by Lambert Smith our valuation expert and per the PSAA contract recharged at cost.	TBC-charged at cost we are billed by our expert Lambert Smith	£8,500
ISA 315 (this value has been specified to auditors by the PSAA since the audit plan went out.)	£12,550	£15,690
Total audit fees (excluding VAT)	**TBC**	**£463,341**

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E. Fees and non-audit services

Non-audit fees for other services	Proposed fee
Certification of Housing capital receipts grant	£10,000
Certification of Teachers Pension Return	£12,500
Certification of Housing Benefit subsidy claim (this excludes the impact of further work required under the DWP instructions for additional testing when errors are found)	£34,250
CFO Insights Subscription	£12,500
Total non-audit fees (excluding VAT)	**£69,250**

Total audit and non-audit fee	
(Audit Fee) £463,341	(Non Audit Fee) £69,250

The fees reconcile to the financial statements.

- fees per financial statements - £430,000, this is the scale fee.
- Use of external valuation expert -£8,500.
- IAS 240/315 - £15,690 (this fee has been confirmed with PSAA following the settlement of the scale fee)
- Fee overruns for additional work on valuations, IFRIC 14 and PPA -£9,020
- Total fees - £463,341

None of the above services were provided on a contingent fee.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

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F. Audit opinion

We anticipate that we will provide the Authority with an unmodified audit report.

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G- Audit Developments -Ending the local audit backlog

A plan for restoring timely assurance to the Local Government audit system was announced by the Minister of State for Local Government and English Devolution on 30th July 2024.

When parliamentary time permits, secondary legislation is going to be used to amend the Accounts and Audit Regulations (2015) and to introduce five new backstop dates:



1. Financial years up-to-and-including 2022/23: 13 December 2024;
2. Financial year 2023/24: 28 February 2025;
3. Financial year 2024/25: 27 February 2026;
4. Financial year 2025/26: 31 January 2027;
5. Financial year 2026/27: 30 November 2027; and
6. Financial year 2027/28: 30 November 2028.

Paul Dossett, Grant Thornton Partner and Head of Local Government, has had an article published in The MJ, where he reviews the reasons for the delays in audited accounts and considers what is required for a long-term solution:
https://www.themj.co.uk/beyond-the-local-audit-backstop

Key messages from the Minister are that:

For financial years up to and including 2022/23, if financial audits are not complete by 13 December 2024, disclaimed or modified opinions will be required. The Minister recognises that in most cases these may remain in place for up to two years.

The Minister's statement is, however, "crystal clear" that where there are modified opinions for financial accounts, auditors' other statutory duties – including to report on Value for Money (VfM) arrangements, to make statutory recommendations, and to issue Public Interest Reports, will still be a high priority.

There will be some limited grounds for exemption to meeting the audited accounts backstop dates: Where auditors are considering a material objection; where recourse to the court could be required; or from 2023/24, where the auditor is not yet satisfied with the body's Value for Money arrangements. Nevertheless, Councils need to be aware that the Government intends to publish a list of bodies and auditors that do not have an exemption and yet still do not meet the proposed new dates.

To help Councils comply with these arrangements, for financial years 2024/25 to 2027/28, the Minister states that the deadline for filing Category 1 'draft' (unaudited) accounts will be extended from 31 May to 30 June (allowing higher quality draft accounts); and there will be no routine inspections of local audits (by the Financial Reporting Council or by the Institute of Chartered Accountants in England and Wales) for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so.

Once implemented, the hope is that the new arrangements will help to restore the robust assurance needed to underpin good governance and accountability.

For the full statement, see Written statements - Written questions, answers and statements - UK Parliament.

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The Audit Findings Report for the London Borough of Hammersmith and Fulham Pension Fund

Year ended 31 March 2024

6 November 2024



Grant Thornton

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Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG
www.grantthornton.co.uk

London Borough of Hammersmith and Fulham Pension Fund
Town Hall
King Street
London
W6 9JU

6 November 2024

Dear Members of the Audit Committee

Audit Findings Report for the London Borough of Hammersmith and Fulham Pension Fund for the year ended 31 March 2024

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Matt Dean

Director
For Grant Thornton UK LLP

Chartered Accountants
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Contents

Your key Grant Thornton team members are:

Matt Dean
Key Audit Partner
T: 020 7728 3181
E: Matt.Dean@uk.gt.com

Lakshmi Forster
Manager
T: 020 7728 3193
E: Lakshmi.Forster@uk.gt.com

Louis Barber
Assistant Manager
T: 020 7865 2675
E: Louis.RH.Barber@uk.gt.com

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This Audit Findings Report (AFR) presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

Matt Dean
For Grant Thornton UK LLP
November 2024

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of London Borough of Hammersmith and Fulham Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed via a hybrid approach during July to October 2024. Our findings are summarised on pages 6 to 19.

We have not identified any adjustments impacting on the Pension Fund's financial position. We have identified some presentational amendments, and these are detailed in Appendix C.

We have also identified some recommendations for management, which are documented within the Action Plan attached at Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion at Appendix E or material changes to the financial statements, subject to the following outstanding matters;

- receipt and review of outstanding evidence to enable us to complete our work on benefits payable and contributions;
- review of the Pension Fund Annual report;
- completion of senior management reviews and any outstanding queries that could arise from this process;
- receipt of managements letter of representation; and
- review of the final set of amended financial statements.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your Fund and the financial statements we have audited.

Our anticipated opinion on the financial statements will be unmodified.

We are required to give a separate opinion on the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to the statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2024. We have therefore not given this separate opinion at this time. We do note that whilst an opinion on the administering authority's financial statements can be issued by their auditor the formal certificate confirming completion of the audit of the administering authority cannot be given until their work on Whole of Government Accounts and our work on the Annual Report has been completed.

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2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For the London Borough of Hammersmith and Fulham Pension Fund, the Audit Committee fulfil the role of those charged with governance. The Investment Committee considers and decides all matters appertaining to the investment, administration and management of the Pension Fund including review of the Pension Fund Annual Report and is part of the overall member oversight process.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not needed to alter our audit plan, as was communicated to you on 31 July 2024.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 6 November 2024.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by management, the finance team and other staff throughout the audit process.

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2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised materiality due to the actual gross investment assets changing from that used at the planning stage resulting in a review of the appropriateness of the materiality figure. We have also decreased the materiality percentage to 1.25% to be in line with the firm's updated guidance and with the other tri-borough funds.

We set out in this table our determination of materiality for the Pension Fund.

	Pension Fund Amount Per Audit Plan(£)	Pension Fund Amount Final (£)	Qualitative factors considered
Materiality for the financial statements	£16,180,000	£17,000,000	This benchmark is determined as a percentage of the Fund's Net Assets, which is approximately 1.25%.
Performance materiality	£11,326,000	£12,750,000	This balance is set at 75% of overall materiality
Trivial matters	£809,000	£850,000	This balance is set at 5% of overall materiality
Specific Materiality for Fund Account (used for testing balances which primarily hit the Fund Account, such as Contributions and Benefits Payable)	£6,300,000	£7,150,000	This benchmark is determined as a percentage of the Fund's expenditure, which has been determined as 10%.



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2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	In response to the identified risk we have: • Evaluated the design effectiveness of management controls over journals; • Analyse the journals listing and determine the criteria for selecting high risk unusual journals; • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • Gained an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We identified through our review of the journal entry control environment that: • Senior personnel are registered as users and are theoretically able to post journal entries. • There is no automated authorisation process for journal entry postings in place. We have raised a recommendation around the overall journal control environment in Appendix B of the report. Our testing of journal entries has not identified any material misstatements or indications of management override of controls. There is no evidence that senior management have posted any journals. Management is satisfied that compensatory controls exist and monitoring processes would identify any material instances of unusual activity.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. As reported in our Audit Plan, having considered the risk factors set out in ISA240 and the nature of the Pension Fund revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of local authorities, including Hammersmith and Fulham Pension Fund, mean that all forms of fraud are seen as unacceptable. However, due to the material nature of the Fund's revenue streams, we have undertaken the following substantive testing on key revenue streams: • Tested a sample of contributions to payroll records for Council employees and to returns from the Admitted/Scheduled bodies data to gain assurance over the accuracy and occurrence of contributions. • Tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payroll and the number of contributing employees to ensure that any unusual trends are satisfactorily explained. • Agreed a sample of investment income to confirmations from the fund managers. • Agreed a sample of transfer in back to supporting documentation from the transferring fund and to the cash received into the pension fund bank account. During our testing, we identified a **£2.2 million** variance between the contributions received from schools and the figures in the contribution returns submitted by the schools. This variance is due to the poor quality of returns received by the school. We have made a recommendation to the management to resolve the issue with schools in a timely manner to ensure the accuracy of contributions. We have also included this as an unadjusted uncertainty in Appendix C as this variance in contribution received from schools cannot be supported by any evidence. Our audit procedures in this area is substantially complete, with no other issues arising to date. We will provide an update to Management and Those Charged with Governance should any further issues be identified from our remaining work.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Practice Note 10 expenditure recognition Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition for public sector bodies.	As reported in the Audit Plan, In relation to Practice Note 10 and the risk of fraud related to expenditure recognition we have re-butted this because there is little incentive to manipulate expenditure. Therefore, we do not consider this to be a significant risk for the London Borough of Hammersmith and Fulham Pension Fund. However, due to the material nature of the Fund's expenditure, we have undertaken the following substantive testing on key expenditure streams: • Testing a sample of lump sums and associated individual pensions in payment to member files. • Testing relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained. • Agreed transfers out to documentation from the pensions system, agreements with the receiving fund and to the cash paid out the pension fund bank account. • Sample testing of management expenses to supporting documentation from the fund managers and to recharges from the Council. During our testing, we identified variances between the value of management expenses included in the accounts and the actual expenses charged by Fund Managers for 2023-24. These variances are due to the timing differences in the availability of the information used in the estimation process of the Pension Fund which were not available when the draft accounts were produced. The total extrapolated misstatement is **£3.291 million**, which is not material. Thus, management has decided not to amend the accounts. This variance is reported as an unadjusted misstatement in Appendix C. Our audit procedures in this area is substantially complete, with no other issues arising to date. We will provide an update to Management and Those Charged with Governance should any further issues be identified from our remaining work.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments The Pension Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature, investments carried at level 3 in the fair value hierarchy lack observable inputs which can be used in their valuation. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (**£285 million** in the Pension Fund's Net Assets Statement as at 31 March 2024) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2024.	In response to the identified risk we have: • Evaluated management's processes for valuing Level 3 investments. • Reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for private equity investments; to ensure that the requirements of the Code are met. • Considered the competence, expertise and objectivity of any management experts used • Independently obtained year-end capital statement confirmations from the investment managers and the custodian. • We have also reviewed the investment manager service auditor report on design and operating effectiveness of internal controls covering the valuation of the investments. During the testing performed, we identified variances totalling **£1.06 million** between the value of Level 3 investments included within the accounts and the year-end confirmation received from the relevant Fund Managers. These variances were due to the Fund Managers valuations considering more up to date information relating to the value at 31 March 2024 than what was available when the draft Accounts were produced. As these variances are not material, management has decided not to amend the accounts, and these variances have been reported as an unadjusted misstatement in Appendix C. This is consistent with prior year, due to timing of the statements and the production of the accounts. Our audit procedures in this area is substantially complete, with no other issues arising to date. We will provide an update to Management and Those Charged with Governance should any further issues be identified from our remaining work.

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £285 million	The Pension Fund has Level 3 investments in private equity funds, infrastructure funds, illiquid alternatives that are valued on the net assets statement as at 31 March 2024 at **£285 million**. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. Valuations are based on forward looking estimates by the investment managers using the International private Equity and Venture Capital Guidelines, which follow the valuation principles of IFRS. The value of the investment has increased by **£53 million** in 2023/24, due to a combination of purchases, sales and changes in market value.	The Fund uses the capital statements obtained from the relevant Fund Managers at 31 March 2024 to estimate the values for inclusion within the Accounts. We have obtained these capital statements directly from the Fund Managers at 31 March 2024 and compared these to the values within the financial statements. We have obtained the latest audited accounts and compared the valuations with the fund managers capital statements at the same date of 31 December 2023. We have reviewed and tested cash flow movements from the date of the audited financial statements to 31 March 2024. In addition, we checked the financial statements to ensure that they had been issued an unqualified opinion by their auditors, and that the valuation of the investments has been completed in accordance with appropriate guidelines and the valuation is consistent with International Financial Reporting Standards. During the testing performed, we identified variances totalling £1.06 million between the value of Level 3 investments included within the accounts and the year-end confirmation received from the relevant Fund Managers. These variances were due to the Fund Managers valuations considering more up to date information relating to the value as at 31 March 2024 than what was available when the draft Accounts were produced. As these variances are not material, management has decided not to amend the accounts, and these variances have been reported as an unadjusted misstatement in Appendix C. This is consistent with prior year, due to timing of the statements and the production of the accounts. Our audit procedures in this area is substantially complete, with no other issues arising to date.	[Green]

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £1,068 million	The Pension Fund has investments in pooled equity and property funds that in total are valued on the balance sheet as at 31 March 2024 at **£1,068 million**. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management make use of evaluated price feeds, with the exception of the valuation of the pooled property investments which is based on evaluation of market data. The value of the investment has increased by **£40 million** in 2023/24, due to a combination of purchases, sales and changes in market value.	We have assessed the appropriateness of the underlying information used to determine the estimate. We have tested underlying valuations to quoted prices. We have reviewed the reasonableness of the increase in the estimate. We have assessed the adequacy of disclosure of estimate in the financial statements. During the testing performed, we identified variances totalling **£1.61 million** between the value of Level 2 investments included within the accounts and the year-end confirmation received from the relevant Fund Managers. These variances were due to the Fund managers valuations considering more up to date information relating to the value as at 31 March 2024 than what was available when the draft Accounts were produced. As these variances are not material, management has decided not to amend the accounts, and these variances have been reported as an unadjusted misstatement in Appendix C. This is consistent with prior year, due to timing of the statements and the production of the accounts. Our audit procedures in this area is substantially complete, with no other issues arising to date. We will provide an update to Management and Those Charged with Governance should any further issues be identified from our remaining work.	[Green]

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Change management	Technology infrastructure		
SAP (General Ledger)	ISAE 3402 Report Review from Hampshire County Council, who provide this service for the Pension Fund	🟢	🟢	🟢	🟢	Not Applicable	Not Applicable
UPM (Pensions Administration System)	ISAE 3402 report review	🟢	🟢	🟢	🟢	Password complexity settings should be configured on UPM in line with best practice and set the minimum password age to greater than 0	Not Applicable

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

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2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund, which is included in the Audit Committee papers.
Audit evidence and explanations	All information and explanations requested from management was provided.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Pension Fund's banking and investment counterparties. This permission was granted, and the requests were sent, and all have been received as part of our work at year end. We wrote to those solicitors who worked with the Pension Fund during the year, to confirm the completeness of provisions and contingent liabilities. All responses requested have been received.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

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2. Financial Statements: other communication requirements



Our responsibility

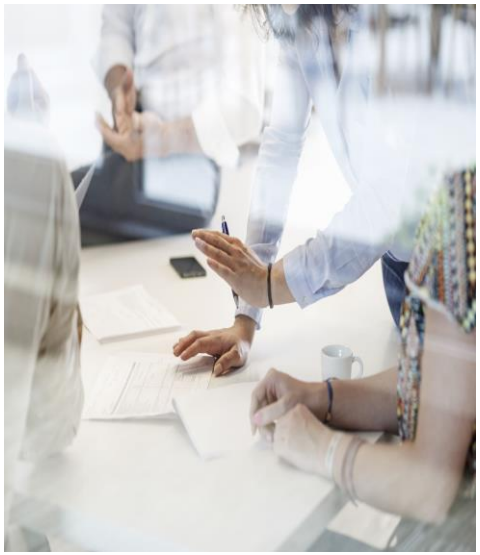
As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by the London Borough of Hammersmith and Fulham (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix E
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to the statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2024. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit administering authority until this work has been completed. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters



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3. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms.

In this context, we disclose the following to you:

- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in 7 September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023. PSAA has also published their own Quality Monitoring Report, this report is available at Audit Quality Monitoring Report 2023 – PSAA.

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3. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff [that would exceed the threshold set in the Ethical Standard]

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

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Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Audit Adjustments

D. Fees and non-audit services

E. Audit opinion

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A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

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B. Action Plan – Audit of Financial Statements

We have identified two recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	**Journal entries control environment** We identified through our review of the journal entry control environment that: • Senior personnel are registered as managers and are theoretically able to post non-balance sheet journal entries • There is automated authorisation process for journal entry postings in place. We have not identified from our testing of journal entries any material misstatements or indications of management override of controls. However, we do not test every journal and there may be undetected fraud or error. Management is satisfied that compensatory controls exist and budget monitoring processes would identify any material instances of unusual activity.	• Senior personnel should not have access to post journal entries to the ledger as, whilst no postings were made by senior management during the year of audit, this ongoing access possess an increased risk of management override. • It is best practice to include an automated two-stage approval process for journal entries to evidence that entries have been subject to adequate review prior to posting. Although there is a manual approval process being conducted outside the system, there is still a risk that journals are being posted without appropriate approval. **Management's Response** Management will liaise with Hampshire IBC team to enquire whether the 'create journal' application for senior personnel can be disabled on the IBC Portal. It is likely to be prohibitively expensive to modify the SAP system for which the London Borough of Hammersmith and Fulham uses an off the shelf solution.
● Medium	**Schools' Contributions mismatch** In our review of the Pension Fund's reconciliation to gain assurance on the occurrence of contributions, we identified a **£2.2 million** variance between the contribution returns provided by the schools and the actual amount paid for contributions during the year. Upon discussion with the management, this is caused by the poor quality of returns received from the schools. As this variance cannot be supported by any evidence from the schools, we have reported this to the management as unadjusted uncertainty in Appendix C.	We recommend the Pension Fund identifies the specific cause of the mismatch and looks to resolve this with the schools in a timely manner to ensure that accurate contributions are being received and any issues are resolved in a timely manner. **Management's Response** TBC

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
● Medium	**Bank Reconciliation** During the year, we identified that bank account reconciliations were not being undertaken as a standalone reconciliation as part of the financial process. We acknowledge that the cash book balance in the general ledger and the bank statement at year end agreed. Despite this we would expect the year end reconciliation to be retained for audit purposes.	• Management should undertake month bank reconciliations on a timely basis. **Management's Response** The bank is reconciled monthly, however it is a live document throughout the financial year. A final reconciliation of cash at GL to cash at bank will be produced separately at the financial year end in future years.
● Low	**Password configuration settings for UPM not in line with best practice.** We noted that password complexity settings were configured on UPM in line with best practice with the exception of minimum password age which has been set to 0. If this was done there was then no requirement to reset the password for the user. A lack of robust password settings may allow financial information to be compromised by unauthorised users. In particular: • Users may bypass the password history configuration by example, changing their passwords 13 times in a few minutes and recycle the same password over a long period.	• Management should ensure that password settings configured on the UPM are in line with best practice and set the minimum password age to greater than 0. **Management's Response** Management agree that access to UPM via a password should be increased to at least 15 characters and will liaise with LPPA on this matter.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There were no adjusted or unadjusted misstatements over the triviality threshold.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 5 – Assumptions made about the future and other major sources of uncertainty The note does not include disclosure for other level 3 investments such as Illiquid Alternatives which are subject to estimation uncertainty.	The disclosure note should be amended.	✓
Note 10 – Investment Income The classification of investment income from Partners Group was changed from Pooled Investments to Alternatives in 23/24. It should be reverted to Pooled Investments for consistency.	The disclosure note should be amended.	✓
Note 16 – Financial Instruments Price Risk – The disclosure should be amended to remove the cash balance of **£23.1 million** from the 23/24 market value of assets exposed to price risk totalling **£1,376.4 million.** Currency Risk - The disclosure should be updated to remove the investments held at GBP of **£35.3 million** from the 23/24 market value of assets exposed to currency risk totalling **£625.7 million.**	The disclosure note should be amended.	✓
Note 21 - Additional Voluntary Contributions The note has been updated to reflect figures now received from Scottish Windows and Utmost Life and Pensions of **£0.848 million** and **£0.152 million** for 2023/24, respectively.	The disclosure note should be amended.	✓
There are various other minor presentational changes made that management has agreed to make in the updated set.	The disclosure note should be amended.	✓

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C. Audit Adjustments (continued)

Impact of unadjusted misstatements

The following unadjusted misstatements have been identified from the work performed during the course of the audit. The Audit Committee are asked to note this and Management's responses as to why these items have not been processed.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
Variances on Level 3 Investments In our testing of investments, the Partners Group and Quinbrook – Infrastructure Level 3 investments was understated in value by £1.06m. This was due to timing differences in the availability of valuation information from the Fund Manager.	(1,060) Change in market value	1,060 Investment assets	1,060 increase	Management do not consider the difference to be material.
Variances on Level 2 Investments In our testing of investments, the Abrdn – Long Lease Property Level 2 investment was understated in value by £1.61 million. This was due to timing differences in the availability of valuation information from the Fund Manager.	(1,608) Change in market value	1,608 Investment assets	1,608 increase	Management do not consider the difference to be material.

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C. Audit Adjustments (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
Variances on Management Expenses Our testing of management expenses identified 1 sample out of 5 where the fees coded to 2023-24 had been overstated. This was due to timing differences in the availability of transaction fees information from the Fund Manager. The extrapolated misstatement is £3,291k. Note that this is an extrapolation to identify the potential error, and the not the size of the actual error identified.	3,291 Change in market value (3,291) Management expenses	Nil	Nil	Management do not consider the difference to be material.
Overall impact	(2,660)	2,660	2,660	

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C. Audit Adjustments (continued)

Impact of unadjusted uncertainty

The following unadjusted uncertainties have been identified from the work performed during the course of the audit. The Audit Committee are asked to note this and Management's responses as to why these items have not been processed.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
School's contribution mismatch In our review of the Pension Fund's reconciliation to gain assurance on the occurrence of contributions, we identified a **£2.2 million** uncertainty in respect of schools' contributions received during the year which cannot be supported by any evidence due to the poor quality of returns received from the schools.	2,253 Contributions	(2,253) Current liabilities	2,253 decrease	Management do not consider the difference to be material.
Overall impact	2,253	(2,253)	2,253	

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C. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Variances on Level 3 Investments In our testing of investments, the Abrdn MSPC Level 3 investment was understated in value by £3.2m. This was due to timing differences in the availability of valuation information from the Fund Manager.	(3,201) Change in market value	3,201 Investment assets	3,201 increase	Management do not consider the difference to be material.
Variances on Level 3 Investments In our testing of investments, the Man Group Level 3 investment was overstated in value by £1.3m. This was due to timing differences in the availability of valuation information from the Fund Manager.	1,302 Change in market value	(1,302) Investment assets	1,302 decrease	Management do not consider the difference to be material.
Variances on Level 3 Investments In our testing of investments, the Partners Group Level 3 investment was understated in value by £1.4m. This was due to timing differences in the availability of valuation information from the Fund Manager.	(1,476) Change in market value	1,476 Investment assets	1,476 increase	Management do not consider the difference to be material.
Variances on Level 3 Investments Audit testing identified that £2.4m difference while performing a recalculation of investment from Aviva (Fund manager). We have found a discrepancy between the recalculation of the investment and the investment statement as of 31 March 2023	2,473 Change in market value	(2,473) Investment assets	2,473 decrease	Management do not consider the difference to be material.
Overall impact	(902)	902	902	

The above variances identified in the prior year resulted in the Investments held being potentially understated by £902k. There is no impact on the closing balance in 2023-24, however the above does reduce the *Profit on disposals of Investments and changes in value of Investments* by £902k.

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C. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements- Fund Account

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Contribution Testing In our contribution testing, we have extrapolated any errors that we have found and concluded that across the whole tested population, we have identified a misstatement of £188k.	188 Contribution	(188) Debtors	188 decrease	Management do not consider the difference to be material. Update – as this was an extrapolated error, we not expect any changes to be made and thus satisfied does not carry forward to 2023-24.
Audit Fee Note We have identified a variance of £11k between the audit fee note and the actual audit fee as per our audit plan during our testing.	11 Audit fees	(11) Trade payables	11 decrease	Management do not consider the difference to be material. Update – no impact on 2023-24 as this was reporting the value at a point in time.
Overall impact	199	(199)	703	

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D. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit fees	Fee per Audit plan	Proposed Fee
Scale Fee	£86,884	£86,884
ISA315 - these fees have now been agreed and set by PSAA, with a slight increase to the fee proposed in the audit plan of £340 following this review.	£7,500	£7,840
Total audit fees (excluding VAT)	**£94,384**	**£94,724**

The financial statements disclose an audit fee for the audit of the Pension Fund 2023/24 of £86,884. The difference to the stated final fee is the ISA 315 element as described above.

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E. Draft Audit opinion

Our Draft audit opinion is included below.

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of London Borough of Hammersmith and Fulham on the pension fund financial statements of London Borough of Hammersmith and Fulham Pension Fund

Opinion on financial statements

We have audited the financial statements of London Borough of Hammersmith and Fulham Pension Fund (the 'Pension Fund') administered by London Borough of Hammersmith and Fulham (the 'Authority') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Director of Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

E. Draft Audit opinion continued

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Director of Finance

As explained more fully in the Statement of 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 Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Director of Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).

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E. Draft Audit opinion continued

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the fund's financial position, and
- accounting estimates made in respect of the valuation of investment assets.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud;
- journal entry testing, with a focus on entries meeting the criteria determined by the audit team;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments, including directly held investments in property and the IAS 26 pensions asset valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item. evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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E. Draft Audit opinion continued

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matt Dean, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

6 November 2024

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London Borough of Hammersmith and Fulham
Town Hall
King Street
W6 9JU

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

06/11/2024

Dear Grant Thornton UK LLP

London Borough of Hammersmith and Fulham

Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of London Borough of Hammersmith and Fulham for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings, including Council Dwellings and Investment Properties, the assumptions used in the valuation of the net defined benefit liability, the valuation and completeness of provisions, and expected credit loss allowances in respect of short- and long-term debtors. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or

disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvi. We have considered the impact of equal pay claims on our financial statements, and we can confirm there are no active claims against the authority in relation to this. In addition, we can confirm we have considered under IAS 37 our provisions balance in relation to this and not identified any provisions that would be required in relation to this matter.

xvii. The prior period adjustments disclosed relating to Property Plant and equipment is accurate and complete. There are no other prior period errors to bring to your attention.

xviii. Reinforced autoclaved aerated concrete (RAAC) - We have considered the impact of RAAC on our financial statements. We have no knowledge of any material events or circumstances that would require adjustments to be made to our financial statements.

Information Provided

xix. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xx. We have communicated to you all deficiencies in internal control of which management is aware.

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

xxii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxiii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxiv. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxvi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxvii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxviii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxix. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 06/11/2024.

Yours faithfully,

Name: Cllr.

Position: Chair, Audit Committee

Date : 06/11 2024

Name: Sukvinder Kalsi

Position: Director of Finance

Date: 06/11/2024

Signed on behalf of the Council

London Borough of Hammersmith and Fulham
Town Hall
King Street
W6 9JU

Grant Thornton UK LLP
30 Finsbury Square,
LONDON,
EC2A 1AG

06 November 2024

Dear Grant Thornton

London Borough of Hammersmith and Fulham Pension Fund
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of the London Borough of Hammersmith and Fulham Pension Fund for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of investments, in particular Investments held at Level 3 in the fair value hierarchy which have significant unobservable inputs into the valuation techniques, and the disclosure of the actuarial present value of promised retirement benefits. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to

achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Fund has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

ix. We have considered the misclassification and disclosures changes schedule included in your Audit Findings Report. The financial statements have been amended for these misclassifications and disclosure changes and are free of material misstatements, including omissions.

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund, both quantitaively and qualtitatively, and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :

   a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiv. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.

xv. We have communicated to you all deficiencies in internal control of which management is aware.

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

xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxi. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

xxii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

xxiii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Fund's Audit Committee at its meeting on 6 November 2024.

Yours faithfully

Name……

Position……..

Date…….

Name……

Position……..

Date…….

Signed on behalf of the Fund



Annual Report

Hammersmith & Fulham Pension Fund **2023/24**

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hammersmith & fulham



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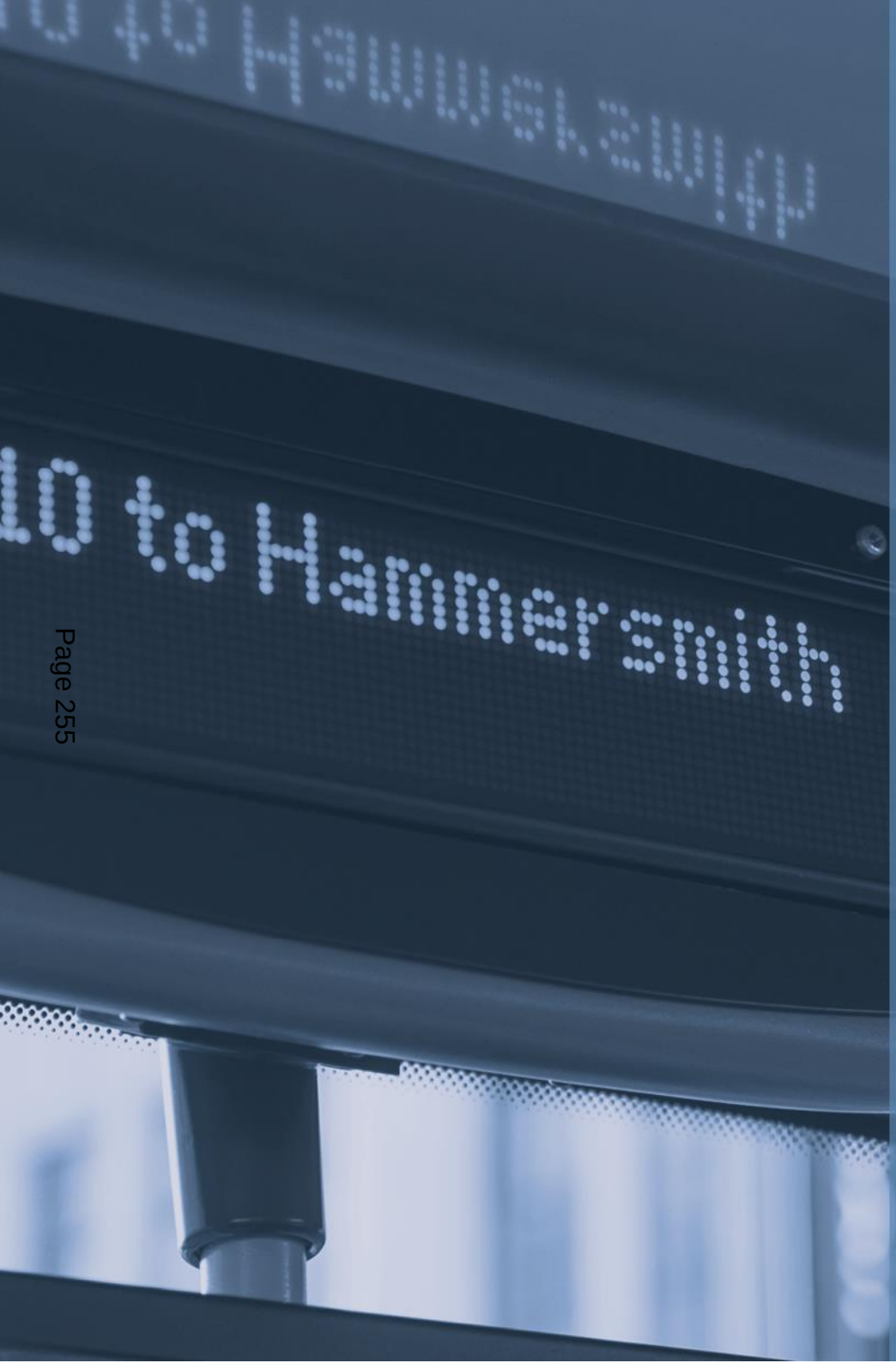
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1.
Preface

Report from Chair of the Pension Fund Committee

WELCOME TO THE ANNUAL REPORT OF HAMMERSMITH AND FULHAM PENSION FUND

The Pension Fund Committee is responsible for overseeing the governance and management of the London Borough of Hammersmith and Fulham Pension Fund, including investment management and pension administration responsibilities. As the current Chair of this Committee, I am pleased to introduce the Pension Fund's Annual Report for the year 2023/24.

At the 2022 actuarial valuation the London Borough of Hammersmith and Fulham Pension Fund achieved a funding level of 105%. At 31 March 2024, the indicative funding level has risen by 25% to 130% from the triennial valuation. Returns have continued to exceed the discount rate during the period, primarily as a result of excellent performance across the Fund's asset classes.

Following the actuarial valuation, a review of the strategic asset allocation was undertaken during the year where the Pension Fund Committee elected to invest in several new initiatives, allocating 10% to Allspring Global Investments Climate Transition Global Buy and Maintain Fund, 3.5% to Quinbrook Renewable Infrastructure and 5% to LCIV Buy and Maintain Bonds respectively.

The Fund collaborates closely with its LGPS pool, the London Collective Investment Vehicle (LCIV), to enhance efficiency by pooling Pension Fund assets. This collaboration allows the Fund to benefit from reduced fees that have been negotiated and to leverage additional services offered by the LGPS asset pool, such as climate-related reporting and asset manager engagement. With nearly 60% of its assets pooled, the London Borough of Hammersmith and Fulham Pension Fund remains a key supporter of the London CIV pool.

At the Local Authority Pension Fund Awards 2023, The Fund was delighted to win the LGPS Fund of the Year (Assets Under £2.5billion) award. This great honour reflects the Fund's strong investment strategy, outstanding oversight and governance practices, and remarkable performance throughout the year.

I would like to thank all those involved in the governance and management of the Pension Fund during the year, especially those who served on the pension Fund Committee during this time.

Councillor Ross Melton
Chair of the Pension Fund Committee



Introduction

The London Borough of Hammersmith and Fulham Pension Fund (the Fund) is part of the national Local Government Pension Scheme (LGPS) and is administered locally by Hammersmith and Fulham Council. It is a contributory defined benefit pension scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. Teachers are excluded from this scheme as they are administered under the Teachers' Pension Scheme.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies, and from investment returns on the Fund's investment assets. Contributions rates for employees set in accordance with the Local Government Pension Scheme Regulations 2013. Employer contributions are set based on the triennial actuarial funding valuation. The latest valuation for the fund was carried out as at 31 March 2022, and the new contributions came into effect from 1 April 2023.

The benefits payable from the Fund in respect of service from 1 April 2014 are set out in the Local Government Pension Scheme Regulations 2013, as amended, and in summary consist of:

- Career average revalued earnings (CARE), revalued in line with the Consumer Prices Index.
- Pensionable pay to include non-contractual overtime and additional hours.
- Flexibility for member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age.
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement.
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health.

The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final salary and the number of years eligible service. Benefits accrued in the Scheme before 1st April 2014 are protected up to that dated based on the scheme member's final year's pay.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

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

The content and format of this annual report is prescribed by the LGPS Regulations 2013.

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund. It brings together several separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

THIS ANNUAL REPORT COMPRISES THE FOLLOWING SECTIONS:

- **Management and Financial Performance** which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.
- **Investment Policy and Performance** which details the Fund's investment strategy, arrangements and performance.
- **Scheme Administration** which sets out how the Scheme's benefits and membership are administered.
- **Actuarial Information** which includes the funding position of the Fund with a statement from the Fund's actuary.
- **The Fund's Annual Accounts** for the year ended 31 March 2024.
- **Asset Pools** and their governance structure including costs
- **List of contacts** and a glossary of some of the more technical terms
- **Appendices** setting out the various regulatory policy statements of the Fund:
    - Governance Compliance Statement
    - Statement of Investment Principles
    - Communication Policy
    - Funding Strategy Statement
    - Pension Administration Strategy
    - Report of the Pensions Board

Further information about the Local Government Pension Scheme can be found at:
https://www.lbhfpensionfund.org/

This annual report and the statement of accounts within have been prepared taking careful account of relevant Statutory Guidance.



2.

Management and Financial Information

Governance Arrangements

PENSION FUND COMMITTEE

The London Borough of Hammersmith & Fulham Council has delegated responsibility for pension matters to the Audit, Pensions and Standards Committee.

The Committee is comprised of five elected representatives of the council – four from the administration and one opposition party representative. Members of the admitted bodies and representatives of the Trade Unions may attend the committee meetings but have no voting rights. In order to manage the workload of the committee, it has delegated decisions in relation to all pension matters to the Pension Fund Committee.

The Committee obtains and considers advice from the Tri-Borough Director of Treasury and Pensions, the Section 151 Officer and, as necessary, from the Fund's appointed actuary, advisors and investment managers.

Terms of reference for the Committee are:

- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the investment consultant.
- To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable.
- To determine the Fund's management arrangements, including the appointment and termination of fund managers, actuary, custodians and fund advisors.
- To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
- To approve the final Statement of Accounts of the Pension Fund and to approve the Annual Report.
- To receive actuarial valuations of the Pension Fund regarding the level of employers' contributions necessary to balance the Pension Fund.
- To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
- To make and review an admission policy relating to admission agreements generally with any admission body.
- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
- To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
- To receive and consider the Auditor's report on the governance of the Pension Fund.
- To determine any other investment or Pension Fund policies that may be required from time to time to comply with Government regulations and to make any decisions in accordance with those policies.

The membership throughout 2023/24 of the Pension Fund Committee is set out below.

Councillor	Committee Attendance 2023/24
Ross Melton (Chair)	5/6
Adrian Pascu-Tulbure (Vice Chair)	5/6
Lauren Janes	6/6
Adam Peter Lang	4/6
Florian Chevoppe-Verdier	6/6

Councillors may be contacted at Hammersmith Town Hall, King Street, London, W6 9JU.

PENSIONS BOARD

The Council has also established a Pensions Board (the Board) to assist the Pension Fund Committee as required by the Public Services Pensions 2013. The purpose of the Pensions Board is to provide oversight of the Pension Fund Committee.

The Board does not have a decision-making power in relation to management of the Fund but is able to make recommendations to the Pension Fund Committee. It meets at least twice a year.

Terms of reference for the Pensions Board are:

- To secure compliance with the LGPS Governance regulations and any other legislation relating to the governance and administration of the Fund.
- To secure compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme
- To ensure effective and efficient governance and administration of the Scheme

The membership of the Board is as follows:

- Two employer representatives nominated by the Council;
- Four scheme member representatives from the Council or an admitted or scheduled body.

The membership of the Pensions Board throughout 2023/24 is set out below.

Board Member	Employer/Employee	Attendance 2023/24
Cllr Ashok Patel (Chair)	Employer	2/2
Cllr Nikos Souslous	Employer	2/2
William O'Connell	Employee	2/2
Patsy Ishmael	Employee	1/2
Bruce Mackway	Employee	1/2
Andy Sharpe	Employee	1/2

CONFLICTS OF INTEREST

The Pension Fund is governed by elected members acting as trustees and the Code of Conduct for elected members' sets out how any conflicts of interests should be addressed. The Members Code of Conduct is in Part 5 of the Council Constitution which can be found online at *www.lbhf.gov.uk*

The Code includes general provisions on ethics and standards of behaviour which require elected members to treat others with respect and not to bully, intimidate or do anything to compromise the impartiality of those who work for or on behalf of the Council.

The Code also contains rules about "disclosable pecuniary interests" and sets out the action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

GOVERNANCE COMPLIANCE STATEMENT

The LGPS Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure the governance arrangements in place against a set of best practice principles. This measurement should result in a statement of full, partial or non-compliance with a further explanation provided for any non- or partial-compliance.

The key issues covered by the best practice principles are:

- Formal committee structure;
- Committee membership and representation;
- Selection and role of lay members;
- Voting rights;
- Training, facility time and expenses.

A hyperlink to the Fund's Governance Compliance statement can be found in the Appendices section of this report.

MEMBER AND OFFICER TRAINING

All Committee and Board members are required to have sufficient knowledge and understanding of pensions matters to undertake their roles. Board members are expected to comply with a separate policy on knowledge and understanding and maintain appropriate records.

The Tri-Borough Treasury and Pensions team host half day training sessions for all members to attend during the year.

Further relevant training is planned by officers for 2024/25 based on the needs of Committee and board members.

Training sessions during the year covered a diverse range of topics, including:

- private markets
- climate reporting
- current economic conditions facing the pensions world
- engagement versus divestment
- an update on the pooling consultation
- an overview of the current state of the economy
- insights into Artificial Intelligence (AI)

FREEDOM OF INFORMATION REQUESTS

The public have the right to ask to see recorded information held by public authorities, as set out in the Freedom of Information Act 2000. During the year, the Fund received 7 Freedom of Information requests (FOIs), 6 were responded to within the statutory deadline of 20 working days. The remaining requests were responded to shortly after their deadlines, due to a delay in information requested from third parties.co

Scheme Management and Advisors during 23-24

EXTERNAL PARTIES

Investment Advisor	Isio		
Investment Managers	**Global Equities (Passive)**	**Absolute Return**	**Ground Rents**
	Legal & General Investment Management	Ruffer	Alpha Real
	Morgan Stanley Investment Management	**Fixed Income**	**Illiquid Alternatives**
	Private Multi-Asset Credit	Oakhill Advisors	Darwin
	Partners Group	**Long Lease Property**	**Affordable Housing**
	Aberdeen Standard	Aberdeen Standard	Man Group
	Infrastructure	**Private Equity**	**Bonds**
	Aviva Investors	Unigestion	Allspring Global
	Partners Group		Insight
	Quinbrook		
Custodian	Northern Trust		
Banker	NatWest Bank		
Actuary	Hymans Robertson LLP		
Auditor	Grant Thornton LLP		
Legal adviser	Eversheds Sutherland		
Scheme Administrators	LPPA		
AVC Providers	Scottish Widows Workplace Pensions	Utmost Life and Pensions	

OFFICERS

Strategic Director of Finance and Governance (S151 Officer)	Sukvinder Kalsi		
Tri-Borough Pensions Team	Phil Triggs	Julia Stevens	Alastair Paton
	Mat Dawson	Billie Emery	Ruby Vuong
	Patrick Rowe	Siân Cogley	Sukdev Singh
Pensions Manager	Eleanor Dennis		

Contact details are provided in Section 7 of this report

Risk Management

The Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

The responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. In order to manage the risks a Pension Fund Risk Register is maintained, focusing on investment risks and on administration risk. This document is reviewed quarterly. For the key risks which have been identified, appropriate planned actions have been introduced to minimise their impact. The risk register is managed by the Tri-Borough Director of Treasury and Pensions and risks have been assigned to the appropriate "risk owners".

The key risks identified within the Pension Fund risk register are:

Objective Area at Risk	Risk	Risk Rating	Responsible Officer	Mitigating Actions
Investment	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty, including with Russia and Ukraine and conflicts in the Middle East.	High	Tri-Borough Director of Pensions and Treasury	The Fund's officers are in regular dialogue with investment managers with regards to their management of political risk. The Fund holds a well-diversified portfolio and the investment strategy is reviewed regularly.
Administration	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.	Medium	Director of Finance	The Fund's officers continue to monitor the staffing changes, contract and KPIs of third-party provider.

Risk Management (continued)

Risks arising from financial instruments are outlined in the notes to the Pension Fund Accounts (Note 16).

The Funding Strategy Statement (Link included in the appendices section of this report) sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy. The actuary reports on these risks at each triennial valuation or more frequently as and when required.

Objective Area at Risk	Risk	Risk Rating	Responsible Officer	Mitigating Actions
Funding	There is insufficient cash available to the Fund to meet pension payments due to reduced income generated from underlying investments, leading to investment assets being sold at sub-optimal prices to meet pension obligations.	Medium	Director of Finance	The Fund's officers maintain a regularly monitored cashflow forecast. The Fund's cash position is reported to Committee quarterly. The Fund continually reviews the income it receives from underlying investments
Governance	The asset pool disbands, or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	Medium	Tri-Borough Director of Pensions and Treasury	The Fund's officers frequently engage with the pool and partner funds Ongoing fund and pool proposals are monitored regularly
Funding	Scheme members live longer than expected leading to higher than expected liabilities.	Medium	Tri-Borough Director of Pensions and Treasury	The scheme's pension liabilities are reviewed on a quarterly basis and revalued every three years.
Investment	Volatility caused by Brexit factors, including ongoing supply chain issues and reduced trade and economic activity, as well as diminished UK financial and investment market activity.	Medium	Tri-Borough Director of Pensions and Treasury	Officers regularly consult and engage with advisors and independent managers.

THIRD PARTY RISKS

The Council has outsourced the following functions of the Fund:

- Investment management;
- Custodianship of assets;
- Pensions administration.

As these functions are outsourced, the Council is exposed to third party risk. A range of investment managers are used to diversify manager risk.

To mitigate the risks regarding investment management and custodianship of assets, the Council obtains independent internal controls assurance reports from the reporting accountants to the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal controls highlighted by the control's assurance reports are reviewed and reported as necessary to the Pension Committee.

The Council's internal audit service undertakes planned programmes of audits of all the Councils' financial systems on a phased basis, all payments and income/contributions are covered by this process as and when the audits take place.

The results of these reviews are summarised below and cover 99.5% of investment holdings at 31 March 2024.

Fund Manager	Type of Assurance	Control Framework	Compliance with Controls	Reporting Accountant
Aberdeen Standard	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Aviva Investors	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Legal & General	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Morgan Stanley	ISAE 3402	Reasonable assurance	Reasonable assurance	Deloitte
Oak Hill Advisors	SOC10	Reasonable assurance	Reasonable assurance	RSM US LLP
Partners Group	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Ruffer LLP	ISAE 3402	Reasonable assurance	Reasonable assurance	Ernst Young LLP
Unigestion	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
PIMCO	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Darwin	ISAE 3402	Reasonable assurance	Reasonable assurance	BDO Limited
Alpha Real Capital	AAF 01/20	Reasonable assurance	Reasonable assurance	BDO Limited
Man Group	ISAE 3402	Reasonable assurance	Reasonable assurance	Ernst Young LLP
Allspring Global	SOC10	Reasonable assurance	Reasonable assurance	KPMG LLP
Insight	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Quinbrook	ISAE 3402	Reasonable assurance	Reasonable assurance	BDO Limited
Custodian				
Northern Trust	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP

Financial Performance

The Fund asset value increased by £87m during 2023/24, to £1,378m as at 31 March 2024, this was largely as a result of positive performance within the global equity mandate and fixed income portfolios.

A triennial revaluation was completed in 2022/23 showing an improvement in the overall funding level to 105% compared to 97% in 2019. However, funding levels for different employers vary significantly. To improve funding levels, the Council's medium-term financial plan already assumes an increase in employer contributions, which in combination with other employers, will improve the overall funding level over the medium term.

The latest triennial revaluation took place in 2022 and set employer contribution rates from 1 April 2023 onwards and shows a further funding level of 105%.

ANALYTICAL REVIEW – FUND ACCOUNT

	2019/20	2020/21	2021/22	2022/23	2023/24
Fund account	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Dealings with members					
Contributions	(37,869)	(41,534)	(42,920)	(43.807)	(49,925)
Pensions	52,660	52,088	54,096	54,869	60,845
Net (additions)/withdrawals from dealings with members	14,791	10,554	11,176	11,062	10,920
Management expenses	5,866	8,903	9,915	8,283	10,857
Investment Income	(14,642)	(12,327)	(11,170)	(24,673)	(19,531)
Change in market value	36,172	(215,444)	(115,585)	39,819	(89,367)
Net (increase)/decrease in the Fund	**41,187**	**(208,337)**	**(105,690)**	**34,470**	(87,121)

Over the five-year period, pensions paid have exceeded contributions received by £59m in total. This reflects the maturity of the Fund membership in that there are fewer contributors than beneficiaries.

Both officers and the Pension Fund Committee monitor investment performance closely and refer to independent investment advisers as necessary to ensure the Fund's investments are being managed effectively.

Due to greater improvements and uptake in the cost transparency initiative, the Fund was able to better ascertain its transaction costs.

ANALYTICAL REVIEW – NET ASSET STATEMENT

	2019/20	2020/21	2021/22	2022/23	2023/24
Net Asset Statement	£'000	£'000	£'000	£'000	£'000
Bonds	-	-	-	-	-
Equities	150	150	150	150	150
Pooled investment vehicles	946,792	1,214,810	1,287,378	1,260,241	1,353,274
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Cash deposits	59,524	8	32,104	20,245	7,456
Other	26	13	7	39	18
Total Investment Assets	1,006,492	1,214,981	1,319,639	1,280,675	1,360,898
Current assets	5,572	3,664	4,525	3,911	3,929
Current Liabilities	(1,178)	(1,100)	(2,118)	(1,979)	(2,905)
Net (increase)/decrease in the Fund	**1,010,886**	**1,219,223**	**1,324,913**	**1,290,443**	**1,377,564**

The points to note are:

- 43.5% of pooled investment vehicles comprise of global equity shareholdings (45.7% in 22/23), 25.9% within dynamic assets (25.2% in 22/23), 18.8% is invested in secure income (13.4% in 22/23), while the remaining 11.7% is invested in inflation protection (12.1% in 22/23).
- The overall value of pooled investment vehicles increased by £93m (7%) during the year, largely due to positive performance within the equity, and fixed income asset classes.

Further details are given in the Investment Policy and Performance Section.

ANALYSIS OF DEALINGS WITH SCHEME MEMBERS

	2019/20	2020/21	2021/22	2022/23	2023/24
Contributions Receivable	£'000	£'000	£'000	£'000	£'000
- Members	(7,408)	(8,004)	(8,735)	(9,539)	(10,303)
- Employers	(26,135)	(24,180)	(25,568)	(27,421)	(31,323)
- Transfers in	(4,326)	(9,350)	(8,617)	(6,847)	(8,299)
- Other	-	-	-	-	
Total Income	**(37,869)**	**(41,534)**	**(42,920)**	**(43,807)**	**(49,925)**

	2019/20	2020/21	2021/22	2022/23	2023/24
Benefits Payable	£'000	£'000	£'000	£'000	£'000
- Pensions	34,916	36,363	37,839	40,045	44,317
- Lump sum retirements and death benefits	9,400	8,672	10,368	8,002	9,439
- Transfers out	7,225	7,013	5,737	6,738	6,980
- Refunds	119	40	152	84	109
Total Expenditure	51,660	52,088	54,096	54,869	60,845
Net Dealings with Members	**13,791**	**10,514**	**11,176**	**11,062**	**10,920**

The key variances were due to the following:

- Lump sums increased due to more members retiring than in the prior year.
- Transfers in were higher, reflecting more new starters joining the scheme and choosing to transfer in benefits on commencement of employment, than last year.
- Transfers out were marginally higher, reflecting more people leaving the scheme and choosing to transfer out their benefits than the last year.
- Pension payments increased during 2023/24, as a result of the increases in pension payments, which are linked to CPI

Financial Performance (continued)

ANALYSIS OF OPERATIONAL EXPENSES

The costs of running the pension fund are shown below. During 2023/24, the administration costs increased by 76% to £973k, largely as a result of an increase in the administration staff recharge, pension administration contract and project costs. The Fund's investment management expenses increased by 24% during the year. There were three main driver of this increase in cost, firstly due to more favourable performance in 2023/24 than 2022/23, more managers hit their threshold for performance related fees. Secondly, fees from managers are calculated from the NAV, a higher NAV results in increased fees, and finally, The fund made four new investments, and topped up an investment in 2023/24: more investments redeemed to fund these new investments resulted in higher transaction fees than in the prior year

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Administration					
Employees	223	279	230	236	206
Supplies and services	139	254	354	314	765
Other Costs	3	3	2	2	3
Total Administration Costs	365	536	587	552	**973**
Governance and Oversight					
Employees	447	550	637	409	356
Investment advisory services	81	109	59	97	62
Governance and compliance	134	125	151	126	180
External audit	25	-4	40	45	73
Actuarial fees	79	54	35	40	29
Total Governance and Oversight Costs	766	834	922	717	**699**
Investment Management					
Management fees	4,250	5,446	6,431	5,428	5,580
Performance fees	36	257	79	107	672
Transaction costs	421	1,764	1,845	1,377	2,864
Custodian fees	28	66	51	102	68
Total Investment Management Fees	4,735	7,553	8,406	7,014	**9,184**
Total Operational Expenses	**5,866**	**8,903**	**9,915**	**8,283**	**10,857**

EMPLOYER AND EMPLOYEE CONTRIBUTION RATES

Employer contribution rates are set triennially as part of the actuarial valuation, with the most recent valuation taking place on 31 March 2022. Employer contributions need to be set at a level which ensures the Fund has enough money to pay member benefits. Employee contribution rates are based on employee salaries, with rates currently between 5.5% and 12.5% of pensionable pay.

The employer and average employee contribution rates for each active employer as a percentage of pensionable pay, for 2023/24, is shown in the table below.

Administering Authority	Employer Contribution Rate	Employee Contribution Avg, Rate
	%	%
LBHF Council	21.7%	7.5%
Addison Primary School	21.7%	5.9%
All Saints Primary School	21.7%	5.9%
Bayonne Nursery School	21.7%	6.0%
Brackenbury Primary School	21.7%	6.1%
Cambridge School (Special)	21.7%	6.4%
Jack Tizard School (Special)	21.7%	6.1%
James Lee Nursery School	21.7%	6.2%
Larmenier & Sacred Heart Primary School	21.7%	5.9%
Melcombe Primary School	21.7%	5.9%
Normand Croft Community School for Early Years & Primary Education	21.7%	5.9%
Randolph Beresford Early Years Centre Nursery School	21.7%	5.9%
Sir John Lillie Primary School	21.7%	5.9%
St Augustine's Primary School	21.7%	5.9%
St Johns CE Primary School (Walham)	21.7%	6.0%
St Mary's Primary School	21.7%	6.1%
St Peter's Church of England Primary School	21.7%	5.9%
St. Thomas of Canterbury Primary School	21.7%	5.9%
The Good Shepherd Primary School	21.7%	5.9%
Vanessa Nursery School	21.7%	6.1%
William Morris Sixth Form School	21.7%	6.2%
Wood Lane High School	21.7%	6.3%
Wormholt Park Primary School	21.7%	6.4%
Kenmont Primary School	21.7%	6.2%
Flora Gardens Primary School	21.7%	6.3%
Miles Coverdale Primary School	21.7%	6.0%
Old Oak Primary School	21.7%	6.0%
St Paul's Primary School	21.7%	6.1%
Wendell Park School	21.7%	6.3%
St Stephens	21.7%	6.0%
Holy Cross RC Primary School	21.7%	6.1%
Avonmore Primary School	21.7%	5.5%
John Betts Primary School	21.7%	6.0%

SCHEDULED BODIES

Scheduled bodies are organisations which have a statutory right to be a member of the Local Government Pension Scheme under the regulations e.g. academy schools.

Scheduled Bodies	Employer Contribution Rate	Employee Contribution Avg. Rate
	%	%
Mortlake Crematorium Board	21.9%	6.8%
London Oratory School	15.2%	6.3%
Ark Burlington Danes Academy	13.5%	6.0%
Hammersmith Academy	23.0%	6.8%
Sacred Heart Academy	23.0%	6.7%
Ark Conway Primary Academy	23.0%	5.7%
Knowledge West London Free School	23.0%	7.0%
Ark Bentworth Primary Academy	23.0%	5.6%
Lady Margaret Academy	23.0%	7.3%
Ark Swift Primary Academy (Ark White City Primary Academy from 01/09/2023)	23.0%	5.8%
Fulham College Academy Trust Girls	23.0%	6.5%
Hurlingham & Chelsea Academy	23.0%	6.2%
Fulham Boys Free School	23.0%	6.6%
Fulham College Academy - Boys	23.0%	6.6%
Greenside Academy	23.0%	6.0%
Thomas Academy	23.0%	6.2%
Langford Academy	23.0%	6.9%
Phoenix Academy (from October 2016)	23.0%	6.3%
Ormiston Trust - Bridge AP Academy	23.0%	6.6%
Ormiston Trust - Courtyard AP Academy	23.0%	5.5%
Knowledge Earl's Court Free Primary School	23.0%	5.7%
Brightwells Academy Trust Fulham Primary School	23.0%	5.9%
Brightwells Academy Trust Queens Manor Primary School	23.0%	5.9%
Brightwells Academy Sulivan Primary School	23.0%	6.1%
Queen Charlotte Special Education Trust	23.0%	6.2%
St John XXIII Catholic Primary Academy	23.0%	5.8%

ADMITTED BODIES

Admitted bodies participate in the pension scheme via an admission agreement made between the Council and the employing organisation.

Admitted Bodies	Employer Contribution Rate	Employee Contribution Avg. Rate
	%	%
Mitie Catering Services Ltd	22.7%	6.2%
FM Conway	20.3%	6.4%
Pinnacle PSG Ltd - Estates Services	30.9%	6.5%
Urban Partnership Group	24.5%	6.6%
Caterlink (Main Contract)	32.6%	5.9%
BT - IT services	21.4%	6.8%
Abelian-UK Ltd - Wormholt Park Primary	35.8%	5.5%
Birkin Clean	35.9%	5.5%
F M Conway (2017)	23.8%	5.5%
Peabody	28.2%	5.5%
Morgan Sindall Group - Contract 1 -	34.3%	6.7%
Morgan Sindall Group - Contract 2 -	29.3%	6.5%
Bee Services - Randolph Beresford -	32.8%	5.5%
Bee Services - Vanessa Nursery -	35.6%	5.5%
Churchill Catering	33.9%	5.5%
The Pantry (UK) Ltd (St John XXIII)	25.2%	5.7%
The Pantry (UK) Ltd (St Marys)	23.1%	5.5%
Morgan Sindall Group - Contract 3 -	26.2%	6.5%
HATS Group Ltd	29.7%	5.5%
Veolia	20.4%	6.5%

LATE AND OVERDUE CONTRIBUTIONS

As part of the Fund's Pensions Administration Strategy (PAS), officers monitor employer performance including payment of contributions and submission of monthly returns. As part of this monitoring process, the Fund has the ability to charge employers, as per the PAS, a link to which can be found in the appendices section of this report.

The following table details the number of late contribution payments made during the financial year 2023/24. There was a total of 16 late payments during the year, in relation to employer and employee contributions, however the option to levy interest on overdue contributions was not exercised.

Month	Number of Late Payments
April	2
May	2
June	2
July	1
August	1
September	-
October	2
November	-
December	2
January	2
February	1
March	1
Total	**16**

PENSION OVERPAYMENTS, RECOVERIES AND WRITE OFFS

The Fund's administrator, LPPA, monitors pension overpayments throughout the year. Due to time constraints and excess costs in relation to recovery, any pension payments valued at £250 or less are automatically written off. It is broadly estimated that Fund writes off approximately £20,000 - £30,000 in overpaid pension each year.

The Pension Fund does however attempt to pursue those overpayments above the £250 threshold. The LBHF pensions team continues to work with the LPPA and the LBHF debt recovery teams to try and recover further outstanding overpayment fund.

ACTIONS TAKEN AGAINST FRAUD

Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss due to fraud is minimised. Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal Audit assist in the implementation of strong internal controls. Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).

Officers are not aware of any instances of fraud, credit losses, provisions, contingent liabilities, or impairments during the year.



3.

Investment Policy and Performance

Investment Policy

The Pension Fund Committee has set out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS).

The ISS sets out responsibilities relating to the overall investment policy of the Fund including:

- asset allocations
- restrictions on investment types
- methods of investment management
- performance monitoring

The ISS also sets out the Fund's approach to responsible investment and corporate governance issues, and how the Fund demonstrates compliance with the "Myners Principles".

These Principles are a set of recommendations relating to the investment of pension funds originally prepared by Lord Myners in 2001 and subsequently endorsed by Government. The current version of the Myners Principles covers the following areas:

- effective decision making
- clear objectives
- risk & liabilities
- performance measurement
- responsible ownership
- transparency and reporting

A link to the Fund's ISS has been included in the appendices section of this report.

The LGPS (Management and Investment of Funds) Regulations 2016, require the Fund to publish an ISS.

The ISS addresses each of the objectives included in the 2016 Regulations, namely:

- The administering requirement to invest fund money in a wide range of instruments.
- The administering authority's assessment of the suitability of particular investments and types of investment.
- The administering authority's approach to risk, including the ways in which risks are to be measured and managed.
- The administering authority's approach to pooling investments, including the use of collective investment vehicles.
- The administering authority's policy on how environmental, social and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

Any queries relating to the Fund's investment policy should be addressed to:

Tri-Borough Pensions Team
16th Floor
64 Victoria Street
London
SW1E 6QP

Email: *pensionfund@lbhf.gov.uk*

Asset Allocation

The strategic asset allocation is agreed by the Pension Fund Committee and the Fund's advisers. The allocation during the year ended 31 March 2024 was as follows:

Asset Class	Actual Allocation	Target Allocation
Global Equities	43.5 %	40.0%
Dynamic Asset Allocation	25.9%	25.0%
Secure Income	18.8%	20.0%
Total Inflation Protection	11.8%	15.0%
Total	**100.0%**	**100.0%**

The Pension Fund Committee holds Fund Managers accountable for decisions on asset allocation within the Fund mandate that they operate under. To follow the Myners' Committee recommendation, Fund Managers are challenged deliberately and formally about asset allocation decisions.

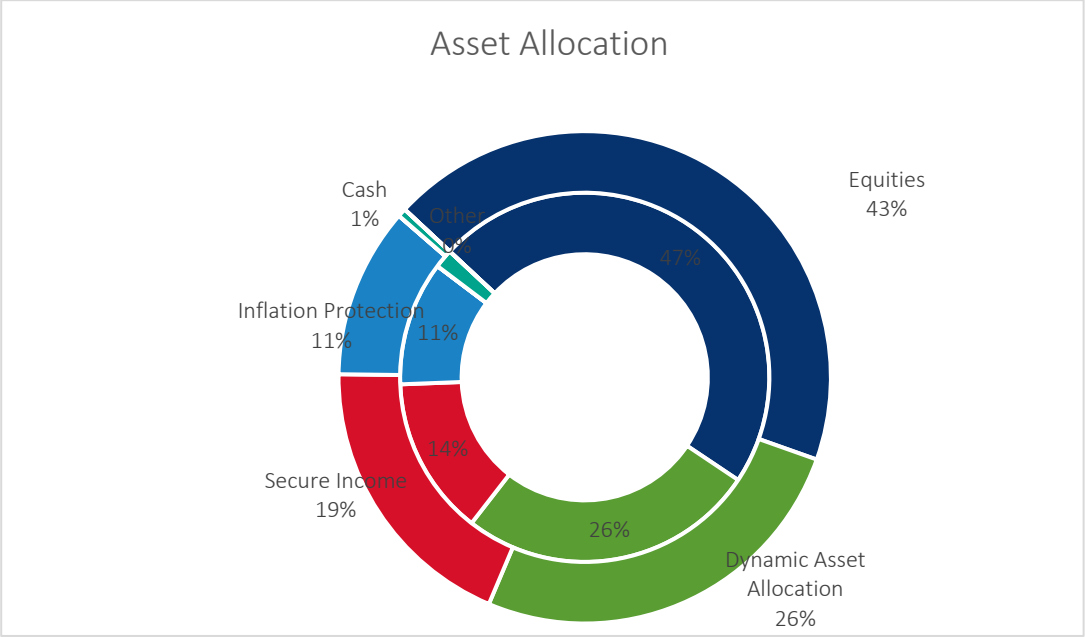
Investment portfolios are reviewed at each Committee meeting in discussion with the Investment Adviser and Officers, and Fund Managers are called to a committee meeting if there are issues that need to be addressed. Officers meet Fund Managers regularly and advice is taken from the Investment Advisor on matters relating to fund manager arrangement and performance.

Fund managers provide a rationale for asset allocation decisions based upon their research resource to ensure that they are not simply tracking the peer group or relevant benchmark index. The Fund's asset allocation strategy can be found in the ISS.

The asset allocation of the Pension Fund at the start and end of the financial year are set out below.

These figures are based on market value and reflect the relative performance of investment markets and the impact of tactical asset allocation decisions made by the Pension Fund Committee.

At 31 March 2024, the fund had an overweight allocation to cash. This cash is intended to be allocated to secure income in 2024/25.

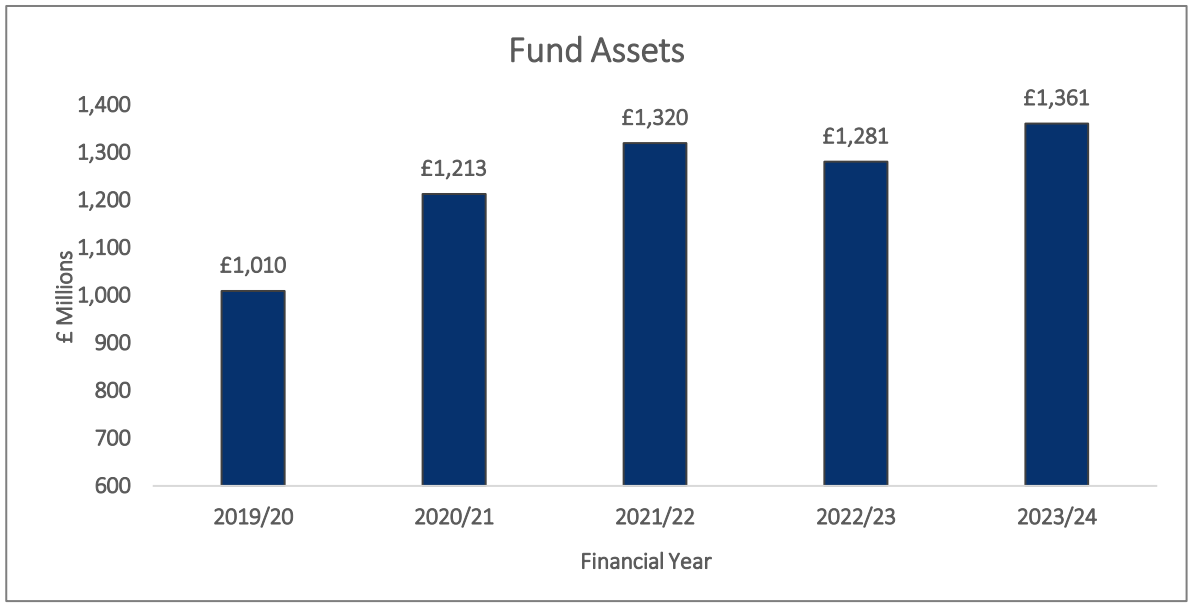


Asset Allocation (continued)

FUND VALUE

The net asset value of the Fund has almost doubled over the past ten years with 35% of this growth occurring over the last five years.

In 2023/24, the fund's net asset value increased by 6% to £1.36bn. The Fund is invested to meet liabilities over the medium to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile and do not necessarily indicate the underlying health of the Fund.

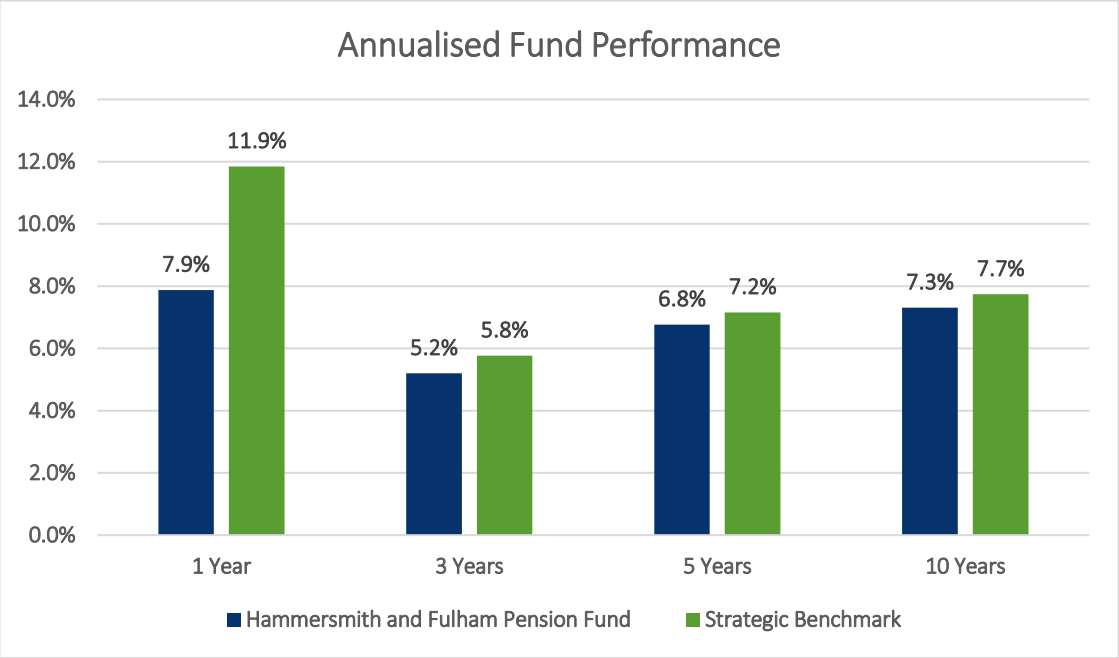


Investment Performance

In 2023/24, the Fund's investment performance was 7.9% (-1.7% in 2022/23) to £1.36bn. This was below the average LGPS return by -3.97%.

Performance of the Fund is measured against an overall strategic benchmark. Each fund manager is assigned individual performance targets which are linked to index returns for the assets they manage, e.g. FTSE All Share for UK equities. Details of these targets can be found in the Statement of Investment Principles.

The chart below shows the annualised fund performance over different time periods. Overall, the Fund has underperformed its strategic benchmark across the 10-year period with an underperformance of 0.4% in 2023/24.



Performance of fund managers is reviewed quarterly by the Pension Fund Committee, which is supported by the Fund's independent investment advisor.

Investment Performance (continued)

Active	Passive
London LGPS CIV Ltd LCIV Absolute Return Fund (Ruffer) LCIV Buy and Maintain Bonds (Insight) LCIV Global Core (MSIM)	**Legal & General Investment Management** MSCI Low Carbon Tracker Fund
Partners Group Private Multi Asset Credit Infrastructure	
Aviva Investors Infrastructure	
Oak Hill Advisors Multi Asset Credit	
abrdn Long Lease Property Fund Multi-sector Private Credit	
Man Group Affordable Housing	
Darwin Alternatives Illiquid Alternatives	
Quinbrook Renewable Infrastructure	
Allspring Global Investors Buy and Maintain Bonds	
Alpha Real Capital Ground Rents	

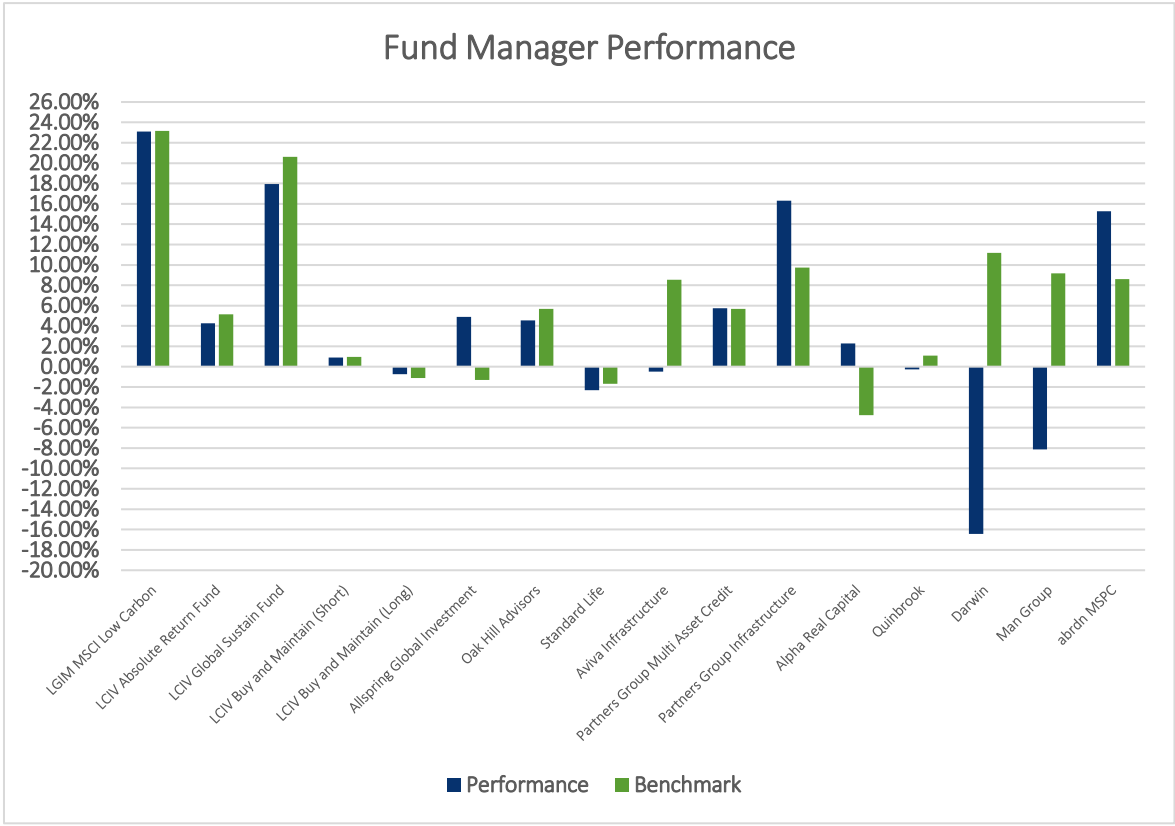
The overall performance of each manager is measured over rolling three-year or five-year periods as there will inevitably there be short-term fluctuations in performance.

The Fund entered into new strategies during the year. These have been measured on their performance since inception.

The portfolio is a mixture of active and passively managed asset classes:

- Targets for active fund mandates are set to outperform the benchmark by a set percentage through active stock selection and asset allocation.
- Targets for passive funds are set to achieve the benchmark through investment in a stable portfolio.

The table below shows the portfolio mixture of the fund:



Corporate Governance

RESPONSIBLE INVESTMENT POLICY

The Council has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. It believes that following the best practice in terms of environmental, social and ethical issues has a positive effect on the long-term financial performance of a company and will improve investment returns to its shareholders.

The Fund investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of environmental, social and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

In 2019/20 the Fund drafted its first Responsible Investment Statement which was approved later in 2020. This has since been updated and approved by Committee in June 2022. A link to the current responsible investment strategy can be found in the appendices section of this report.

The Fund's investment managers have adopted socially responsible investment policies which are subject to regular review both by officers and by the Council's Pension Fund Committee.

PROFESSIONAL BODIES

The Council is a member of the CIPFA Pensions Network which provides a central coordination point for all LGPS funds and local authority members.

CIPFA staff and the network more generally can advise subscribers on all aspects of pensions and related legislation. Relevant training and seminars are also available to officers and members of participating funds.

While the Fund is a member of the Pensions Lifetime and Savings Association (formerly the National Association of Pension Funds), it does not subscribe to nor is it a member of the Local Authority Pension Fund Forum, UK Sustainable Investment & Finance Association or the Institutional Investors Group on Climate change or any other bodies.

VOTING

Fund Managers have the delegated authority to vote at shareholder meetings in accordance with their own guidelines, which have been discussed and agreed with the Pension Fund Committee. The Committee keeps under close review the various voting reports that it receives from Fund managers.

COLLABORATIVE VENTURES

The Fund has been working closely with other London LGPS funds in the London Collective Investment Vehicle set up to enable greater buying power, reduced fees and enhanced governance arrangements.

The Hammersmith and Fulham Pension Fund is a shareholder in London LGPS CIV Limited and had 59.5% of assets invested with the pool as at 31 March 2024.

SEPARATION OF RESPONSIBILITIES

The Fund has appointed Northern Trust as its global custodian, which is independent to the investment managers and responsible for the safekeeping of all the Fund's investments. Northern Trust are also responsible for the settlement of all investment transactions and the collection of income.

The Fund's bank account is held with NatWest Bank. This is used for the operation functions of the Fund which include receiving contributions from employers and paying out benefits to members.

The actuary is responsible for assessing the long-term financial position of the pension fund and issues a Rates and Adjustments statement following their triennial valuation of the Pension Fund, which sets out the minimum contributions which each employer in the Scheme is obliged to pay over the following three years.

STEWARDSHIP CODE

The Pension Fund Committee believes that investor stewardship is a key component of good governance and is committed to exercising this responsibility with the support of its investment managers. In line with this approach, all the Fund's equity investment managers are signatories to the UK Stewardship Code.

The Pension Fund Committee believes that companies should be accountable to shareholders and should be structured with appropriate checks and balances so as to safeguard shareholders' interests and deliver long-term returns.

The Pension Fund Committee encourages Fund Managers to consider a range of factors before making investment decisions, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental and social issues. Such considerations may also be linked to voting choices at company AGMs.

The Pension Fund Committee's role is not to micro-manage companies but provide perspective and share with boards and management our priorities for investment and approach to corporate governance. The aim is to work with management, shareholders and stakeholders to bring about changes that enhance long-term performance.

FUNDING STRATEGY STATEMENT

The Funding Strategy Statement (link in appendices section of this report) sets out the aims and purpose of the pension fund and the responsibilities of the administering authority regarding funding the scheme.

Its purpose is:

- To establish a clear and transparent fund-specific strategy to identify how employers' pension liabilities are best met going forward;
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible;
- To take a prudent longer-term view of funding those liabilities.

Asset Pool Background and Governance

BACKGROUND

During 2015 the Department for Levelling Up, Housing and Communities (DLUHC) issued guidance on LGPS asset pooling (LGPS: Investment Reform Criteria and Guidance), which sets out how the government expected funds to establish asset pooling arrangements. In January 2019, the DLUHC issued a consultation and draft guidance on asset pooling within the LGPS, setting out changes to the pooling framework. This guidance will set out the requirements on administering authorities, replacing previous guidance, and build on previous ministerial communications and guidance on investment strategies.

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost.

The pension funds across England and Wales have come together to form eight asset pools. The Fund joined the London Collective Investment Vehicle (LCIV) in December 2015, the pool comprises of the 32 local authorities within London and has c.£31.6bn under management, with 24 funds launched as of 2023/24.

The Fund has transitioned assets into the London CIV with a value of £0.809bn or 60% as at the 31 March 2024. Going forward the Fund will look to transition further assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

GOVERNANCE

There are a number of governance issues to be considered under pooling arrangements such as the relationship between the pension fund and asset pool, governance structure of the pool and the role of administering authorities.

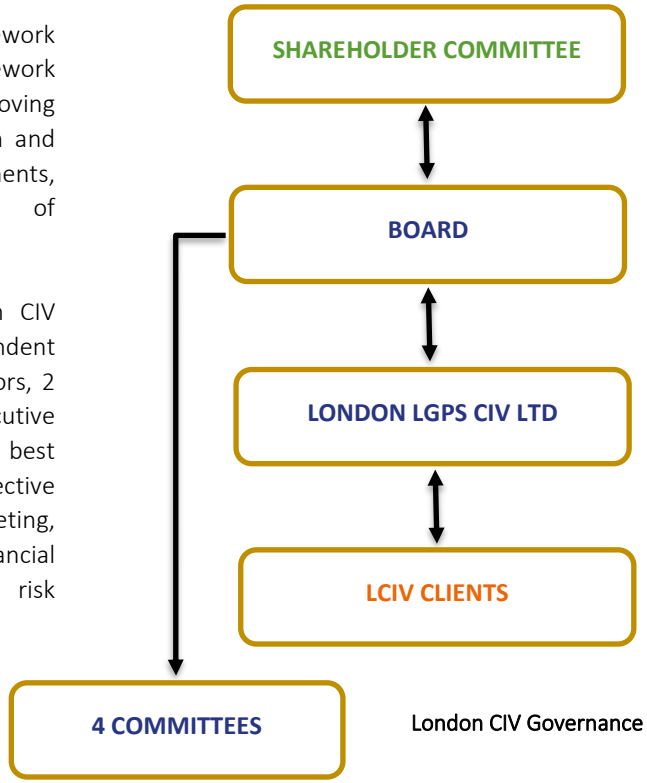
The London CIV Shareholder Committee is responsible for scrutinising the actions of the LCIV Company Board, reporting and transparency, consultation on the strategy, responsible investment and emerging issues. The Committee comprises of 12 members including Councillors and Treasurers from the LLAs.

The Corporate Governance and Controls framework was updated during September 2018. This framework details the governance arrangements for approving the London CIV's annual budget, business plan and objectives, governance structures and appointments, shareholder agreement and transparency of information and reporting.

Following a review during 2023, the London CIV Company Board comprises of an independent Chairman, 3 Independent Non-Executive Directors, 2 Shareholder nominated NEDs, and 2 Executive Directors. The Board has a duty to act in the best interests of the shareholders and has collective responsibility for; strategy oversight, budgeting, performance review, major decision making, financial reporting and controls, compliance and risk management, key policies and governance.

The London CIV has four Committees, responsible for investment oversight, audit and risk, remuneration and nominations and day to day operations of the company. These comprise of executive and non-executive members.

External independent oversight and assurance of the pool company is provided by the FCA, depositary, external auditors and the DLUHC. The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account.



London CIV Governance Structure

Pool Set Up Costs

POOL SET UP AND TRANSITION COSTS

The set up and transition costs incurred by the Fund in relation to pooling are detailed in the following table.

	2023/24			
	Direct	Indirect	Total	Cumulative
	£'000	£'000	£'000	£'000
Set up costs				
Other costs	27	76	103	857
Total set up costs	**27**	**76**	**103**	**857**
Transition costs	-	-	-	-
Taxation	-	-	-	-
Other transition costs	74		74	776
Total transition costs	**74**		**74**	**776**

TOTAL EXPECTED COSTS AND SAVINGS

The Pension Fund has five mandates held with the London CIV pool company; Morgan Stanley Global Quality Equities, LGIM MSCI Low Carbon Equities, Ruffer Absolute Return, Insight Buy and Maintain Bonds (Short Duration) and Insight Buy and Maintain Bonds (Long Duration). The following table details actual costs and savings to 2023/24 by pooling these funds.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs	(5)	(93)	(65)	(138)	(259)	(400)	(331)	(103)	(5)
Transition costs	(29)	(84)	(90)	(95)	(118)	(135)	(131)	(74)	(29)
Fee savings/(costs)	56	328	465	766	936	1,437	1,436	1,197	56
Net savings/(costs) realised	**22**	**151**	**309**	**533**	**559**	**902**	**974**	**1,020**	**22**

Other Investment Management Costs

The table below splits investment management costs between pooled and non-pooled.

	Asset Pool			Non-asset pool			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Management fees	2,773	-	2,773	2,723	756	3,479	**6,252**
Asset pool shared costs	-	-	-	-	-	-	**-**
Transaction costs	-	2,070	2,070	-	794	794	**2,864**
Custody	-	-	-	68	-	68	**68**
Total	**2,773**	**2,070**	**4,843**	**2,791**	**1,550**	**4,341**	**9,184**

An analysis of operational expenses including variances to prior years can be found within section 2 of this report.

Asset Allocations

Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
	£'000	£'000	£'000	£'000
Equities	179,216	412,468	-	**591,684**
Bonds	66,564	-	135,290	**201,854**
Property		-	49,613	**49,613**
Hedge funds	-	-	-	**-**
Diversified Growth Funds	-	-	-	**-**
Private equity	150	-	30	**180**
Private debt	-	-		**-**
Infrastructure	-	-	96,005	**96,005**
Derivatives	-	-	-	**-**
Cash and net current assets	-	-	7,474	**7,474**
Other	151,199	-	262,889	**414,088**
Total	**397,129**	**412,468**	**551,301**	**1,360,898**

*£150k relates to the share capital of the London CIV

See section 3 of this report for more information regarding Fund performance and asset management.

The following table splits out the Fund's assets by UK investment. This data covers some but not all of the assets included in the asset classes in the net asset statement, and it is not expected that it sums to 100% of assets.

Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
	£'000	£'000	£'000	£'000
UK Listed Equities	21,394	14,849	0	**36,243**
UK Government Bonds	29,386	0	43,969	**73,356**
UK Infrastructure		0	156,728	**156,728**
UK Private Equity	0	0	0	**-**

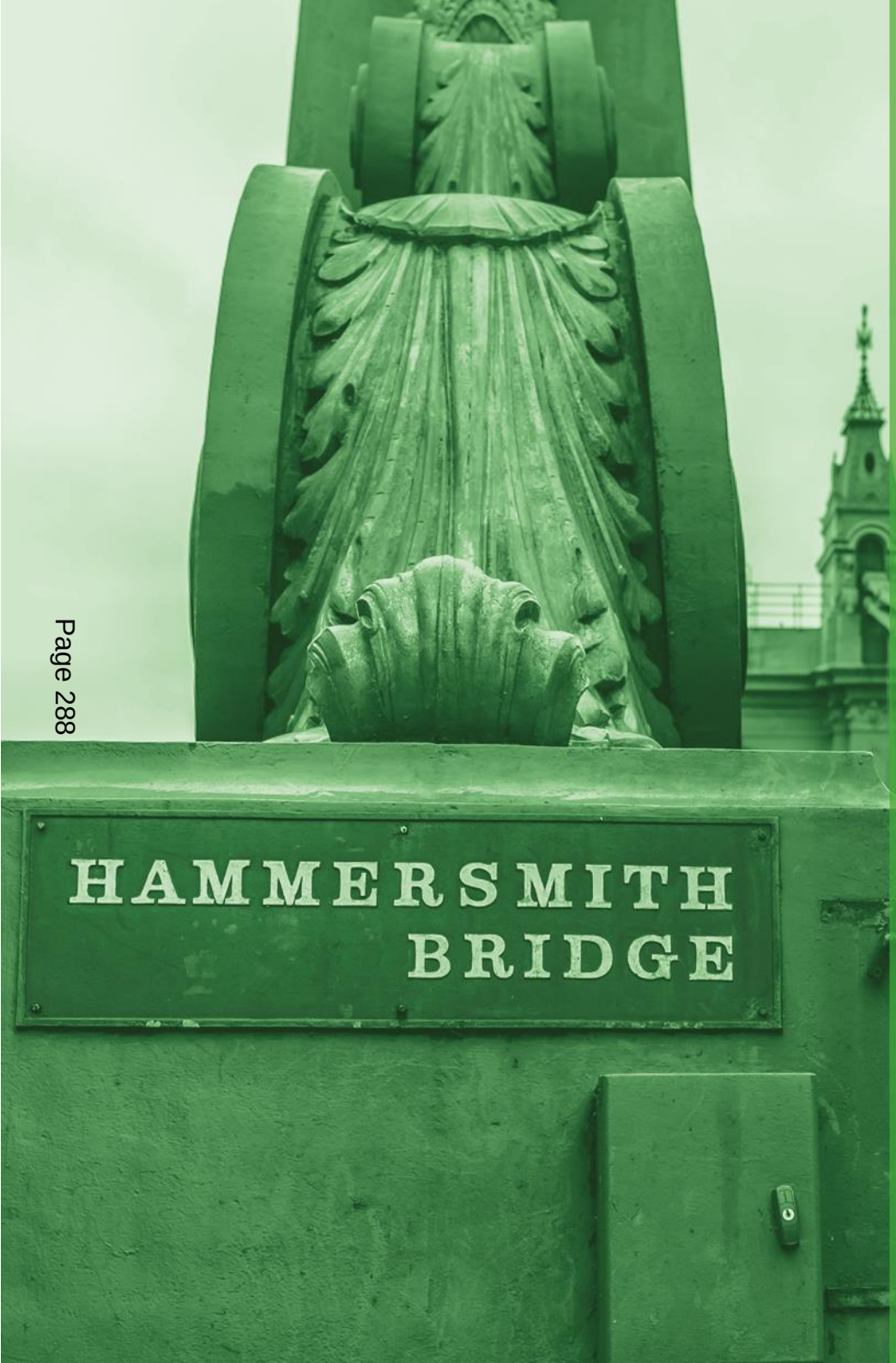
Levelling Up

As part of the government's Levelling up plans, funds are required to publish plans for increasing investment in line with an ambition of up to 5% of assets to be invested in projects which support levelling up. Levelling up refers to assets which make a measurable contribution to one of the missions set out in the Government's Statement of Levelling Up Missions 11 (which is made under Section 1 of the Levelling Up and Regeneration Act 2023) and support any local area within the United Kingdom. The following table details the amount and type of UK levelling up investments that have been made through the Fund's LGPS pool, London CIV, and outside the pool. Levelling up assets outside the pool include infrastructure and affordable housing assets, given the illiquid nature of these asset classes it would not be beneficial for the Fund to transition these into the pool.

Asset values as at 31 March 2024	Pooled	Under pool management	Not Pooled	Total
	£'000	£'000	£'000	£'000
Additional memorandum: UK Levelling up	-	-	71,276	**71,276**

As shown in the following table, the Fund has 5.2% of investments within the strategic asset allocation allocated to UK levelling up initiatives, including affordable housing (1.7%) and renewable infrastructure (3.5%). As at 31 March 2024, the Fund had 5.2% of assets physically invested within levelling up assets, up from 1.9% in 2022/23, with the Fund on track to be fully drawn in the coming years.

	Assets committed	Previous Year Actual Allocation	Current Year Actual Allocation
	%	%	%
UK Levelling up	6.0%	1.9%	5.2%



4.
Scheme Administration

Administration Management Performance

The administration of the Fund is managed by Hammersmith and Fulham Council but undertaken by LPPA under a not-for-profit contractual arrangement which has been operational since 26 January 2022. Officers monitor the contract via monthly meetings with the LPPA and monitoring of KPIs and membership data statistics, which are reported to the Pension Fund Committee on a quarterly basis. Our administrators, LPPA use a mortality tracing firm to help identify deaths of UK pensioners both abroad and in the UK.

PERFORMANCE INDICATORS

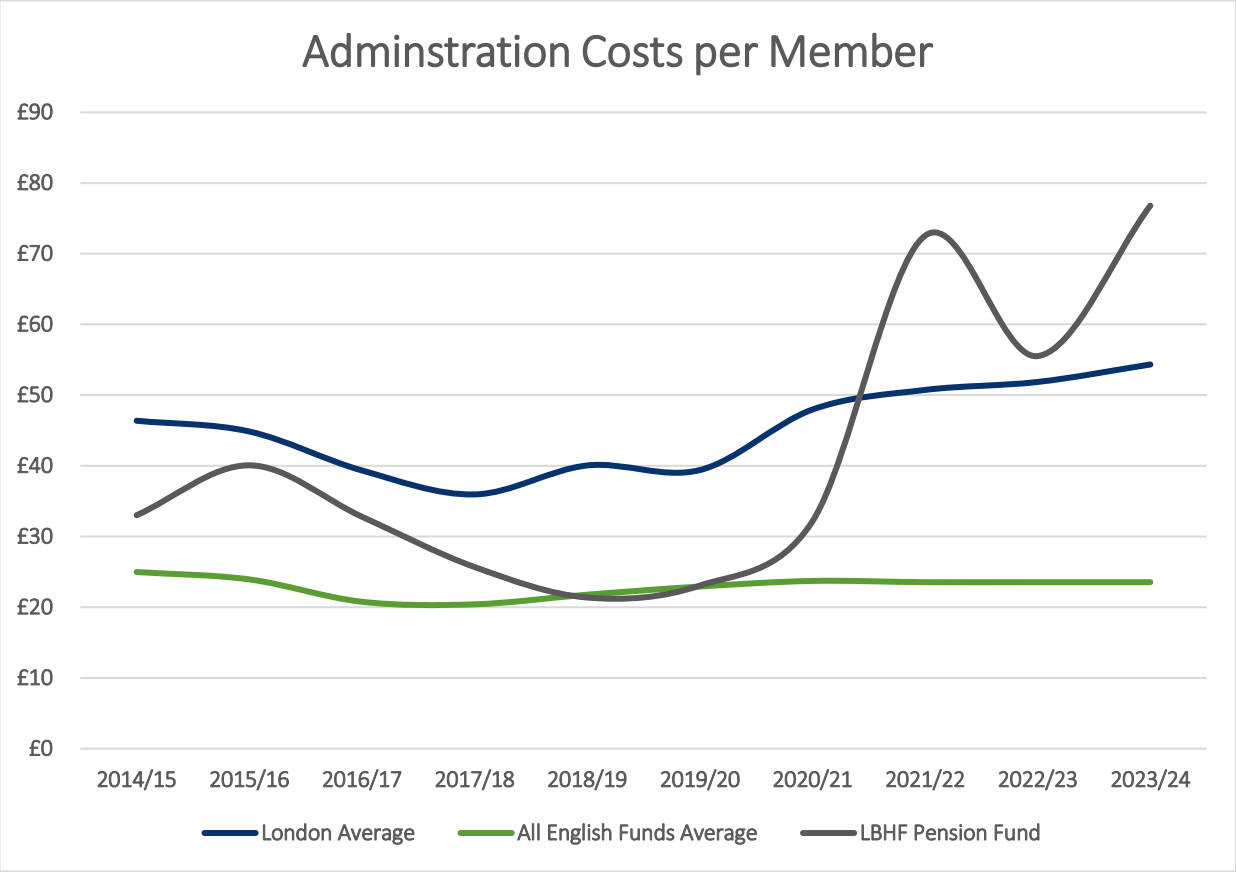
The contract with LPPA includes several performance indicators included to ensure that service to members of the pension fund is effective. The key targets are set out below, along with actual performance. Business as usual work of pension administration is well managed by LPPA and standard pension processes including retirements, refunds and death cases are handled sensitively and within the agreed timescales.

Performance Indicators (LPPA)	Target	2020/21 Performance	2021/22 Performance	2022/23 Performance	2023/24 Performance
Letter to new members	10 days	74%	100%	99%	99%
Calculate transfer in calculations	10 days	90%	91%	90%	98%
Calculate and pay transfer out calculations	10 days	79%	84%	93%	98%
Calculate deferred benefit entitlement	15 days	73%	77%	96%	97%
Calculate and pay retirement benefits	5 days	77%	58%	69%	90%
Process refunds on contributions	5 days	75%	75%	91%	96%
Letter acknowledging death of member and letter to next of kin	5 days	87%	83%	73%	99%

VALUE FOR MONEY STATEMENT

Benchmarking is undertaken through our membership of the CIPFA club for administering authorities. Our administration costs are competitive, with the annual administration cost per member being £55.52. This is slightly above the London average of £51.46. The LBHF Head of Pensions regularly meets with colleagues from other local authority funds to share ideas and best practice.

Administration Management Performance (continued)



STAFFING INDICATORS

As shown in the chart, the Pension Fund's cost of administration per member costs has remained higher than the average London Borough Pension Fund since 2021-22, which is primarily due to changing administrative platform providers and bringing the admin team back in-house which resulted in several one-off costs during the year.

The administration of the Fund comprises of:

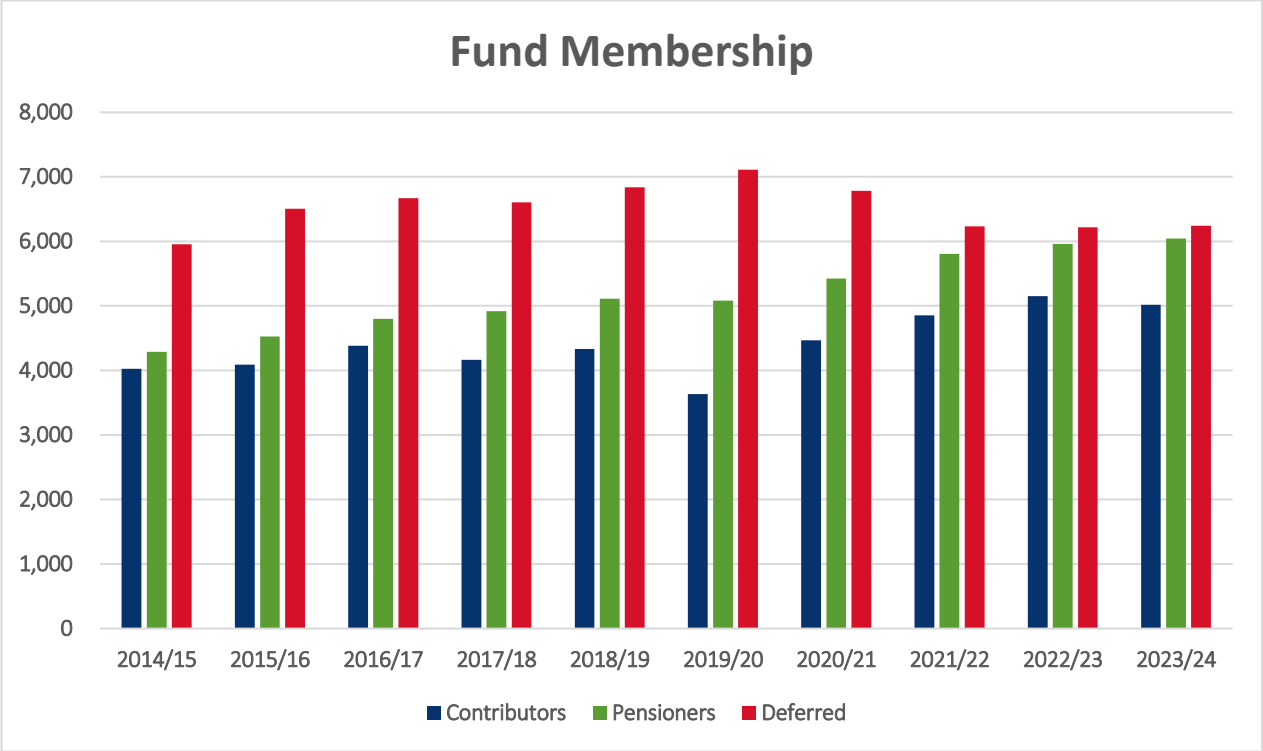
- 6 FTE Hammersmith and Fulham HR staff to oversee administration, operations, fund employers and compliance.
- 1.93 FTE Westminster Finance staff assigned to the oversight and governance of the Pension Fund.

Administration Management Performance (continued)

MEMBERSHIP NUMBERS AND TRENDS

Overall membership has increased by approximately 9% over the past 5 years from 15,828 to 17,305.

The introduction of auto-enrolment in 2013 and the increase in admitted employers has led to an increase in members contributing towards the Scheme. Nonetheless, the number of pensioners has been stable over the last several years in common with other local government pension funds, reflecting the maturity of the Fund.



ENHANCED BENEFITS

The total number of pensioners in receipt of enhanced benefits due to ill health or early retirement on the grounds of redundancy or efficiency of the service is given in the table across as at each year on 31 March.

Reason for leaving	2019/20	2020/21	2021/22	2022/23	2023/24
Ill health retirement	3	6	9	7	11
Early retirement	21	29	37	10	13
	24	**35**	**46**	**17**	**24**

Administration Management Performance (continued)

CONTRIBUTING EMPLOYERS AND CONTRIBUTIONS RECEIVED

The list below contains a list of the current active contributing employers and the contributions received in 2023/24. The employer's contributions figures include early retirement and deficit funding contributions.

Administering Authority Employer	Employees Contributions £000	Employers Contributions[1] £000	Total Contributions £000
London Borough of Hammersmith & Fulham	7,692	22,169	29,861
Addison Primary School	23	85	108
All Saints Primary School	12	45	58
Avonmore Primary School	28	112	141
Bayonne Nursery School	18	66	84
Brackenbury Primary School	28	99	127
Cambridge School (Special)	71	242	313
Flora Gardens Primary School	24	82	106
Holy Cross RC Primary School	51	183	234
Jack Tizard School (Special)	69	246	315
James Lee Nursery School	13	47	60
John Betts Primary School	15	56	71
Kenmont Primary School	18	63	82
Larmenier & Sacred Heart Primary	30	121	151
Melcombe Primary School	26	95	121
Miles Coverdale Primary School	38	137	175
Normand Croft Community School	31	108	139
Old Oak Primary School	27	99	126
Queensmill School	-	-	-
Randolph Beresford Early Years	46	147	192
Sir John Lillie Primary School	28	99	127
St Augustine's Primary School	21	79	101
St John XXIII Catholic Primary	-	-	-
St Johns CE Primary School	29	104	133
St Mary's Primary School	31	111	141
St Paul's Primary School	25	94	119
St Peter's Church of England Primary School	23	84	107
St Stephens CoE Primary School	49	179	228
St. Thomas of Canterbury Primary	10	34	44
The Good Shepherd Primary School	24	91	116
Vanessa Nursery School	18	65	83
Wendall Park Primary School	24	83	107
William Morris Sixth Form School	65	226	292
Wood Lane High School	35	119	154
Total Contributions from Administering Authority	**8,694**	**25,729**	**34,423**

[1] Includes early retirement and deficit contributions

Administration Management Performance (continued)

SCHEDULED BODIES

The Fund provides pensions not only for employees of Hammersmith and Fulham Council, but also for the employees of several scheduled and admitted bodies.

Scheduled bodies are organisations which have a statutory right to be a member of the Local Government Pension Scheme under the regulations e.g., academy schools.

Scheduled Body	Employees Contributions £000	Employers Contributions[2] £000	Total Contributions £000
Mortlake Crematorium Board	26	82	108
London Oratory School	75	182	257
Ark Burlington Danes Academy	65	145	210
Hammersmith Academy	69	236	305
Sacred Heart Academy	68	234	302
Ark Conway Primary Academy	21	83	104
Knowledge West London Free School	138	414	552
Ark Bentworth Primary Academy	12	49	61
Lady Margaret Academy	67	210	277
Ark Swift Primary Academy	21	86	107
Fulham College Academy Trust (Girls)	43	154	197
Hurlingham and Chelsea Academy	52	184	236
Fulham Boys Free School	57	198	255
Fulham College Academy Trust (Boys)	66	230	296
Greenside Academy	15	53	69
Thomas' Academy	30	112	142
Langford Academy	17	56	73
Futures (Phoenix) Academy	40	143	184
Ormiston Trust - Courtyard AP Academy	34	120	154
Knowledge Earl's Court Free Primary School	6	25	31
Brightwells Academy Trust Fulham Primary School	24	96	121
Brightwells Academy Trust Queens Manor Primary School	22	86	108
Brightwells Academy Sulivan Primary School	19	71	90
Queen Charlotte Special Education Trust	212	781	993
Westside Academy Trust (no active members at present)	0	0	0
St John XXIII Catholic Primary Academy	33	132	165
Mortlake Crematorium Board	26	82	108
Total Contributions from Scheduled Bodies	**1,232**	**4,163**	**5,395**

[2] Includes early retirement and deficit contributions

ADMITTED BODIES

Admitted bodies participate in the pension scheme via an admission agreement made between the Council and the employing organisation. Examples of admitted bodies are not-for-profit organisations linked to the Council and contractors who have taken on delivery of services with Council staff also transferred to third parties.

Admitted Body	Employees Contributions £000	Employers Contributions[3] £000	Total Contributions £000
Disabilities Trust	0	-21	-21
Interserve (Eden Foods Ltd) / Mitie	7	27	34
FM Conway	4	14	18
Pinnacle PSG Ltd - Estates Services	55	260	315
Pinnacle PSG Ltd - Housing Management	5	23	27
Urban Partnership Group	5	20	25
Caterlink (Main Contract)	5	28	33
Caterlink (Hurlingham & Chelsea Academy)	0	1	1
BT - IT services	3	10	14
Abelian UK (Wormholt Primary)	0	2	2
Birkin Clean	2	15	17
FM Conway (2012)	4	12	15
London Hire Community Services	0	-19	-19
Peabody Trust	7	36	43
Morgan Sindall Group - Contract 1 - wef 1st August 2020	5	27	32
DW Contractors Ltd - wef 1st August 2020	0	-19	-19
Morgan Sindall Group - Contract 2 - wef 1st August 2020	5	22	27
Bee Services - Randolph Beresford - 1st November 2020	1	8	9
Bee Services - Vanessa Nursery - 1st November 2020	0	1	1
Churchill Catering - (Brackenbury Primary)	0	3	3
Churchill Catering - (Thomas's Academy)	1	6	7
Idverde 2022 Lot 1	47	219	266
Idverde 2022 Lot 2	22	93	114
The Pantry (UK) Ltd (St John XXIII)	1	6	8
The Pantry (UK) Ltd (St Marys)	1	4	5
Morgan Sindall Property Services (Lot 3)	3	10	13
HATS Group Ltd	10	62	71
Veolia	173	538	711
Alliance in Partnership Ltd	3	11	13
Stir Food Ltd (Addison)	2	8	10
Stir Food Ltd (Flora Gardens)	0	2	2
Stir Food Ltd (Wormholt Park)	1	6	7
The Pantry (UK) Ltd (Old Oak)	1	4	5
The Pantry (UK) Ltd (St Thomas of Canterbury)	1	3	4
The Pantry (UK) Ltd (All Saints)	1	5	6
The Pantry (UK) Ltd (James Lee)	0	1	1
The Pantry (UK) Ltd (Sir John Lillie)	0	0	1
The Pantry (UK) Ltd (St Pauls)	1	2	3
The Pantry (UK) Ltd (St Johns Walham)	0	2	2
Total Contributions from Admitted Bodies	**377**	**1,430**	**1,806**

[3] Includes early retirement and deficit contributions

Administration Management Performance (continued)

EMPLOYER ANALYSIS

The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Administering Authority	1	-	1
Scheduled Bodies	25	1	26
Admitted Bodies	25	48	73
Total number of bodies	**51**	**49**	**100**

Service Delivery

PENSIONPOINT

The PensionPoint on-line pension system is a secure portal which enables members to:

- Update personal details
- Check membership records and calculate pension projections
- View payslips and P60s
- Nominate beneficiaries

Scheme employers can use the system to:

- Submit starter and leaver details and other changes online
- View and update employee details
- Run benefit calculations e.g. early retirements

INTERNAL DISPUTE RESOLUTION PROCEDURE

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. While any complaint is progressing, fund members are entitled to contact The Pensions Advisory Service (TPAS), who can provide free advice.

IDRP Stage 1 involves making a formal complaint in writing. This would normally be considered by the body that made the decision in question. In the event that the fund member is not satisfied with actions taken at Stage 1 the complaint will progress to Stage 2.

IDRP Stage 2 involves a referral to the administering authority, London Borough of Hammersmith and Fulham to take an independent view.

IDRP Stage 3 is a referral of the complaint to the Pension Ombudsman.

Both TPAS and the Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
E14 4PU

Tel: 0800 917 4487

MEMBER SATISFACTION

The different types of member are consulted from time to time. Each member group receives a questionnaire, in order to express satisfaction levels with our service, to make suggestions for improvement and any other comments.

36 LBHF members completed a retirement satisfaction survey (both active to retired and deferred to retired).

The following are for the period July 23 to June 24 (taken from the Q1 2425 operational performance report):

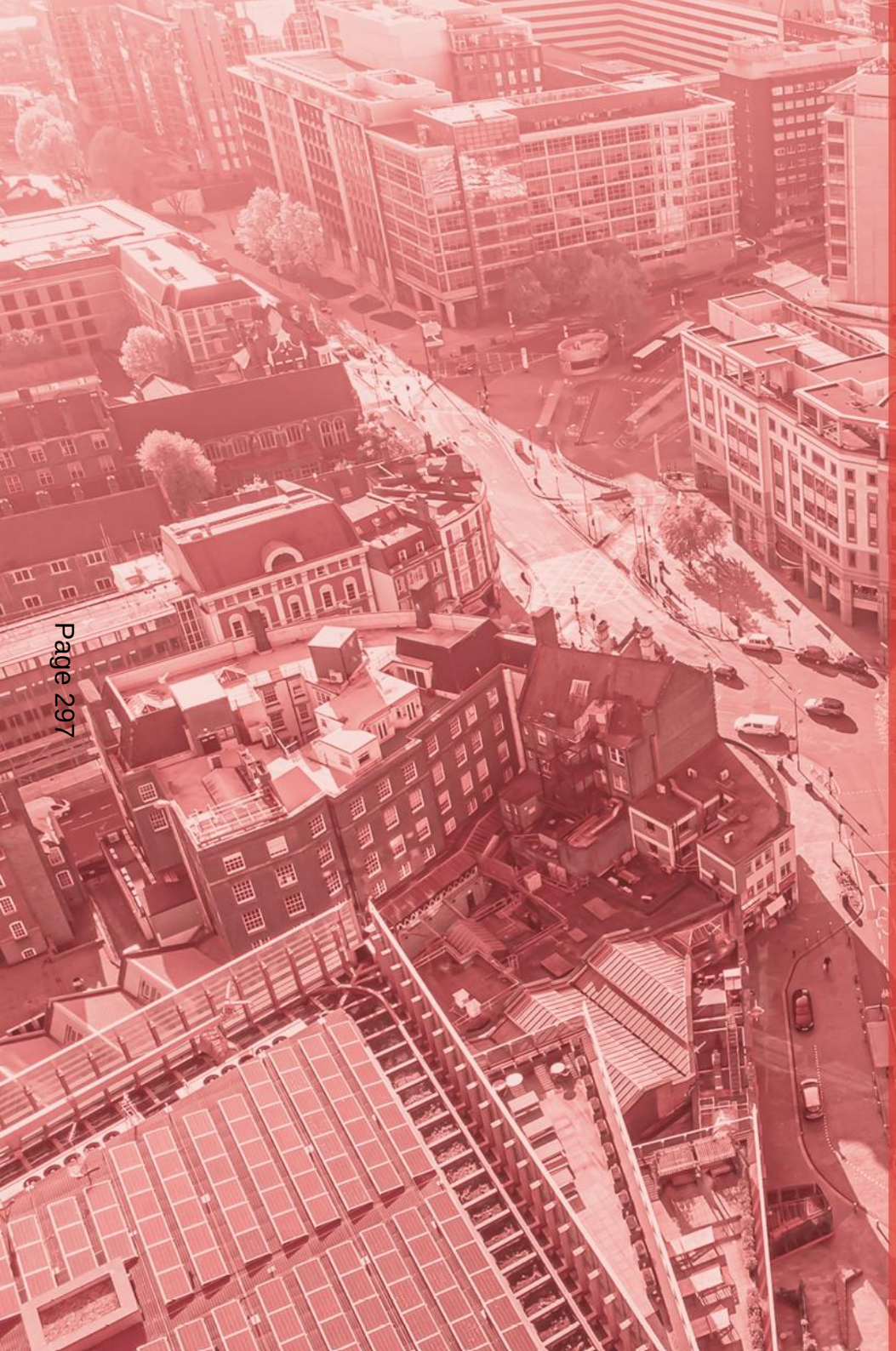
335 LBHF members responded to the Contact Centre question “In connection with the adviser you have just spoken to, how satisfied are you with the service they provided”.

300 LBHF members responded to the Contact Centre question “How satisfied are you with the overall service you have received from LPPA?”.

COMPLAINTS RECEIVED

The pension administrators occasionally deal with members of the Fund who dispute an aspect of their pension benefits. These cases are dealt with by the Internal Dispute Resolution Procedure (IDRP).

There was one other level 1 IDRP case relating to 2022/23, which progressed to level 2 during the year. All cases were closed as at 31 March 2024. There were no Pension Ombudsman cases during 23/24.



5.

Actuarial Information

Report by Actuary

INTRODUCTION

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

DESCRIPTION OF FUNDING POLICY

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

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. 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 67% 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 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £1,325 million, were sufficient to meet 105% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £58 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 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

PRINCIPAL ACTUARIAL ASSUMPTIONS AND METHOD USED TO VALUE THE LIABILITIES

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

METHOD

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

ASSUMPTIONS

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value. The key financial assumptions adopted for the 2022 valuation were as follows:

Financial Assumptions	31 March 2022
Discount Rate	4.4% pa
Salary Increase Assumption	3.7% pa
Benefit increase assumption CPI	2.7% pa

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 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of

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

	Males	Females
Current Pensioners	22.1 years	24.7 years
Future Pensioners*	23.2 years	26.1 years

*Aged 45 at the 2022 Valuation. Copies of the 2022 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 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher-than-expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022. The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time



Barry Dodds FFA

16 May 2024

For and on behalf of Hymans Robertson LLP



6.

Pension Fund Accounts

Statement of Responsibilities

Responsibility for the Financial Statements, which form part of this Annual Report, is set out in the following declaration.

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In line with statute, this is the Director of Finance;
- manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

RESPONSIBILITIES OF THE DIRECTOR OF FINANCE

The Director of Finance is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Statements of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

The Director of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on assumption that the functions of the authority will continue in operational existence for the foreseeable future;
- Maintained such internal control as they determine as necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

CERTIFICATE OF THE STRATEGIC DIRECTOR OF FINANCE

I certify that the Statement of Accounts (set out below) present a true and fair view of the financial position of the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2024 and income and expenditure for the year for the financial year 2023/24.

Sukvinder Kalsi
Director of Finance
Section 151 Officer

Date:

Independent Auditors Report

Independent auditor's report to the members of the London Borough of Hammersmith and Fulham on the consistency of the pension fund financial statements of Hammersmith and Fulham Pension Fund included in the Pension Fund Annual Report

OPINION

RESPECTIVE RESPONSIBILITIES OF THE DIRECTOR OF FINANCE AND THE AUDITOR

USE OF THIS AUDITOR'S STATEMENT

XX XX 2024

Pension Fund Accounts and Explanatory Notes

FUND ACCOUNT

2022/23		Notes	2023/24
£'000			£'000
	Dealings with members, employers and other directly involved in the fund		
(27,421)	From Employers	7	(31,323)
(9,539)	From Members	7	(10,303)
(6,847)	Individual Transfers in from Other Pension Funds		(8,299)
-	Other income		-
(43,807)	**Total**		**(49,925)**
	Benefits		
40,045	Pensions	8	44,317
7,792	Commutation, Lump Sum Retirement and Death Benefits	8	8,966
210	Payment in respect of tax		473
	Payments to and on account of leavers		
6,738	Individual Transfers Out to Other Pension Funds		6,980
84	Refunds to Members Leaving Service		109
54,869	**Total**		**60,845**
11,062	**Net (Additions) Withdrawals from dealings with members**		**10,920**

Pension Fund Accounts and Explanatory Notes (continued)

FUND ACCOUNT

2022/23		Notes	2023/24
8,283	Management expenses	9	10,857
	Returns on Investment		
(24,673)	Investment Income	10	(19,531)
(21)	Other Income	10	-
39,819	(Profit) and losses disposal of investments and changes in value of investments	12	(89,367)
15,125	Net Return on Investments		**108,898**
34,470	Net (Increase)/Decrease in the net assets available for benefits during the year		(87,121)
(1,324,913)	Opening Net Assets of the Scheme		**(1,290,443)**
(1,290,443)	Closing Net Assets of the Scheme		**(1,377,564)**

Pension Fund Accounts and Explanatory Notes (continued)[4]

NET ASSETS STATEMENT

2022/23		Notes	2023/24
	Investment Assets		
150	Equities	11	150
78,572	Pooled Property Vehicles	11	73,256
1,118,138	Pooled Investment Vehicles	11	1,183,893
63,531	Private Equity/Infrastructure	11	96,035
20,245	Cash Deposits	11	7,456
	Other Investment Balances		
39	Investment income due	11	18
1,280,675	**Net Investment Assets**		**1,360,898**
3,911	**Current Assets**	19	3,929
(1,979)	**Current Liabilities**	20	(2,905)
7,836	**Cash Balances** (held directly by Fund)		15,642
1,290,443	**Net assets of the Fund available to fund benefits at the period end**		**1,377,564**

[4] The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 18a.

Note 1 Description of Hammersmith and Fulham Pension Fund

A. GENERAL

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Hammersmith and Fulham Council (the Council). It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. Teachers are excluded from this scheme as they are administered under the Teachers' Pension Scheme.

The benefits payable in respect of service from 1 April 2014 are based on an employee's career average revalued earnings (CARE) and the number of years of eligible service. The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final salary and the number of years eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

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

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from investment returns on the Fund's investment assets. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

B. PENSION FUND COMMITTEE

The Council has delegated the investment arrangements of the scheme to the Audit and Pensions Committee, which in December 2014 formed a Pension Fund Committee (the Committee) and delegated all pensions responsibilities to it. The Committee decides on the investment strategy most suitable to meet the liabilities of the Fund and has responsibility for the investment strategy. The Committee is made up of seven members, five of whom are elected representatives of the Council with voting rights, one co-opted member and one employer representative. Members of the admitted bodies and representatives of the Trade Unions may attend the Committee meetings but have no voting rights.

The Committee reports annually to the Audit and Pensions Committee and has full delegated authority to make investment decisions. The Committee obtains and considers advice from the Director of Finance, and as necessary from the Fund's appointed actuary, investment managers and adviser.

C. PENSIONS BOARD

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Pensions Board to oversee the governance arrangements of the Pension Fund. The Board meets twice a year and has its own Terms of Reference. Board members are independent of the Pension Fund Committee.

Note 1 Description of Hammersmith and Fulham Pension Fund (continued)

D. INVESTMENT PRINCIPLES

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Committee approved an Investment Strategy Statement on 15 November 2023 (available on the Council's website). The Statement shows the Council's compliance with the Myner's principles of investment management.

The Committee has delegated the management of the Fund's investments to regulated investment managers (see note 11), appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

E. MEMBERSHIP

Membership of the LGPS is voluntary, and whilst employees are auto enrolled into the scheme, they are free to choose whether to participate in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Hammersmith & Fulham Pension Fund include:

- Scheduled bodies, which are local academies 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 and private contractors undertaking a local authority function following outsourcing to the private sector.

The Deferred member numbers include 791 undecided leavers, who are no longer paying contributions or in receipt of benefits.

31 March 2023		31 March 2024
48	**Number of active employers**	51
5,150	Contributing employees	5,016
5,960	Pensioners receiving benefit	6,046
6,218	Deferred pensioners	6,243
17,328	**Total members**	**17,305**

Details of the scheduled and admitted bodies are in Section 2 of this report.

Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2023/24 and its position at year end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they consider the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Council has opted to disclose this information in a note to the accounts (Note 18).

The Hammersmith & Fulham Pension Fund is a statutory, state back Local Government Pension Scheme (LGPS) that, as at 31 March 2022, is 105% funded on a conservative basis and backed by an administering authority with tax raising powers. As such, the Pension Fund Accounts have been prepared on a going concern basis.

It is recognised that the current environment gives rise to a risk of uncertainty and volatility in investment markets and the Fund has reviewed fund manager assessments and no material uncertainty has been identified. The Fund continues to monitor cashflows and invests in a diverse range of investment vehicles including availability to liquid assets.

Note 3 Summary of Significant Accounting Policies

FUND ACCOUNT – REVENUE RECOGNITION

A. CONTRIBUTION INCOME

Normal contributions, both from active members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

B. TRANSFERS TO AND FROM OTHER SCHEMES

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

C. INVESTMENT INCOME

Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements.

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

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. Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

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

Note 3 Summary of significant accounting policies (continued)

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. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

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. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. 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. VOLUNTARY SCHEME PAYS, MANDATORY SCHEME PAYS AND LIFE TIME ALLOWANCE

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

G. MANAGEMENT EXPENSES

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses 2016".

- Administrative expenses – All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
- Oversight and governance – All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.
- Investment management expenses – The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage, and/or a fee based on performance.

Where an investment manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

NET ASSET 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 asset 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 value of the asset are recognised in the Fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14a).

I. 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 (see Note 14a).

J. 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 the 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.

K. CASH AND CASH EQUIVALENTS

Cash comprises cash in hand and deposits with financial institutions which are repayable on demand without penalty.

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 party to the liability. The Fund recognises liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised costs are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

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 International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of retirement benefits by way of a note to the Net Assets Statement (Note 18a).

N. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 21. There are also some residual policies with Equitable Life, which are disclosed in Note 21, but it is not open for new members.

O. RECHARGES FROM THE GENERAL FUND

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund based on actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out separately in Note 9.

Note 4 Critical Judgements in Applying Accounting Policies

The accounts contain certain estimated figures that are based on assumptions made by the Council and other bodies about the future or that are otherwise uncertain. Estimates are made because they are required to satisfy relevant standards or regulations and are based on best judgement at the time, derived from historical experience, current trends and other relevant factors. As a result, actual results may differ materially from those assumptions.

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

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made considering historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

Description of asset	Uncertainties	Basis of valuation
Actuarial present value of promised retirement benefits (Note 18a)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Hymans Robertson are engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: • 0.1% decrease in the discount rate assumption would result in an increase in promised retirement benefits of £22m • 0.1% increase in assumed earnings would increase the value of the liabilities by approximately £1m • 0.1% increase in pension increases would increase the liability by approximately £22m • A one-year increase in life expectancy would increase the liability by approximately £54m

The items for which there is a significant risk of material adjustment are:

A. PENSION FUND LIABILITY

The Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 18a. The estimates of the net liability to pay pensions depends on several judgements and assumptions. In particular, those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund's assets. Management has agreed a reasonable set of actuarial assumptions in consultation with the actuary which derives the total pension fund liability

B. PRIVATE DEBT/INFRASTRUCTURE INVESTMENTS/OTHER ILLIQUID INVESTMENTS

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also subject to some valuation uncertainty. Several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. As at 31 March 2024, the assets invested with Partners Group were valued at £39.7m (£45.6m in 2022/23).

The same applies to the Aviva Infrastructure which has a quarterly valuation cycle. As at 31 March 2024, the value of the investment was £15.2m (£26.0m in 2022/23). The same applies to the Quinbrook Infrastructure investment which is new for the 2023-24 financial year. As at 31 March 2024, the value of the investment was £47.6m. The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d

The fair value of several illiquid assets in the portfolio are also subject to some valuation uncertainty as their carrying value is dependent on the latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required. As at the 31 March 2024, these assets and their values are Darwin Alternatives (£29m), Alpha Real Capital (£79m), Man Group (£24m) and Abrdn Multi-Sector Private Credit (£51m). Regarding Darwin Alternatives, Alpha Real Capital and Man Group assets, the values for these assets are not based on recently observed market prices. For Abrdn Multi-Sector Private Credit, several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d.

Note 6 Events After the Balance Sheet Date

There are no events after the balance sheet date.

Note 7 Contributions Receivable

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The administering body, scheduled bodies and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund.

The tables on the right show a breakdown of the total amount of contributions by authority and by type.

BY AUTHORITY

2022/23 £000		2023/24 £000
(30,672)	Administering authority	(34,424)
(4,937)	Scheduled bodies	(5,395)
(1,351)	Admitted bodies	(1,807)
(36,960)	**Total Contributions Receivable**	**(41,626)**

BY TYPE

2022/23 £000		2023/24 £000
(9,539)	Employees' normal contributions	(10,303)
	Employer's contributions:	
(23,568)	Normal contributions	(30,221)
(3,853)	Deficit recovery contributions	(1,102)
(36,960)	**Total Contributions Receivable**	**(41,626)**

Note 8 Benefits Payable

The tables on the right below show a breakdown of the total amount of benefits payable.

BY AUTHORITY

2022/23 £000		2023/24 £000
42,803	Administering authority	47,010
1,418	Scheduled bodies	1,460
3,616	Admitted bodies	4,813
47,837	**Total Benefits Payable**	**53,283**

BY TYPE

2022/23 £000		2023/24 £000
40,045	Pensions	44,317
6,719	Commutation and lump sum retirement benefits	7,481
1,073	Lump sum death benefits	1,485
47,837	**Total Benefits Payable**	**53,283**

Note 9 Management Expenses

The table on the right shows a breakdown of the management expenses incurred during the year.

MANAGEMENT EXPENSES

2022/23 £000		2023/24 £000
962	Administrative costs	1,329
7,014	Investment management expenses	9,184
307	Oversight and governance costs	344
8,283	**Total Management Expenses**	**10,857**

The table on the right provides a breakdown of the Investment Management Expenses.

The fund transitioned assets between managers in year which resulted in increased transaction costs. Additionally, due to new requirements related to the cost transparency initiative, the Fund was able to ascertain its transaction costs more accurately.

INVESTMENT MANAGEMENT EXPENSES

2022/23 £000		2023/24 £000
5,428	Management fees	5,580
107	Performance fees	672
1,377	Transaction costs	2,864
102	Custody fees	68
7,014	**Total Investment Management Expenses**	**9,184**

Note 10 Investment Income

The table below shows a breakdown of investment income.

2022/23 £000		2023/24 £000
(22,386)	Pooled investments – unit trusts and other managed funds	(16,626)
(1,982)	Income from Alternative Investments	(2,139)
(305)	Interest on Cash Deposits	(766)
(21)	Other Investment Income	-
(24,694)	**Total Investment Income**	**(19,531)**

Note 11 Investment Strategy

During 2023/24 the Fund's investment strategy had the following developments:

- In February 2023, the Pension Fund committee agreed a top up of 2.5% (£37m) into the Alpha Real Capital (Commercial Ground Rents) fund. This was funded in May 2023.
- In July 2023, The Pension Fund Committee agreed a 3.5% (£45m) allocation to Quinbrook Renewable Infrastructure. At 31 March 2024, £3.1m of this commitment remains undrawn.
- In September 2023, the Committee agreed a 10% (£129m) allocation to Allspring Global. This commitment was funded in full in December 2023.
- In September 2023, the Committee agreed a 5% (£64.5m) allocation to LCIV Insight Buy and Maintain Bonds, with a 2.5% allocation to each of the short and long duration sub-funds. This commitment was funded in full in December 2023.
- In order to fund the new investments, the Fund fully divested from LCIV PIMCO – Global Bond Fund and made partial redemptions from LGIM – MSCI Low Carbon, LCIV Morgan Stanley – Global Equity Quality Fund, and LCIV Ruffer – Absolute Return Funds.

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2024 €8.3m (£7.1m) still remained unfunded.

As shareholders of London LGPS CIV Ltd, (the organisation set up to run pooled LGPS investments in London) the Fund has funded £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. The Fund has been active in the transfer of assets under management to the London Collective Investment Vehicle (LCIV) to gain efficiencies and fee reductions. As at 31 March 2024, the Fund had £809m invested with the London CIV, which accounts for 59.5% of the fund's total assets.

The market value and proportion of investments managed by each fund manager at 31 March 2024 was as follows:

31 March 2023 £000	%	Fund Manager	Mandate	31 March 2024 £000	%
Investment managed by the London CIV asset pool:					
399,782	31.3%	LGIM – MSCI Low Carbon	Global Equity (Passive)	412,468	30.3%
232,271	18.1%	LCIV – Ruffer	Absolute Return (Active)	151,199	11.1%
90,078	7.0%	LCIV – PIMCO	Global Bonds (Active)	-	0.0%
185,900	14.5%	LCIV – Morgan Stanley	Global Sustain Fund	179,216	13.2%
-	-	LCIV – Insight	Buy and Maintain (Short Duration)	33,056	2.4%
-	-	LCIV – Insight	Buy and Maintain (Long Duration)	33,508	2.5%
908,031	**70.9%**	**Total assets managed by the London CIV asset pool**		**809,447**	**59.5%**

Investment managed outside of the London CIV asset pool:					
34,694	2.7%	Darwin Alternatives	Leisure Fund	28,995	2.1%
55,930	4.4%	Alpha Real Capital	Commercial Ground Rents	78,962	5.8%
24,027	1.9%	Man Group	Affordable Housing	23,643	1.7%
65,179	5.1%	Oak Hill Advisors	Secured Income (Active)	73,581	5.4%
54,545	4.3%	Aberdeen Standard	Long Lease Property	49,613	3.6%
25,965	2.0%	Aviva Investors	Infrastructure	15,209	1.1%
37,536	2.9%	Partners Group	Infrastructure	33,163	2.4%
8,094	0.6%	Partners Group	Multi Asset Private Credit	6,487	0.5%
-	0.0%	Invesco	Private Equity	-	0.0%
30	0.0%	Unigestion	Private Equity	30	0.0%
20,284	1.6%	Inhouse Cash	Cash	7,474	0.5%
150	0.0%	London CIV Ltd	UK Equity	150	0.0%
1	0.0%	NT Ultra Short Bond Fund	UK Equity	-	0.0%
0.0%	0.0%	Allspring Global – Buy and Maintain Bonds	Bonds	135,290	9.9%
0.0%	0.0%	Quinbrook Renewable Infrastructure	Infrastructure	47,633	3.6%
46,209	3.6%	Aberdeen MSPC	Private Credit	51,221	3.9%
372,644	**29.1%**	**Total assets managed outside of the London CIV asset pool**		**551,451**	**40.5%**
1,280,675	**100.0%**	**Total investments**		**1,360,898**	**100.0%**

The table below shows the Fund investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

31 March 2023 £000	%	Fund Manager	Mandate	31 March 2024 £000	%
399,782	31.2%	LGIM – MSCI Low Carbon	Global Equity (Passive)	412,468	30.3%
232,271	18.1%	LCIV – Ruffer	Absolute Return (Active)	151,199	11.1%
90,078	7.0%	LCIV – PIMCO	Global Bonds (Active)	0.0%	0.0%
65,179	5.1%	Oak Hill Advisors	Secured Income (Active)	73,581	5.4%
0.0%	0.0%	Allspring Global – Buy and Maintain Bonds	Bonds	135,290	9.9%
0.0%	0.0%	Alpha Real Capital	Commercial Ground Rents	78,962	5.8%
185,900	14.5%	Morgan Stanley	Global Sustain Fund	179,216	13.2%

Note 12 Reconciliation of Movement in Investments

The table below shows a reconciliation of the movement in the total investment assets of the Fund by asset class during 2023/24

Fund Manager	Value at 1 April 2023 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2024 £000
Equities	150	-	-	-	150
Pooled equity Investments	1,118,138	232,617	(267,154)	100,382	1,183,983
Pooled property investments	78,572	1,881	171	(7,368)	73,256
Private equity/infrastructure	63,531	50,304	(14,197)	(3,603)	96,035
Total	**1,260,391**	**284,802**	**(281,180)**	**89,411**	**1,353,424**
Cash deposits	20,245	-	-	(31)	7,456
Investment income due	39	-	-	-	18
Spot FX contracts	-	-	-	(13)	-
Net investment assets	**1,280,675**	**284,802**	**(281,180)**	**89,367**	**1,360,898**

Note 12 Reconciliation of Movement in Investments (continued)

The equivalent analysis for 2022/23 is provided below:

Fund Manager	Value at 1 April 2022 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2023 £000
Equities	150	-	-	-	150
Pooled equity Investments	1,127,189	67,000	(74,963)	(1,088)	1,118,138
Pooled property investments	87,987	6,999	(1,998)	(14,416)	78,572
Private equity/infrastructure	72,202	28,261	(12,580)	(24,352)	63,531
Total	**1,287,528**	**102,260**	**(89,541)**	**(39,856)**	**1,260,391**
Cash deposits	32,104			152	20,245
Investment income due	7			-	39
Spot FX contracts	-			(115)	-
Net investment assets	**1,319,639**	**102,260**	**(89,541)**	**(39,819)**	**1,280,675**

Note 13 Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year.

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Investment Manager	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments – Equity Funds UK and Overseas Managed Funds	LGIM – MSCI Low Carbon Ruffer – Absolute Return Fund Morgan Stanley – Global Sustain Fund	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
Unquoted Bonds and Unit Trusts	Oak Hill Advisors Allspring Global Bonds LCIV Insight Buy and Maintain Bonds (Short Duration) LCIV Insight Buy and Maintain Bonds (Long Duration)	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services	Evaluated price feeds	Not required

Description of asset	Investment Manager	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Long Lease Property Fund	Abrdn – Long Lease Property	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price	In house evaluation of market data	Not required
Private Equity	Unigestion	Level 3	Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple Revenue multiple	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts
Infrastructure funds	Partners Group – Infrastructure Aviva Infrastructure Quinbrook Renewable Infrastructure	Level 3	Valued by Fund Managers at the lower of cost and fair value	Managers use their judgement having regard to the Equity and Venture Capital Valuation Guidelines 2012 guidelines noted above	Upward valuations are only considered where there is validation of the investment objectives and such progress can be demonstrated Downward valuations are enacted where the manager considers there is an impairment to the underlying investment
Illiquid Alternatives	Darwin Alternatives Man Group Alpha Real Abrdn – MSPC Partners - MSPC	Level 3	Valued by Fund Managers at the lower of cost and fair value.	In house evaluation of market data	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts

Aviva Infrastructure

One of the LBHF Pension Fund's infrastructure investment managers, Aviva, were facing legal challenge from a former construction contractor relating to a contractual dispute on one of their biomass infrastructure projects.

Within the manager's financial statements at 31 December 2019, 31 December 2020, 31 December 2021, and 31 December 2022, fund management were unable to quantify the financial impact of the challenge, thus placing a degree of uncertainty on the value of the portfolio overall. As such the underlying accounts were qualified by the auditors.

The full and final value of the legal dispute has now been settled and with an additional amount of associated costs the total impact for the investment will be c.£46.7m.

On the 20th of June 2022, the committee voted to disinvest from the Aviva fund with the redemption documents being submitted prior to the 30th of June 2022 deadline for redemptions. The disinvested monies should have been returned to the fund by 31 December 2023. There were prolonged delays to the receipt of the redeemed monies, with the first tranche of redemption monies paid in January 2024 and the final redemption payment made on the 30 September 2024. The carrying value of the total infrastructure portfolio in the LBHF Pension Fund at the 31 March 2024 was £15m.

Having carefully considered this fund's financial statements, audit opinion and LBHF Pension Fund's holding in the fund being under redemption procedure, officers do not consider that this could result in any material uncertainty in the context of LBHF's total pension fund value. This is because the maximum value of the claims lodged are approximately 3% of the total portfolio value of the underlying Aviva fund and officers do not consider that there will be any further legal challenge/ claims that could result in a material uncertainty both in terms of containment within this particular investment and disclosures in the wider financial statements.

Cash Classification

For the Fund, cash at custodian is simply a sweep from the custodian into a nominated Money Market Fund and an overnight rate paid. The full cash amount needs to be available for potential investment/withdrawal the next morning and is purely there to service investment and payment of pensions. It is therefore understood that this cash should be amortised cost. It is however not correct to assume cash would always be amortised cost. When an investment committee has taken an active decision to hold cash as part of its asset allocation and invests in a liquidity fund there would almost certainly be duration and variable NAV, in this circumstance we would expect the IFRS9 treatment to be Fair Value at Profit and Loss.

Note 14a Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The definitions of the levels are detailed below.

LEVEL 1

Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Examples are quoted equities, quoted index linked securities and unit trusts. All level 1 investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

LEVEL 2

Quoted prices are not available for financial instruments at this level. The valuation techniques used to determine fair value use inputs that are based significantly on observable market data.

LEVEL 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data e.g. private equity investments.

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. The Partners Group multi asset credit and the infrastructure funds are closed ended and therefore not tradable.

The valuation is based on market prices where available for some underlying assets and on estimates of prices in secondary markets for others.

31 March 2023				31 March 2024		
Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs		Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
£000	£000	£000		£000	£000	£000
			Financial Assets			
-	1,027,756	232,635	Designated at fair value through profit and loss	-	1,067,931	285,493
-	**1,027,756**	**232,635**	**Net Financial Assets**	**-**	**1,067,931**	**285,493**
		1,260,391				**1,353,424**

Note 14b Transfers Between Levels 1 and 2

In 2023/24, the Fund's operational activity resulted in no transfers between Levels 1 and 2.

Note 14c Reconciliation of Fair Value Measurements Within Level 3

	Market Value as at 31 March 2023 £000	Transfers in/out of level 3	Purchases £000	Sales £000	Unrealised Gains/(losses) £000	Realised Gains/(losses) £000	Market Value as at 31 March 2024 £000
Overseas venture capital	37,566	-	-	(1,212)	(3,176)	14	33,192
UK Infrastructure	25,965	-	50,882	(11,536)	204	(2,673)	62,843
UK Venture Capital	88,051	-	38,850	(1,475)	(16,334)	-	109,092
London LGPS CIV	150	-	-	-	-	-	150
Private Credit Funds	46,209	-	-	(1,901)	6,914	-	51,221
UK Equity Funds	34,694	-	-	-	(5,699)	-	28,995
Total	**232,635**	**-**	**89,732**	**(16,124)**	**(18,091)**	**(2,659)**	**285,493**

Note 14d Sensitivity of Assets Valued at Level 3

The Pension Fund has analysed historical data and current trends in consultation with independent investment advisors to determine the accuracy of the valuations of its Level 3 investments. The potential impact on the reported valuations as at 31 March 2024 has been estimated to be accurate within the following ranges:

	Assessed Valuation Range (+)	Assessed Valuation Range (-)	Valuation at 31 March 2024	Valuation on increase	Valuation on decrease
Aviva - Private Infrastructure	6.90%	7.70%	15,209	16,259	14,038
Partners Group - Infrastructure	6.60%	7.75%	33,163	35,352	30,593
Partners Group - Multi Asset Private Credit	9.73%	9.73%	6,487	7,118	5,856
Darwin Alternatives - Leisure Fund	7.40%	6.50%	28,995	31,141	27,110
Abrdn MSPC	2.77%	2.77%	51,221	52,637	49,805
Alpha Real Capital - Ground Rents	7.30%	6.40%	78,962	84,726	73,908
Quinbrook - UK Renewable Infrastructure	16.60%	13.80%	47,633	55,540	41,060
Man Group - Affordable Housing	9.40%	8.70%	23,643	25,865	21,586
Total			**285,313**	**308,638**	**263,956**

*Three assets (totalling £0.180m) have been excluded from this note due to immateriality.

Note 15a Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities split by UK and Overseas, by category and net assets statement heading as at the balance sheet date. All investments are quoted unless stated.

31 March 2023				31 March 2024		
Designated at fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Designated at fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
			Pooled Investment Vehicles:			
817,953			UK equity funds	742,883		
144,382			UK fixed income funds	259,562		
113,266			UK property funds	102,251		
81,895			UK infrastructure	141,804		
65,179			Overseas fixed income funds	73,581		
37,536			Overseas infrastructure	33,163		
30			Overseas venture capital	30		
150			London LGPS CIV	150		
			UK cash funds			
	39		Investment Income Due		19	
	20,245		Cash deposits with managers		7,455	
	3,911		Debtors		3,929	
	7,836		Cash balances (held by fund)		15,642	
1,260,391	**32,031**		**Total Financial Assets**	**1,353,424**	**27,045**	
			Financial Liabilities			
		(1,979)	Creditors			(2,905)
		(1,979)	**Total Financial Liabilities**			**(2,905)**
		1,290,443	**Total Net Assets**			**1,377,564**

Note 15b Net Gains and Losses on Financial Statements

This table summarises the net gains and losses on financial instruments classified by type of instrument.

31 March 2023		31 March 2024
	Financial Assets	
(39,856)	Fair value through profit and loss	89,410
152	Loans and receivables	-
	Financial Liabilities	
(115)	Fair value through profit and loss	(43)
(39,819)	**Net Gains /(losses) on Financial Instruments**	**89,367**

Note 16 Nature and Extent of Risks Arising from Financial Instruments

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund's liabilities are sensitive to inflation through pension and pay increases, interest rates and mortality rates. The assets that would most closely match the liabilities are a combination of index-linked gilts, as the liabilities move in accordance with changes in the relevant gilt yields and changes in inflation.

The Pension Fund Committee maintains a Pension Fund risk register and reviews the risks and appropriate mitigating actions at every meeting.

A. MARKET RISK

Market risk is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. To manage excessive volatility in market risk, the Fund continues to invest its assets in a broad range of asset classes in terms of geographical and industry sectors and individual securities which are expected to produce returns above their benchmarks over the long term, albeit with greater volatility. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

The aim of the investment strategy is to maximise the opportunity for gains across the whole Fund's portfolio within a tolerable level of risk of an overall reduction in the value of the Fund. Responsibility for the Fund's investment strategy rests with the Pension Fund Committee and is reviewed on a regular basis.

On 24 February 2022, Russia invaded Ukraine, a severe escalation in the conflict which had been ongoing since 2014. Subsequently, numerous global powers implemented sanctions against major Russian banks and financial institutions, including freezing of overseas assets and removing access to SWIFT international payments. The Pension Fund can report that as at 31 March 2024, the value of investments in Russia or Ukraine is immaterial.

B. PRICE RISK

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 price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of the derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

All assets except for cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 8.4% higher or 8.4% lower.

Assets exposed to price risk	Value £000	+% £000	-% £000
At 31 March 2023	1,288,511	1,407,552	1,169,170
At 31 March 2024	1,376,540	1,492,107	1,260,673

C. INTEREST RATE RISK

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed Interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. Fixed income investments, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at 31 March 2024 and what the value would have been if interest rates had been 1% higher or 1% lower.

Assets exposed to interest rate risk	Value £000	+1% £000	-1% £000
At 31 March 2023	328,483	318,649	344,299
At 31 March 2024	**428,565**	**410,599**	**453,104**

Note 16 Nature and Extent of Risks Arising from Financial Instruments (continued)

D. CURRENCY RISK

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling.

The Fund recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

In order to mitigate the risk, one of the Fund's investment managers enters into forward foreign exchange contracts (accounted for as derivatives) to hedge the currency risk which arises from undertaking non-sterling transactions. In addition, several of the pooled investment vehicles partially or fully hedge the currency back into sterling. These actions reduce the overall currency risk the Fund is exposed to. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 7.4% higher or lower for 2023/24 (7.2% in (2022/23).

Assets exposed to currency risk	Value £000	+% £000	-% £000
At 31 March 2023	676,661	725,540	627,782
At 31 March 2024	**590,357**	**633,778**	**546,936**

E. 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 of investments 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 financial 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 fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

F. 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 there are adequate cash resources to meet its commitments. This will particularly be the case for cash to meet the pensioner payroll costs, and cash to meet investment commitments. The Fund has immediate access to its cash holdings.

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 19.7% of the Fund's Net Assets at 31 March 2024 (16.8% at 31 March 2023). The remaining assets can all be liquidated within days.

Manager	Portfolio	31 March 2023	31 March 2024
Aberdeen Standard	Property	54,545	49,613
Partners Group	Infrastructure	37,536	33,163
Partners Group	Multi Asset Credit	8,094	6,487
Unigestion	Private Equity	30	30
Darwin Alternatives	Illiquid Alternatives	34,694	28,995
Alpha Real Capital	Commercial Ground Rents	55,930	78,962
Quinbrook	Infrastructure	-	47,633
Man Group	Property	24,027	23,643
	Total	**214,856**	**268,526**

Note 17 Contingent Liabilities and Contractual Commitments

The Fund had the following commitments at the balance sheet date:

	31 March 2023 £000	31 March 2024 £000
Quinbrook - Renewable Infrastructure		3,155
Alpha Real Capital – Commercial Ground Rents	37,000	-
Man Group – Affordable Housing	8,013	6,189
Partners Group Direct Infrastructure Fund 2015	7,320	7,103
	52,333	**16,447**

Note 18 Funding Arrangements

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Hammersmith & Fulham Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The latest full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund was carried out by Hymans Robertson, the Fund's actuary, as at 31 March 2022 in accordance with the Funding Strategy Statement of the Fund and the Local Government Pension Scheme Regulations 2013. The results were published in the triennial valuation report dated 29 March 2023. This valuation set the employer contribution rates from 1 April 2023 through to 31 March 2026.

The 2022 valuation certified a common contribution rate of 20.7% of pensionable pay (17.4% as at March 2019) to be paid by each employing body participating in the Fund, based on a funding level of 105% (97% as at March 2019). In addition, each employing body must pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

The actuary's smoothed market value of the scheme's assets at 31 March 2022 was £1,325m (£1,043m in 2019) and the actuary assessed the present value of the funded obligation at £1,267m indicating a net asset of £58m (£1,079m 2019).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

Financial Assumptions	31 March 2019 £000	31 March 2022 £000
Consumer Price Index (CPI) increases	2.60%	2.70%
Salary Increases	3.60%	3.70%
Pensions Increases	2.40%	2.70%
Discount Rate	5.00%	4.40%

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates for the Pension Fund are based on the full valuation of the scheme as at 31 March 2022. The next actuarial valuation of the Fund was carried out by the Fund's actuary Hyman's Robertson as at 31 March 2025 and will set contribution rates for the period 1 April 2026 to 31 March 2029. The 2022 Triennial valuation has now been signed off and is publicly available.

The contribution rate is set on the basis of the cost of future benefit accrual, increased to keep the funding level at 100% over a period of 20 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension payments when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

Note 18a Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2024. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

31 March 2023 £000		31 March 2024 £000
(1,339)	Present value of promised retirement benefits	(1,355)
1,290	Fair value of scheme assets (bid value)	1,378
(49)	**Net Liability**	**23**

The assumptions applied by the actuary are set out below:

FINANCIAL ASSUMPTIONS

	31 March 2023	31 March 2024
Salary increases	4.00%	3.80%
Pension increases	3.00%	2.80%
Discount rate	4.75%	4.80%

DEMOGRAPHIC ASSUMPTIONS

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a

25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

		31 March 2023	31 March 2024
Retiring today	Males	21.8	21.6
	Females	24.5	24.3
Retiring in 20 years	Males	22.8	22.6
	Females	25.8	25.6

Note 19 Current Assets

DEBTORS

31 March 2023 £000		31 March 2024 £000
1,627	Contributions due – employers	2,153
678	Contributions due – employees	743
50	London Borough of Hammersmith & Fulham	47
1,556	Sundry Debtors	986
3,911	**Total Current Assets**	**3,929**

ANALYSIS OF DEBTORS

31 March 2023 £000		31 March 2024 £000
50	Local authorities	47
3,393	Other entities and individuals	3,791
468	Central Government	91
3,911	**Total Current Assets**	**3,929**

Note 20 Current Liabilities

CREDITORS

31 March 2023 £000		31 March 2024 £000
(659)	Unpaid benefits	(719)
(901)	Management expenses	(1,278)
(419)	Sundry creditors	(908)
(1,979)	**Total Current Liabilities**	**(2,905)**

ANALYSIS OF CREDITORS

31 March 2023 £000		31 March 2024 £000
(1,979)	Other entities and individuals	(2,905)
(1,979)	**Total Current Liabilities**	**(2,905)**

Note 21 Additional Voluntary Contributions (AVCS)

The Fund's AVC providers are Scottish Widows Workplace Savings and Utmost Life and Pensions. AVCs are invested separately from the Pension Fund and their valuations are shown in the table below.

31 March 2023 £000		31 March 2024 £000
857	Scottish Widows Workplace Savings	848
(60)	Scottish Widows Contributions in Year	7
154	Utmost Life and Savings	152
1,011	**Total Additional Voluntary contributions**	

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the investments are not included in the Pension Fund Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

Note 22 Related Party Transactions

LONDON BOROUGH OF HAMMERSMITH AND FULHAM

The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £1.1m in 2023/24 (£0.777m in 2022/23) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Council made £24.6m of contributions in year (£18.7m in 2022/23).

The Pension Fund's accounting and governance management is carried out through a shared service with Westminster City Council. Westminster City Council incurred costs of £0.206m in 2023/24 (£0.183m in 2022/23) in relation to the accounting and governance of the Fund and were reimbursed for the expense.

KEY MANAGEMENT PERSONNEL

The key management personnel of the Fund are the Members of the Pension Fund Committee, the Strategic Director of Finance and Governance (from May 2020, the Director of Finance), the Tri-Borough Director of Treasury and Pensions and the Director of Corporate Services (from May 2020, the Director of Resources). Total remuneration payable to key management personnel in respect of the pension fund is set out below:

	31 March 2023	31 March 2024
Short-term benefits	30	33
Post-employment benefits	(179)	20
Total	**(149)**	**53**

Note 23 External Audit Costs

The external audit fee payable to Fund's external auditors, Grant Thornton LLP, was £86,884 (£36,556 in 2022/23).



7.
Glossary and Contacts

Glossary of Terms

ACCOUNTING POLICIES

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

ACCRUALS

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

ACTIVE MANAGEMENT

Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.

ACTIVE MEMBER

Current employee who is contributing to a pension scheme.

ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

ACTUARY

An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

ADMITTED BODY

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

ASSET ALLOCATION

The apportionment of a Fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

BENCHMARK

A measure against which the investment policy or performance of an investment manager can be compared.

BONDS

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.

CREDITORS

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED MEMBERS

Scheme members, who have left employment or ceased to be active members of the scheme whilst remaining in employment but retain an entitlement to a pension from the scheme.

DEFINED BENEFIT SCHEME

A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

DERIVATIVE

A derivative is a financial instrument which derives its value from the change in price (e.g. foreign exchange rate, commodity price or interest rate) of an underlying investment (e.g. equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date

EMPLOYER CONTRIBUTION RATES

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

EQUITIES

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

EXCHANGE TRADED

This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.

FINANCIAL ASSETS

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

FINANCIAL INSTRUMENT

Any contract giving rise to a financial asset in one entity and a financial liability or equity in another entity.

FINANCIAL LIABILITIES

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

FORWARD FOREIGN EXCHANGE DERIVATIVE

Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

INDEX

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

OVER THE COUNTER

This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange

PASSIVE MANAGEMENT

Passive management is where the investments mirror a market index.

POOLED INVESTMENT VEHICLES

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

PROJECTED UNIT METHOD – PENSION FUND VALUATION

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the authority and its pension fund.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

RETURN

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

SCHEDULED BODY

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

THE CODE

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

UNREALISED GAINS/LOSSES

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

Contact Information

FOR FURTHER DETAILS CONTACT:

FINANCE ENQUIRIES

Tri-Borough Pensions Team
16th Floor
64 Victoria Street
London
SW1E 6QP
pensionfund@lbhf.gov.uk

PENSION FUND MANAGEMENT ENQUIRIES

Pensions Manager
Hammersmith & Fulham Council
The Town Hall
King Street
London
W6 9JU
pensions@lbhf.gov.uk

ADMINISTRATIVE ENQUIRIES

Local Pensions Partnership Administration (Scheme Administrators)

Contact form: https://www.lppapensions.co.uk/contact/contact-lppa/

Phone: 0300 323 0260



8.
Appendices

Appendices

Full Text Versions of the following documents can be found by following the hyperlinks provided below:

1. THE FUNDING STRATEGY STATEMENT	London Borough of Hammersmith and Fulham Pension Fund Funding Strategy Statement (lbhf.gov.uk)
2. THE INVESTMENT STRATEGY STATEMENT	Pension Fund Investment Strategy Statement 2023 to 24 (lbhf.gov.uk)
3. THE GOVERNANCE COMPLIANCE STATEMENT	governance-compliance-statement.pdf (lbhfpensionfund.org)
4. THE COMMUNICATIONS POLICY	hfpf-communications-policy-final.pdf (lbhfpensionfund.org)
5. PENSIONS ADMINISTRATION STRATEGY	pension-administration-strategy-2022-final.pdf (lbhfpensionfund.org)
6. RESPONSIBLE INVESTMENT STATEMENT	H&F Pension Fund Responsible Investment Statement 2022 (lbhf.gov.uk)

Appendix 7. Annual Report of the Pensions Board

The role of the Pensions Board is to assist the scheme manager (the administering authority) in securing compliance with:

- The LGPS scheme regulations
- Other governance and administration legislation
- The requirements of the Pensions Regulator (tPR)
- Additional matters, if specified by scheme regulations

The Pensions Board is required to have an equal number of representatives from employers and scheme members. They may also have other types of members, such as independent experts, but such members will not have a vote.

The law requires Pensions Board members to have knowledge and understanding of relevant pension laws, and to have a working knowledge of the LGPS, its governance and documentation. Whereas the role of the Pension Fund Committee usually involves carrying out a decision-making function, members of the Pensions Board should focus on the processes involved in the governance of the Fund. For example, are policies and procedures up-to-date, are the requirements of the Pensions Regulator being met and is the Fund following recognised best practice?

At a national level, the LGPS Scheme Advisory Board (SAB) consists of representatives from a broad spectrum of LGPS stakeholders. Its purpose is to encourage best practice, increase transparency and coordinate technical and standards issues by being reactive and proactive. Separate SABs exist for the schemes in England and Wales, Scotland and Northern Ireland.

Elected Members

- Councillor Nikos Ashok Patel (Chair)
- Councillor Nikos Souslous

Appointees

- William O'Connell
- Bruce Mackay
- Andy Sharpe
- Patsy Ishmael

During the year 2023/24 the Pensions Board met twice:

- 7 June 2023
- 27 February 2024

During the year, the Pensions Board had a varied and extensive work programme covering the following areas:

- The monitoring of quarterly fund investment performance
- Reports detailing the Fund's financial management, including cash flow and scrutiny of the fund risk register
- Pensions administration key performance indicators

The Board also reviewed the following work during the year:

- The ongoing performance of the new pensions administration provider and the associated ongoing project work related to the transition across.
- The new investments made by Pension Fund Committee into Buy and Maintain Bonds and Renewable Infrastructure.

Annual Report of the Pensions Board (continued)

The Board underwent the following training in the year:

The Board attended a half-day bespoke training events that took place in September 2023 and covered the following topics:

- ESG, Divestment vs. Engagement and a Just Transition
- Pooling in the LGPS
- UK Economy and Public Finances
- Macroeconomic Outlook
- Demystifying AI by AQR Capital Management

Councillor Ashok Patel

Chair, LBHF Pensions Board

August 2024



Hammersmith & Fulham Council • Town Hall, King Street, Hammersmith, London, W6 9JU • www.lbhf.gov.uk

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London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 06/11/2024

Subject: Annual Audit Report (Value for Money) 2023/24

Report author: James Newman, Assistant Director - Finance

Responsible Director: Sukvinder Kalsi, Executive Director of Finance and Corporate Services

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SUMMARY

This report presents the external auditor's Interim Annual Audit Report concerning the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (commonly known as "Value for Money" reporting). The report covers the financial years 2023/24.

In summary, the external auditors have assessed the Council as 'green' on economy, efficiency and effectiveness and 'amber' for both financial sustainability and governance. In addition, there is only one improvement recommendation for 2023/24 and the external auditors have not applied any of their extensive powers regarding statutory recommendations, public interest reports, advisory notices or judicial reviews.

RECOMMENDATIONS

1. To note the contents of the "Auditor's Annual Report for the Year Ended March 2024" from Grant Thornton LLP (being the Council's external auditor) (Appendix 1).

Wards Affected: All

H&F Values

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	The Annual Audit Report is a key tool in demonstrating how the Council attains of value for money.

Financial Impact

This report presents the external auditor's Value for Money assessment and is wholly of a financial nature.

Legal Implications

There are no direct legal implications in relation to this report. The External Auditor is required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to verify that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 29th October 2024

Contact Officer(s):

Name: James Newman
Position: Assistant Director - Finance
Telephone: 07775 705 707
Email: james.newman@lbhf.gov.uk

Name: Angela Hogan
Position: Chief Solicitor (Contracts and Procurement)
Telephone: 07919227585
Email: angela.hogan@lbhf.gov.uk

Background Papers Used in Preparing This Report

None

Annual Audit Report 2023/24

1. The external auditor is required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to verify that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (commonly known as “value for money” of VFM arrangements).

2. The Code of Audit Practice issued by the National Audit Office (NAO) requires the auditor to report to the Council commentary relating to those proper arrangements.

3. The Council’s external auditor is Grant Thornton LLP.

4. The attached report from Grant Thornton LLP presents both a summary and detailed analysis of their review of the Council’s VFM arrangements including key findings, recommendations and the Council’s response to those recommendations.

5. The auditor is required to review the Council’s value for money arrangements in the areas of Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness. The key messages in the auditor’s report for these areas are as follows:

Financial Sustainability - The Council achieved a stable financial outcome for the 2023/24 general fund budget. In response to a key recommendation finding in prior years, the Council has worked to improve the financial sustainability of its housing services and this recommendation will be reviewed in 2024/25. The Council has been assessed as 'amber' on financial sustainability (the same as 2021/22 and 2022/23).

Governance – The Council has established appropriate risk managements for the year 2023/24. The auditor has not found a significant weakness in the Council's governance arrangements with regard to their ability to secure value for money. The Council has been assessed as 'amber' on governance (the same as 2021/22 and 2022/23).

Improving Economy, Efficiency and Effectiveness – The Council has demonstrated a strong commitment to financial efficiency and effectiveness through various initiatives and strategies. The housing service was identified as weak in previous reports and the current report notes that the Council has made significant strides in improving this area. Given the need for these improvements to take time to embed, this finding and key recommendation remains in place for the 2023/24 year. The Council has been assessed as 'green' on economy/efficiency/effectiveness (the same as 2021/22 and 2022/23).

6. Overall, the auditor has made one improvement recommendation for the year 2023/24 (indicating that the Council should include more scenario planning in developing the annual budget). This is in contrast to two key recommendations and seven improvement recommendations made for the previous report covering 2021/22 and 2022/23. Of these, implementation of the two key recommendations remains ongoing, whilst of the seven improvement recommendations four are now complete and three are ongoing. Recommendations from all other prior years are now complete.

L**IST OF APPENDICES:**

Appendix 1 – Annual Auditor's Report on Hammersmith and Fulham Council 2023/24.

Grant Thornton

Hammersmith & Fulham Council Auditor's Annual Report for the year ended 31 March 2024

October 2024



Contents

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

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Appendices

Appendix A – Responsibilities of the Audited Body

Appendix B – Value for Money Auditor responsibilities

Appendix C – Follow-up of previous recommendations

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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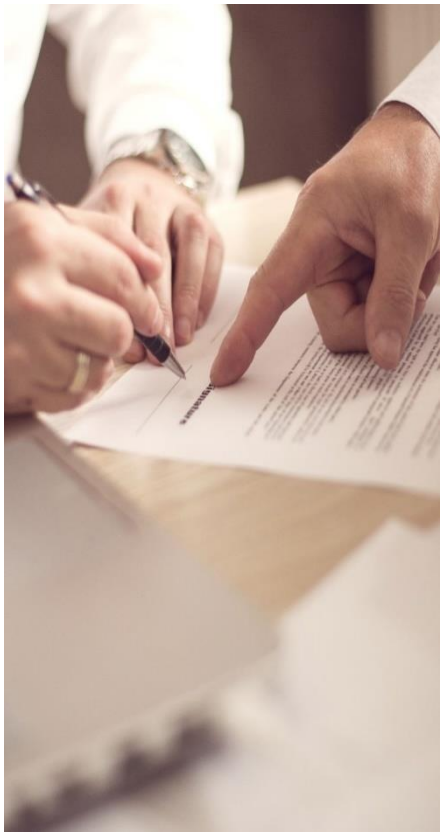
Introduction

Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Hammersmith & Fulham Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.



Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 14 with a commentary on whether any of these powers have been used during this audit period.

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Executive summary

Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. The outcome of the NAO's consultation on the Code is dependent upon the decisions made by the new government elected on 4 July 2024. These decisions are awaited at the time of drafting this report. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the NAO's new Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 15.

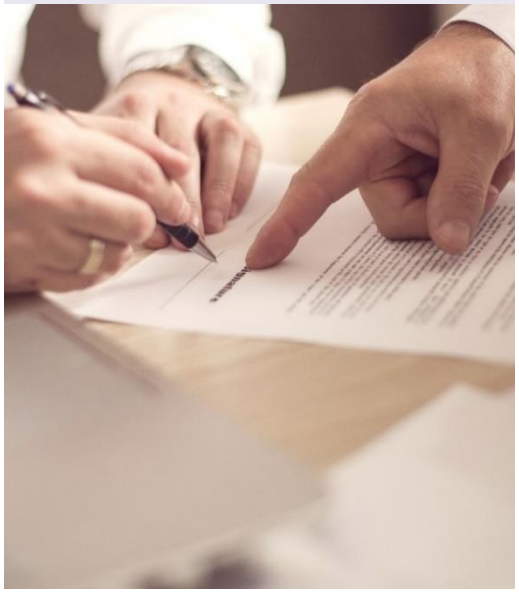
We expect to complete your audit following the Audit Committee meeting on the 6th November.

Financial sustainability

The Council achieved a stable financial outcome for the 2023/24 general fund revenue budget with a £0.3m surplus. Despite an uncertain medium-term outlook and a challenging budget gap, the Council has a strong history of budget management and healthy reserves. The current savings plan is achievable but needs further development to address the medium-term gap.

The Council's debt level is not currently a significant risk. The Council is managing their Dedicated Schools Grant (DSG) deficit well, complying with the Safety Valve agreement, and systematically reducing the High Needs Block portion of the DSG deficit.

The Council has worked to improve the financial sustainability of its housing services by completing over 12,000 stock condition surveys, which inform future capital works. In 2023/24, the Council updated its HRA 10-year Business Plan and presented a balanced budget for 2024/25, with a planned gross spend of £107.1m and general fund reserves of £5m. Despite these efforts, the HRA faces challenges, including a decrease in the HRA General Reserve. Officers must closely monitor and control costs and income to maintain financial stability. The Key recommendation will be reviewed in 2024/25.



Governance

The Council has established appropriate risk management arrangements for the year 2023/24. It maintains an effective internal audit service and Audit Committee framework. Improvement recommendations related to risk management and the Audit Committee, made in the previous year, are currently in progress and will be reviewed in 2024/25. Over the course of the year, the Council has successfully implemented several of our prior year recommendations. It has improved its documentation companies in which it holds interests, the reporting of capital outturn has been enhanced, a data quality strategy has been developed and the Council has defined its key partnerships.

We have not found a significant weakness in the Council's governance arrangements with regard to their ability to secure value for money.

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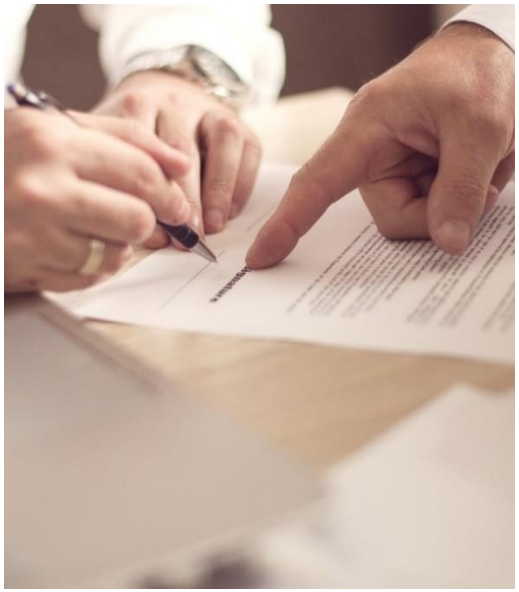
Executive summary

Improving economy, efficiency and effectiveness

The Council has demonstrated a strong commitment to financial efficiency and effectiveness through various initiatives and strategies. The establishment of the Policy and Oversight Board in May 2022 has provided a robust framework for overseeing finance, resource utilisation, and performance management. The adoption of the Business Objectives 2022/23 plan and the subsequent creation of the Corporate Plan in December 2023 have further guided the strategic operation of the Council, ensuring that key ambitions are clearly articulated to residents, partners, staff, and regulators. The Council's emphasis on benchmarking costs and performance against similar bodies, as well as the use of tools like CFO Insights, highlights its dedication to continuous improvement and value for money.

The Council's procurement strategy, outlined in the Sourcing Strategy 2022-26, plays a crucial role in securing the best outcomes for residents by improving how goods, works, and services are sourced. The Contract Assurance Board (CAB) meets weekly to discuss procurement strategies, awards, and contract variations, ensuring alignment with Council priorities. Performance indicators, such as tracking waivers and off-contract spend, are monitored to ensure accountability and continuous improvement. The Council's focus on competitive tendering and reducing the number of tender waivers further enhances value for money through the procurement process.

In terms of service delivery, the Council has made significant strides in improving housing services and addressing issues highlighted by residents and the Housing Ombudsman. The proactive efforts to update policies and procedures in preparation for the Social Housing (Regulation) Act 2023 demonstrate the Council's commitment to compliance and service quality. The establishment of a Complaints Improvement Board and the enhancement of the repairs contact centre have led to improved complaint handling and customer experience. These initiatives, along with the Council's collaboration with key external partners, underscore its dedication to delivering effective and efficient services to residents. There has been significant improvement over the last six months however, we would like to see the new processes for housing embed and deliver better outcomes in 2024/25 and therefore the significant weakness we raised in 2022/23 remains in place for the purposes of our VfM assessment in 2023/24.



Hammersmith and Fulham Pension Fund

We have also evaluated the Value for Money of the Council-administered pension fund, concluding that it consistently demonstrates effective performance in terms of Financial Sustainability, Governance, and Economy, Efficiency, and Effectiveness.

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Executive summary (continued)

Overall summary of our Value for Money assessment of the Council's arrangements

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023/24 is the fourth year that these arrangement have been in place. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements		2023/24 Risk assessment	2023/24 Auditor judgement on arrangements		Direction of travel
Financial sustainability *(excluding the Housing Revenue Account)*	A	Generally appropriate arrangements in place with regard to financial sustainability but two improvement recommendations made with regard to savings identification, development and reporting and the capital programme. The Council enjoyed strong performance in 2021/22 and 2022/23. The medium-term financial forecast indicates a challenging position in common with much of local government with regard to savings identification and potential use of reserves.	No risks of significant weakness identified. Key Recommendations for HRA.	A	No significant weaknesses in arrangements identified, but one improvement recommendation has been made. By considering the integration of scenario planning, the Council could strengthen its financial resilience and adaptability, ensuring a more robust and forward-looking financial strategy. ***This summary excludes the position on the financial sustainability of the Housing Revenue Account (HRA) – please see commentary overleaf.***	↑
Governance	A	No significant weaknesses in arrangements identified, but three improvement recommendations made relating to risk management, Audit Committee arrangements and the monitoring of Council-owned companies.	No risks of significant weakness identified.	A	No significant weaknesses in arrangements identified, but two improvement recommendation have been carried forward to 2024/25. These relate to risk management and Audit Committee arrangements.	↑
Improving economy, efficiency and effectiveness *(excluding the service performance in Housing)*	G	Generally sufficient arrangements in place with regard to improving economy, efficiency and effectiveness but two improvement recommendations made. The Council has performed well in key service areas and can point to a number of successes during 2021/22 and 2022/23.	No risks of significant weakness identified. Key Recommendation for HRA.	G	No significant weaknesses in arrangements identified, but one improvement recommendation has been carried forward to 2024/25. This relates to public reporting on performance indicators. ***This summary excludes the position on the financial sustainability of the Housing Revenue Account (HRA) – please see commentary overleaf.***	↔

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Executive summary (continued)

Criteria	2022/23 Auditor judgement on arrangements		2023/24 Risk assessment	2023/24 Auditor judgement on arrangements		Direction of travel
Financial sustainability and Improving economy, efficiency and effectiveness **Cross-cutting weakness**	R	**Significant weakness in Housing (HRA and service performance)** Impacting VfM themes: ✓ Financial sustainability ✓ Improving economy, efficiency and effectiveness Significant weakness identified in Housing relating to (1) the financial sustainability of the Housing Revenue Account (HRA) and (2) the service performance in Housing. We have issued two key recommendations.	Key Recommendations remain in place.	R	The Council has worked hard to improve the financial sustainability of their housing services. The Asset Management team completed over 12,000 stock condition surveys, identifying necessary improvements and future-proofing work. This informed future capital works. In 2023/24, the Council updated the HRA 10-year Business Plan, presenting it along with a balanced budget to the Cabinet in February 2024. For 2024/25, the gross anticipated HRA programme spend is £107.1m, with general fund reserves at £5m. There have been advancements in service performance, but the Council acknowledges that substantial work remains to do. They are committed to collaborating with residents to enhance the housing service. The progress achieved thus far lays the foundation for further development. Despite the plans and improvements in results, the Council remains under scrutiny from regulatory bodies and residents. The regulator's review of progress will be crucial in shaping the future of the Council's housing services, and the Council has pledged full cooperation with these reviews. We are pleased to note that on 25 October 2024 the Council received a letter from the Housing Ombudsman who confirmed that all ten recommendations of their P49 report have now been met and completed. We acknowledge that there has been significant improvement over the last six months however, we will need to see the new processes in housing embed in 2024/25 and consistently deliver better outcomes for residents before we can lift the significant weakness we raised in 2022/23. We will revisit these recommendations as part of the 2024/25 VfM work.	↑

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Executive summary (continued)

The Housing Revenue Account (HRA)

Significant Weakness (Financial Sustainability)

The Housing Revenue Account (HRA) exclusively encompasses the costs associated with managing and maintaining the Council's housing stock. This account is funded by income generated from tenant rents, service charges, leaseholder service charges, commercial property rents, and other housing-related activities. The HRA operates as a ring-fenced account, and the Council is statutorily required to account separately for local authority housing provision. As a statutory account, the HRA includes all expenditure and income related to the provision of Council housing for rent, and it remains entirely separate from the General Fund.

At 2021/22 budget setting, the Council approved the four-year Housing (HRA) Programme of £247.6m for the period 2021/22 to 2024/25. The HRA programme budget for 2023/24 totalled £95m; this included a programme of pipeline savings of £1.13m will be delivered through initiatives including the Housing Transformation Programme and £1.426m use of general reserves.

Housing capital expenditure for 2023/24 totalled £82.7m. The outturn compared to budget represents a £27.1m variance which equates to 25% of the revised budget.

The HRA outturn required a £4.6m drawdown from general balances (£3.6m for one-off repairs and damp/mould work, plus £1m). This is less than the projected £5m, leaving year-end balances at £5.4m, above the £5m minimum target.

From the 2019/20 to 2023/24 financial years, the Council's Housing Revenue Account (HRA) has encountered recurring deficits. The operational surpluses or deficits have been insufficient to cover the loan interest obligations on existing HRA loans. Consequently, net deficits have required support from the HRA general reserve.

Due to several consecutive years of deficits and additional demands on the reserve, the reserve levels have significantly diminished, reducing by two-thirds over three years (see table below). This, combined with the financial performance of the HRA (a £4.4m deficit in 2022/23 and a £4.65m deficit in 2023/24), highlights continuing significant concerns regarding the financial sustainability of the HRA.

	HRA (general) reserve
31/03/2021	£17.6m
31/03/2022	£15.6m
31/03/2023	£10.0m
31/03/2024	£5.376m

Source:
HRA budget outturn paper for 2023/24

The Council have put considerable efforts into improving the financial sustainability of their housing services. The Asset Management team has completed over 12,000 stock condition surveys. These surveys have helped to identify necessary improvements and future-proofing housing work and has enabled the Council to better inform the future capital works.

During 2023/24, the Council updated the HRA 10-year Business Plan which was presented to Cabinet in February 2024, alongside a balanced budget. Gross anticipated spend on the HRA programme for 2024/25 is planned to be £107.1m and general fund reserves are to be maintained at £5m.

Nevertheless, the HRA continues to face substantial challenges, with a notable decrease in the HRA General Reserve at the end of the 2023/24 year. As a result, we will revisit progress against our recommendations as part of the 2024/25 VfM work. It is imperative that officers closely monitor and control costs and income and implement corrective actions to safeguard and sustain the financial stability of the HRA.

See appendix C for our commentary on the follow-up of prior year recommendations.

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Executive summary (continued)

Service performance in Housing

Significant Weakness (Economy, Efficiency and Effectiveness)

Over the past 18 months, the Council have faced significant scrutiny over its housing performance, particularly in relation to repairs and complaint handling. The Council have been under investigation by the Housing Ombudsman and Regulator following numerous failures in addressing housing issues. Key concerns have included delays in addressing repair requests, inadequate communication with residents and repeated findings of maladministration.

In response to the investigations, the Council have acknowledged the historical failings and have committed to reforms. For context, the Council had overall responsibility for managing on average about 12,000 dwellings in 2023/24.

The Council have made good progress since our last report and are committed to enhancing the Housing department and reinstating trust with their residents. They have taken significant steps to improve services and respond to issues highlighted by both residents and the Housing Ombudsman. The Chief Executive leads a regular task group, comprising representatives from various Council Departments, to supervise the improvement plan.

During the 2023/24 period, the Council underwent an investigation by the Housing Ombudsman, which identified areas needing improvement. They have accepted the Ombudsman's findings and recommendations, showcasing their commitment to ongoing enhancement. Their proactive efforts are already showing positive outcomes and they are dedicated to fully implementing the Regulator's recommendations.

In preparation for the Social Housing (Regulation) Act 2023, the Council are actively updating their policies and procedures to meet the new national consumer standards. This proactive effort not only ensures compliance with regulatory requirements but also aims to improve the quality of services provided to residents.

As mentioned in the previous report, external auditors have assessed the Housing Services “reasonable assurance” in the key compliance areas of gas, asbestos, fire, electrical, water hygiene, and lifts, which are key components under consumer standards.

Focus on housing repairs has driven major service improvements. In March 2024, the Cabinet decided to change the contract for responsive repairs. A new pilot at the White City Estate aims to better meet residents' needs by directly managing repairs. ‘Estate Action Days’ helps the Council engage with residents, and the new Directors’ Report for the ‘Housing Residents Forum’ enhances communication. The Asset Management team has completed over 12,000 stock condition surveys to identify necessary upgrades and plan future capital works for residents.

The housing service has improved in handling complaints, achieving 98% and 99% response rates for Stage 1 and Stage 2 complaints. Despite this, complaints remain high. To tackle this, the Council have set up a ‘Complaints Improvement Board’ to reduce complaints through strategic actions. Additionally, the Repairs contact centre has boosted its service by raising call answer rates to 97%, cutting wait times to 1 minute, and improving customer experience with expert engagement.

While there have been advancements in service performance, the Council acknowledges that substantial work remains to be done. They are committed to collaborating with residents to enhance the housing service. The progress achieved thus far lays the foundation for further development. Despite the plans and improvements in results, the Council remains under scrutiny from regulatory bodies and residents. The Ombudsman’s ongoing review will be crucial in shaping the future of the Council’s housing services, and the Council has pledged full cooperation with these reviews. We will revisit these recommendations as part of the 2024/25 VfM work and review the outcomes and the effectiveness of the governance arrangements.

See appendix C for follow-up of prior year recommendations.

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Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements



Audit opinion on the financial statements

We are working with management to issue our audit opinion following the Audit Committee meeting on the 6th November.

We anticipate issuing an unmodified opinion on the financial statements.

Grant Thornton provides an independent opinion on whether the Councils financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Council's Audit Committee on November 6 2024. Requests for this Audit Findings Report should be directed to the Council.

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Opinion on the pension fund statements



Audit opinion on the financial statements

We are working with management to issue our audit opinion following the Audit Committee meeting on the 6th November.

Consistency report on the financial statements within the Pension Fund Annual Report

The Pension Fund is required to publish its Annual Report by 1 December 2024. We expect to issue our consistency opinion alongside the opinion of the financial statements.

Grant Thornton provides an independent opinion on whether the Pension Fund's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Pension Fund in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Audit Committee on 6 November 2024. Requests for this Audit Findings Report should be directed to the Pension Fund.

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Use of auditor's powers

We bring the following matters to your attention:

	2023/24
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

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Value for Money
Commentary on arrangements

The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.

National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report.

Local context

Hammersmith and Fulham is one of the 13 inner London boroughs situated in the central western part of London on the transport routes between the City and Heathrow airport. It was formed in 1965 when the two metropolitan borough councils of Fulham and Hammersmith were abolished. Excluding the City of London, it is the third smallest of the London boroughs in terms of area, covering 1,640 hectares, with a population of approximately 180,000 residents.

The borough is divided into 21 wards. Each of these wards is represented by either two or three elected councillors, bringing the total number of councillors for the borough to 50. Councillors are elected every four years. The composition of the council is currently: Labour 40, Conservative 10, as per the election in May 2022.

The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and the Cabinet. Full Council and Cabinet are supported by the Policy & Oversight Board providing the scrutiny function. In 2023/24 this was delivered through six Policy and Accountability Committees (PACs), covering all the major service areas.

The Hammersmith & Fulham corporate Plan 2023 to 2026 contains the strategy to deliver the ambitions of the Council's Vision up to 2026. It sets out what they want to achieve for residents and reaffirms the six values of the organisation that influences everything that they do.

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Financial sustainability

We considered how the audited body:	Commentary on arrangements	Assessment
Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;	Despite a very challenging operating environment, the Council have returned a revenue budget surplus of £0.3m which they have added to their general balances (reserves). They have maintained their general balances and have reduced the level of external borrowing. Overall, general balances and earmarked reserves have decreased by £4.8m from £106.1m to £101.3m. The MTFS savings target for 2023/24 was £2.9m along with the forecast delivery against targets for the Council-wide employee management saving of £2.5m. The outturn detailed that £2.667m of savings were delivered along with £2.375m from employee management. Savings of £0.257m in Resident Services will be delivered in 2024/25 through automation and services improvement facilitated by the Resident Access and Experience Programme. The DSG has an accumulated deficit of £2.2 million, reduced by £1.5m in 2023/24. Fulfilling the Safety Valve agreement with the DfE has been a main focus for the Council in 2023/24. A stringent programme has been applied to manage High Needs Block spending, alongside the early intervention programme aimed at providing timely and effective support to address children's needs efficiently and prevent unnecessary escalation in severity and cost. This comprehensive programme and its related mitigations have achieved an in-year balanced position for 2021/22, 2022/23, and £4.9m of mitigations delivered in 2023/24. Consequently, the DfE has released £19.5m of Safety Valve funding, with an additional £1m expected in 2024/25. The 2024 Medium Term Financial Strategy was presented to the Policy and Oversight Board on 23 January 2024. This plans from 2024/25 onwards and models future cost and income streams to identify the scale and timing of potential financial pressures. These are mirrored in the annual budget and include forecasted funding levels, savings plans and reserves levels. The Council presented a balanced budget for 2024/25 to Cabinet in February 2024 which included a detailed £8.1m savings plan. Progress against the plan is reported to Cabinet within the regular budget monitoring reports. The S25 statement set out the reasons why the DOF is satisfied that the estimates included are accurate and robust. We did not identify any weaknesses in the arrangements or the outturn report.	G
Housing Revenue Account	The Housing Revenue Account had a year-end deficit of £4.65m in 2023/24 to be met from balances (this included a budgeted use of balances of £3.630m and a further £1.018m). The closing balance for 2023/24 was £5.37m. We note that progress has been made on resolving this matter, however the significant weakness we identified ion 2022/23 on the stability of the HRA remains in place for 2023/24 and we will consider the effectiveness of the steps taken to address the issues in 2024/25.	A

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Financial sustainability

We considered how the audited body:	Commentary on arrangements	Assessment
Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;	Continued from the previous page… The Council understands key spending drivers well. The 2024/25 budget highlights the risks of demand pressures in children's services, adult social care, and homelessness due to limited resources and increasing demand. Economic conditions have led to reduced revenues and higher demand, while inflation strains staffing and contract costs. To address these challenges and meet statutory obligations, service demands, and resident priorities, the Council is investing £10.7m in the 2024/25 budget across many services and will allow the continued delivery of the best services to residents, businesses and visitors. This includes £4.2m for Home Care, £1.3m to support school transport services for children, £1.5m for people affected by homelessness and £1.7m to support housing services. As at month two, there is a forecast General Fund overspend of £20.480m before the use of corporate contingencies. Mitigations and action plans which could reduce this forecast are set out with each Departments commentaries and work is ongoing to deliver these. Cash flow is meticulously planned to ensure funds are available to meet the Council's legal obligations and deliver its services. The treasury management strategy serves as a roadmap for the Council's borrowing requirements, focusing on long-term cash flow planning to fulfil capital spending commitments. Managing long-term cash might involve securing long or short-term loans, utilising cash flow surpluses, or restructuring existing debts to align with the Council's risk management or cost-efficiency goals. The Council owns a modest collection of commercial properties, mainly retail spaces in multi-storey buildings in the HRA, operated as community services, not investments. Additionally, there are a few small public car parks. The other commercial property is the Civic Campus, managed externally by the West King Street Renewal Company. Currently, we see no significant risk in the Council's investment property portfolio.	G

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Financial sustainability

We considered how the audited body:	Commentary on arrangements	Assessment
Plans to bridge its funding gaps and identifies achievable savings	Annual savings plans are formulated as part of the budget setting process. There was an organisational savings plan of £2.9m in place for 23/24 which was agreed as part of the 23/24 Budget. The delivery of savings was regularly discussed at SLT meetings and reported as part of the Budget monitoring reports presented to Cabinet, under the heading of 'MTFS Savings Monitoring'. Savings are presented by Department and further analysed in appendices by individual saving schemes. Each saving is RAG-rated to indicate the risk of the saving in terms of deliverability and a forecast of savings to be delivered versus non-delivered. The progress in reporting of savings demonstrates a keen interest and effort directed by the Council toward tracking and monitoring of savings. The MTFS savings target for 2023/24 was £2.9m along with the forecast delivery against targets for the Council-wide employee management saving of £2.5m. The outturn detailed that £2.667m of savings were delivered along with £2.375m from employee management. Savings of £0.257m in Resident Services will be delivered in 2024/25 through automation and services improvement facilitated by the Resident Access and Experience Programme. Historically, the Council have delivered the majority of their savings plans; 95% of £4.9m was delivered in 2022/23 and 92% of £2.667m was delivered in 2023/24. In both years, a small (£0.3m in 22/23 and £0.3m in 23/24) underspend was achieved. For 2024/25, the budget detailed a savings plan of £8.1m. As at month two, the Council is forecasting that £7.709m will be realised.	G

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Financial sustainability

We considered how the audited body:	Commentary on arrangements	Assessment
Plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council's financial planning is strong and is broken down appropriately. They have followed similar standards in both 2023/24 and in the planning for 2024/25. The Council aligns its discretionary spend with the priorities in its Corporate plan. The Council is experienced at managing within its funding envelope as is demonstrated by the generation of the revenue budget underspend in 2022/23 and in 2023/24. The Corporate plan values are incorporated into the MTFP, the revenue and capital budgets. There is a section within each document, together with the in-year budget monitoring reports which summarises how the report aligns to the priorities/values. The 2024/25 budget highlights the importance the Council is placing on ensuring the continued delivery of key council priorities. This suggests that the Council is not relying on reducing or removing how any services are currently being provided. The 2024/25 budget proposals include an investment of £10.7m that will allow the continued delivery of the best services to residents/businesses and visitors. This includes an extra £4.2m for Home Care, £1.3m to support school transport services for children, £1.5m for people affected by homelessness and £1.7m to support housing services. The Council's financial planning is strong and is broken down appropriately. They have followed similar standards in both 2023/24 and 2024/25. In the Revenue Budget and Council Tax Levels 2023/24 and 2024/25 reports, there are clear breakdowns of budgeted expenditures. The costs are set out as well as their sources of income. The Council have benchmarked themselves to identify how they compare to statistical nearest neighbours in terms of service unit costs to inform their future planning.	G

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Financial sustainability

We considered how the audited body:	Commentary on arrangements	Assessment
Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council demonstrates that financial planning assumptions in the in-year plan and the medium term are consistent with other key strategies such as: • Workforce: The workforce is considered throughout the MTFS, budget and committee meetings (as evidenced through the minutes). The Finance and Corporate Services departments are helping to mitigate the significant medium-term financial challenges faced by the council through most efficient use of property, workforce, digital and automation, and commercialisation. • Estates & Assets: The Council considers estates and assets within their four year Capital Strategy and Programme 2024-28 and regular quarterly Capital budget monitoring reports. This includes the 'HRA Asset Management Capital Strategy'. Plans prioritise maintenance requirements to ensure a fit for purpose estate and asset base. • Net Zero: One of the Council's Corporate priorities is 'Rising to the challenge of the climate and ecological emergency'. This is incorporated into all the financial plans and how the Council's activity aligns to this priority. The Capital programme incorporates a number of measures that support the Climate and Ecology Strategy. • Treasury Management Strategy: The council complies with the CIPFA Prudential Code for Capital Finance and statutory guidance in preparing the required capital related strategies and policies. The Capital Strategy and Minimum Revenue Provision (MRP) Policy is included in the Capital strategy. The Council factors in the contribution of treasury management into its capital plan and strikes the appropriate balance between mitigating risk and optimising the contribution. The treasury management strategy was presented in February 2024. The Revenue and Capital budget monitoring reports include the assumptions around financial delivery, together with variations and rationales for them. These include assumptions about workforce and activity. The 2023/24 budget showed the intention to spend £202.5m on capital in January 2023. The total capital outturn for 2023/24 was £184.8m representing a £17.7m underspend or 8.7% variance from original approved budget. Throughout the year the capital programme is re-phased as new projects are approved and deadlines change. The outturn of £184.8m was measured against the revised budget of £232.174m which represents a £47.343m or 20% underspend. The Council now report capital outturn against the planned capital budget from the start of the year and keep the budget under constant review to ensure the budget more accurately reflects the expect capital spend in-year. The prior-year recommendation is now closed, see appendix C Follow-up of prior recommendations.	G

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Financial sustainability

We considered how the audited body:	Commentary on arrangements	Assessment
Identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	The Council ensures a robust financial planning process by incorporating reasonable financial assumptions. These assumptions are grounded in historical data, economic trends, and expert forecasts, providing a sound basis for financial projections and budgeting. By relying on well-founded assumptions, the Council aims to create realistic and achievable financial plans that align with its strategic objectives. However, one notable aspect of the Council's financial planning process is the absence of scenario planning. Scenario planning is a strategic method used to envision and prepare for various future possibilities and their potential impacts on financial outcomes. By considering the integration of scenario planning, the Council could strengthen its financial resilience and adaptability, ensuring a more robust and forward-looking financial strategy. There is clear consideration of risk in the Council's budget for 2024/25. The key financial risks that face the Council have been identified and mitigating actions detailed in a budget appendix by Department area. The substantive risks include: inflation, interest rates, unemployment, legislative requirements, increasing regulation, demographic pressures on ASC and Children's services, homelessness, labour shortages, stabilisation and restoration of Hammersmith Bridge, climate change, savings over the longer-term. In compliance with Section 25 of the Local Government Act 2003, the Director of Finance has included in the budget, his view of the adequacy of the balances and reserves the budget provides for in light of the medium-term risks facing the authority. The Council's financial planning practices are characterised by a reliance on reasonable financial assumptions, which provide a solid foundation for budgeting and financial projections. However, the exclusion of scenario planning represents a potential area for enhancement. By considering the integration of scenario planning, the Council could strengthen its financial resilience and adaptability, ensuring a more robust and forward-looking financial strategy – improvement recommendation 1 has been raised.	A

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Financial sustainability (continued)



Areas for improvement

Improvement recommendation 1:
We recommend that the Council should include scenario planning as part of developing their annual Budget.
See page 36 for more details.

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Governance

We considered how the Audited Body:	Commentary on arrangements	Assessment
Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Constitution details the Council's arrangements with regard to risk management. The Audit Committee advises the Executive on the strategic processes for risk, control and governance and is responsible for oversight of all risk analysis and risk assessment, risk response and risk monitoring. This includes establishment of risk management across the organisation, including partnerships; awareness of the Council's risk appetite and tolerance; reviewing the risk portfolio (including IT risks); being appraised of the most significant risks; determining whether management's response to risk and changes in risk are appropriate. The Council has arrangements in place to identify risks, understand them, record them within the risk management system and assess/score them. Risk management at Hammersmith and Fulham is guided by the risk management strategy statement which was approved in July 2019. In the prior year, the Council was aware of the need to update this risk management strategy document, and we made an improvement recommendation that the Council implement a regular review of its Risk Strategy. The Risk Strategy is being drafted and is due to be presented to SLT Assurance in autumn 2024 and then to Audit Committee in quarter four. The Corporate Risk Register (CRR) is presented to Audit Committee quarterly, providing assurance to members that risks are being identified and appropriately managed. The Council has robust risk management arrangements in place which feed into the Corporate Risk Register. Last year we recommended that the Council include a new column in its CRR setting out the key controls and assurances for each risk. Though this function is currently being fulfilled by the 'Current position' column, we believe that it would add greater clarity if users were able to point to the key controls and assurances in place to seek assurance that the Council is mitigating the risk. The CRR continues to be reviewed and will be presented to SLT Assurance in the Autumn and then on to Audit Committee. We will review this in 2024/25 The Council has established a robust internal audit function that effectively monitors internal controls across its three boroughs. Led by the Director of Audit, Fraud, Risk and Insurance, the Internal Audit Service delivers regular reviews, providing the Audit Committee with the assurance needed to evaluate control operations. In the 2023/24 reporting period, a significant majority of audits received positive assurance, reflecting the effectiveness of the internal control systems. An external quality assessment, completed in August 2023, confirmed that the internal audit services conform to Public Sector Internal Audit Standards. While some audits received Limited Assurance ratings, these were specific and not indicative of widespread control failures, demonstrating a strong overall assurance framework within the Council. *Continued...*	A

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Governance

We considered how the Audited Body:	Commentary on arrangements	Assessment
Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud Continued…	*Continued from previous page…* The Council has implemented effective measures for preventing and detecting fraud through its Corporate Anti-Fraud Services (CAFS), which provides a comprehensive counter-fraud investigation service. The Council has proactively revised and presented key anti-fraud policies, including the Anti-Bribery Policy and the Fraud Response Plan, to ensure robust governance. In the 2023/24 period, CAFS reported 235 positive outcomes from its efforts, resulting in a notional savings of over £680,000. Additionally, £320,000 of fraud and error was identified through the National Fraud Initiative, underscoring the importance of these initiatives. Overall, the Council's commitment to fraud prevention and detection demonstrates a proactive approach to safeguarding its resources and maintaining public trust.	A
Approaches and carries out its annual budget setting process	The budget process for the Council starts in the summer of the preceding year, involving senior finance staff and departmental heads. Initial presentations include various scenarios and variables like inflation and funding levels. Departments are tasked with managing inflation and identifying savings to close the anticipated budget gap. External engagement is covered in the Equality Impact Assessment (EQIA), such as consultations on day care service redesign. The Council follows the Local Government Finance Act 1992 by consulting non-domestic ratepayers, though their rates are set by the government. Financial sustainability concerns, particularly regarding the HRA, have been documented. The Treasury Management Strategy focuses on affordability while maintaining an under-borrowed position to minimize risk. The Council's projected debt is expected to rise, but it remains within sustainable limits. Capital financing charges for both the General Fund and HRA are aligned with revenue expectations. CIPFA's Financial Resilience Index indicates the Council's debt is low-risk, though interest payable is slightly higher, but not a significant concern.	G

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Governance

We considered how the Audited Body:	Commentary on arrangements	Assessment
Ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Council's financial monitoring and reporting processes are robust and well-structured, allowing for real-time access to budget data through BI dashboards. With a formal revenue monitoring cycle occurring quarterly, departments are held accountable for their budget variances through detailed appendices that outline explanations and action plans. This thorough approach is reinforced by discussions at departmental management meetings, ensuring a consolidated view for the Senior Leadership Team and Cabinet. Reports are designed to be accessible, featuring executive summaries and appendices that connect budget variances to non-financial metrics, enhancing the understanding of financial performance. The Council's treasury management strategy remains prudent, focusing on low-risk investments and borrowing practices that are well-aligned with its current financial capacity. However, the challenging financial landscape ahead may require reassessment of these strategies. Capital monitoring reports presented to Cabinet offer insight into the general fund and Housing Revenue Account, although the complexity of slippage reporting could be simplified for better clarity. Engagement during Cabinet meetings illustrates a proactive approach to managing variances and mitigating risks, demonstrating accountability among directors. In summary, the Council maintains a comprehensive framework for financial oversight, enabling it to navigate fiscal challenges while supporting essential services for the community.	G

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Governance

We considered how the Audited Body:	Commentary on arrangements	Assessment
Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	From our review of the Cabinet papers, key decisions are supported by sufficiently detailed papers to ensure that sufficient challenge and debate can be demonstrated and there is no clear evidence of inappropriate decision making occurring at a Cabinet level. For transparency, there is a 'forward plan of Key Decisions' at the end of every Cabinet meeting, which is a rolling list of Key Decisions which the Cabinet and individual Cabinet Members planned to take in the coming months. The Policy and Oversight Board oversees the Council's overview and scrutiny function. In 2023/24 this was delivered through six Policy and Accountability Committees (PACs), covering all major service areas who met once a quarter. The PACs in 2023/24 were: Children and Education Policy and Accountability Committee; Climate Change and Ecology Policy and Accountability Committee; Health and Adult Social Care Policy and Accountability Committee; Housing and Homelessness Policy and Accountability Committee; Social Inclusion and Community Safety Policy and Accountability Committee & The Economy, Arts, Sports and Public Realm Policy and Accountability Committee. The membership of the Policy and Oversight Board includes the Chairs of each of the PACs and an Opposition Member. The PACs have cross-cutting remits designed to reflect the Council's key priorities and objectives. They are each comprised of five elected non-executive Members. Committees were also able to co-opt Members who had a particular expertise or direct knowledge of the service user perspective to assist with their work. Co-optees were usually non-voting although the parent governor and diocesan representatives on the Children and Education PAC are entitled to vote on education matters. Committee members had access to the list of Key Decisions, which assists in the development of work programmes and the identification of forthcoming key executive decisions deserving closer scrutiny and input. There is no evidence of inappropriate 'tone from the top'. Cabinet meetings include healthy debate and challenge, with detailed contributions from Executive Directors. The Chair welcomes comment from the wider Cabinet. The Section 151 officer is part of the executive leadership team and has access to Cabinet for effective communication, advice and decision making. The Council has an effective Audit Committee in place which met four times during 2023/24. The attendance and skill mix of its five members is considered good. In the prior year we made three recommendations in regard to the Audit Committee. These actions are in progress and are outlined in appendix C: 'Follow up of prior recommendations', together with future proposals. We will revisit these in 2024/25.	A

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Governance

We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	The Council has a range of officers who are responsible for ensuring and monitoring compliance with statutory standards, such as the Monitoring Officer and the Section 151 Officer. During our review we are not aware of any instances where officers or elected members have not complied with the necessary standards. The SLT assurance board is the key mechanism for monitoring of compliance at a Council-wide level. This comprises of Directors and Associate Directors from across directorates, with assurance reports being presented which included performance across a suite of performance indicators around compliance and specific issues. The Council formally reviewed the Constitution and presented it to the Full Council on 28th February 2024. This aligns with the Monitoring Officer's annual requirement to ensure the Constitution remains effective. The Constitution is updated as needed throughout the year. It outlines how the Council operates, makes decisions, and follows procedures to conduct business efficiently, transparently, and accountably. This review shows the authority's commitment to maintaining high operational standards. Requirements and guidance for accepting and disclosing gifts and hospitality (both for members and officers) are set out within the Council's constitution. The Council has arrangements in place to ensure officers and members are making declarations of interest. At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. In March 2024, there was a significant award in a tribunal matter. The Council are appealing the decision. This was a result of the liability judgement (2022), which related to an unfair dismissal claim for a member of staff who worked with the authority in 2017 – 2018. A number of lessons learned have since been implemented, including: • Absence management training workshops for managers. • A rolling two-year programme of disability, equity and co-production training which is mandatory for all staff. • Reinforcement of the Council's employee assistance programme and wellness centre, and the launch of a new mobile app, providing staff with confidential 24/7 access. *Continued...*	G

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Governance

We considered how the Audited Body:	Commentary on arrangements	Assessment
Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	*Continued from previous page...* The procurement strategy aligns corporate goals with services and capital projects through commercial partners. In February 2023, the Council presented the Sourcing Strategy 2022-26 as its procurement guideline. This strategy aims to enhance how the Council sources goods, works, and services for residents' best outcomes. It complements the Council's governance documents, including the Constitution, Contract Standing Orders, Financial Regulations, Code of Conduct Policies (for Officers & Members), Anti-Bribery Policy, Corporate Anti-Fraud and Corruption Strategy, and Gifts and Hospitality Policy. These documents are available on the Council's website for stakeholders to access and understand. In addition to the overarching Sourcing Strategy, the Council typically develops individual procurement strategies for significant proposals submitted to Cabinet. The Procurement and Commercial team operates under the Strategic Director of Finance and currently comprises five employees. Since April 2022, the procurement function has undergone a substantial improvement process. We recognise that significant efforts have been made to assess the organisation's status concerning supplier payments and existing contracts, in preparation for the implementation of the Procurement Act. The Contract Assurance Board (CAB), led by the Assistant Director of Procurement and Commercial, includes representatives from all departments. CAB reviews high-value contracts to ensure they align with Council priorities. The Advisory Hub focuses on large procurements, developing governance processes, updating documentation, and providing organization-wide training. The team regularly reports a forward plan for significant contracts over £213k to the SLT. The Council has a solid grasp of smaller contracts too. In 2023/24, the procurement team reconciled all supplier payments with existing contracts, showcasing their dedication to managing contracts. They continue this effort with annual reconciliations. This exercise has resulted in more waivers being identified albeit for much smaller values. The procurement team monitors performance indicators, including tracking waivers, off-contract spend, and contract performance, to ensure accountability and continuous improvement. These metrics are reported to CAB. In 2023/24, there were 130 waivers, valued at £18.4m, compared to 103 waivers worth £35.3m in 2022/23. Previously, it was recommended that the Council should aim to reduce the number of tender waivers and focus more on competitive tendering to enhance value for money through the procurement process. This recommendation has been met; the Council has also extended its efforts to include smaller-valued contracts.	G

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the audited body:	Commentary on arrangements	Assessment
Uses financial and performance information to assess performance to identify areas for improvement	In May 2022, the Full Council established the Policy and Oversight Board to oversee the Council's overview and scrutiny function, which is delivered through the Policy and Accountability Committees (PACs). This board has oversight of finance, resource utilization, performance management, and the creation and monitoring of new policy development via the PACs. In September 2022, the Cabinet adopted the Business Objectives 2022/23 plan, which included a commitment to develop a longer-term plan. This led to the creation of the Corporate Plan, which was presented to the Cabinet in December 2023. The Corporate Plan aims to guide the strategic operation of the Council and clearly articulate the Council's key ambitions to residents, partners, staff, and regulators. The Strategic Leadership Team (SLT) holds strategic oversight of the Corporate Plan's delivery, which is regularly monitored by the Council's Policy and Programme Management Office. The Plan includes a set of outcomes that describe the changes and improvements the Council aims to achieve. These outcomes will serve as the basis for future reporting on the Plan's delivery to the Cabinet on an annual basis. The Council's Policy and Accountability Committees may also oversee and scrutinise the Plan's delivery as needed. During the 2023/24 period, performance monitoring was conducted against both the old Business Objectives and the new Corporate Plan on a quarterly basis. As of April 2024, there were five red-rated performance indicators, including new stage 1 and stage 2 complaints, average time to assess benefits claims for changes in circumstances, repeat Child Protection Plans, and homeless prevention. An improvement recommendation was made to consider publicly reporting on performance indicators to ensure openness and transparency. This recommendation is being implemented as part of the new Corporate Plan and will be reviewed in the 2024/25 period. The Council is continuously comparing itself against other local government organisations to improve its performance. They have the third lowest council tax in the country and are one of a few councils to abolish home care charges. Additionally, they have funded the largest-ever number of council-funded police. Business Intelligence (BI) reviews the LGA Inform benchmarking tool to inform wider performance management work, such as reporting to Performance Boards and designing performance management frameworks1. Performance Boards, often chaired by a member of the Strategic Leadership Team (SLT), receive benchmarking information periodically. Services regularly benchmark costs and performance against similar bodies as part of business cases, investment plans, and service strategy development. The Council subscribes to CFO Insights to assess performance against other similar councils.	A

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the audited body:	Commentary on arrangements	Assessment
Evaluates the services it provides to assess performance and identify areas for improvement	The Council reports on their Revenue Budget and Council Tax Levels annually, with the latest report in February 2024. Recently, the council abolished home care charges, provided free school breakfasts, established a Law Enforcement Team, maintained weekly bin collections, and ended bailiff use for Council Tax debt. They have the third lowest Council Tax in the country and have cut or frozen it in five of the last nine years. Their progressive Council Tax Support Scheme reduces the burden on the most vulnerable. The Local Authority emphasises financial efficiency by ensuring spending aligns with priorities, questioning expenditures, and achieving results within budgets.	G
Housing Services	The Council focused on enhancing the Housing department and reinstating trust with its residents. They have taken significant steps to better services and respond to issues highlighted by both residents and the Housing Ombudsman. The Chief Executive leads a regular task group, comprising representatives from various Council Departments, to supervise the improvement plan. During the 2023/24 period the Council underwent an investigation by the Housing Ombudsman, which identified areas needing improvement. They have accepted the Ombudsman's findings and recommendations, showcasing their commitment to ongoing enhancement. Their proactive efforts are already showing positive outcomes, and they are dedicated to fully implementing the Ombudsman's recommendations. In preparation for the Social Housing (Regulation) Act 2023, the Council is actively updating its policies and procedures to meet the new national consumer standards. This proactive effort not only ensures compliance with regulatory mandates but also aims to improve the quality of services provided to residents. Additionally, external auditors Pennington Choice have granted the Council's Housing Services "reasonable assurance" in the key compliance areas of Gas, Asbestos, Fire, Electrical, Water Hygiene, and Lifts, which are components of the consumer standards. Focus on housing repairs has driven major service improvements. In March 2024, the Cabinet decided to change the contract for responsive repairs. A new pilot at White City Estate aims to better meet residents' needs by directly managing repairs. The Housing service has improved in handling complaints, achieving 98% and 99% response rates for Stage 1 and Stage 2 complaints. Despite this, complaints remain high. To tackle this, the Council has set up a 'Complaints Improvement Board' to reduce complaints through strategic actions. Additionally, the Repairs contact centre has boosted its service by raising call answer rates to 97%, cutting wait times to 1 minute, and improving customer experience with expert engagement. While there have been advancements, the Council acknowledges that much work remains. They are committed to collaborating with residents to improve the housing service. We are pleased to note that on 25 October 2024 the Council received a letter from the Housing Ombudsman who confirmed that all ten recommendations of their P49 report have now been met and completed. The progress they have made sets the stage for further development and this will be reviewed in 2024/25. **This criteria has been marked red due to the service performance in Housing which is covered within the key recommendation.**	A

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Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the audited body:	Commentary on arrangements	Assessment
Ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	Collaboration is essential for providing numerous local authority services. The Council has upheld robust partnership arrangements with key stakeholders and continues to do so in 2023/24. The Policy and Oversight Board, along with the Policy and Accountability Committee Chairs, presented their Annual Report for 2023/24 to the council in July 2024. This report highlights the key responsibilities of the PACs, which include scrutinizing decisions made by partner organisations in the interest of the Borough's residents. The reports are detailed, linked to central Council Values, and cover issues that occurred during the period, decisions made by partner organizations, and various activities to support residents. Performance of partnerships is monitored within appropriate Council departments and overseen by the Strategic Leadership Team (SLT) on a monthly basis. While the Council does not publicly report performance with all partners, information is exchanged within certain partnerships. An example of such partnership working is the Hammersmith & Fulham Local Safeguarding Children's Partnership, which was highlighted in the previous year's report and continues to be a focus in 2024/25. The Council's commitment to partnership working is evident in their collaboration with key external partners in health, education, and across the private, voluntary, and independent sectors. The new Corporate Plan, adopted in December 2023, reaffirms this commitment and outlines the Council's strategy to tackle the biggest challenges facing communities. The Council also participates in the North West London Integrated Care System (ICS), collaborating under the Integrated Care Partnership to implement the North West London Care Strategy. Additionally, the Council has launched various initiatives to support the borough's economic recovery and improve residents' health. These include partnerships with Imperial College London and the NHS to address air quality and a new pilot program at White City Estate to manage housing repairs directly. The Council also focuses on recruitment challenges by partnering with the London Innovation and Improvement Alliance and other organisations to attract and retain social workers.	G

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Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the audited body:	Commentary on arrangements	Assessment
Commissions or procures services, assessing whether it is realising the expected benefits	The Council has a comprehensive approach to identify and manage key contracts where it procures or commissions services, ensuring that expected benefits are realised. The Council's procurement strategy (known as the Sourcing Strategy 2022-26) communicates the procurement approach to the rest of the Council and commercial partners. This Strategy 2022-26 was presented at the February 2023 Cabinet meeting. It outlines the overarching strategy to improve how the Council sources goods, works, and services to secure the best outcomes for residents. This strategy sits alongside the Council's operational governance arrangements, including the Constitution, Contract Standing Orders, Financial Regulations, Code of Conduct Policies, Anti-Bribery Policy, Corporate Anti-Fraud and Corruption Strategy, and Gifts and Hospitality Policy. The Contract Assurance Board (CAB) meets weekly and includes representatives from all departments. This forum allows stakeholders to discuss procurement strategies, awards, contract variations, and modifications for items over £100k, ensuring alignment with Council priorities. The procurement team also performs a yearly reconciliation of supplier payments and contracts to maintain a corporate grip on all contracts in operation. The Council monitors performance indicators, including tracking waivers, off-contract spend, and contract performance, to ensure accountability and continuous improvement. These metrics are reported to CAB. In 2023/24, there were 130 waivers valued at £18.4m, compared to 103 waivers worth £35.3m in 2022/23. The Council aims to reduce the number of tender waivers and focus more on competitive tendering to enhance value for money through the procurement process. The Council's Procurement and Commercial team, under the Strategic Director of Finance, focuses on very large procurements. They have developed processes to help understand governance, process maps, updated documentation, and provided training to the whole organisation. The team reports a forward plan to the Strategic Leadership Team (SLT) regularly, focusing on significant contracts above £213k. The Procurement team works in conjunction with the Legal team to conduct forums and training sessions focused on contract management. These sessions address new regulations, best practices in contract management, and evaluation processes to ensure compliance and enhance procurement methodologies. A Procurement Act Working Group has been established, which includes the Director of Audit, Fraud, Risk and Insurance, the Head of Internal Audit, and the Risk and Assurance Manager. They attend the meetings to contribute, provide advice, and offer constructive challenges when necessary. *Continued...*	G

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the audited body:	Commentary on arrangements	Assessment
Commissions or procures services, assessing whether it is realising the expected benefits	*Continued from previous page…* The Council are not involved in significant commercial ventures. They presently have three active limited companies and are part of two Joint Ventures. The associated governance arrangements were presented to Cabinet in June 2024 which also covered the monitoring of the performance of these companies. SLT also receive regular reports on the work of companies which then proceed to Cabinet. Internal updates are also raised quarterly at Commercial Board. This closes the recommendation from the previous year. The Council has developed a comprehensive capital strategy, as detailed in the Annual 4 Year Capital Programme Report to Cabinet/Council in February of each year. This strategy is supported by other arrangements, including the Development Board and S106/CIL Board, which meet bi-monthly. Additionally, a new Corporate Capital Board, chaired by the Assistant Director of Finance, was established in 2023/24 and meets quarterly to ensure the delivery of programmes. The capital strategy from the 2024/25 budget report and annual treasury report for 2024/25 demonstrates an integrated approach to capital management. This closes the recommendation from the previous year. Future capital projects are being evaluated using the Treasury Green Book Model, which aims to enhance capital budget planning.	G

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Value for Money Recommendations raised in 2023/24

Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR1	We recommend that the Council should include scenario planning as part of developing their annual Budget.	Improvement	Financial sustainability	2024/25 Budget presented to the February 2024 Cabinet	By considering the integration of scenario planning, the Council could strengthen its financial resilience and adaptability, ensuring a more robust and forward-looking financial strategy.	Actions: Council will implement scenario planning within their MTFS model, starting with the 2026/27 process. Responsible Officer: James Newman Executive Lead: Sukvinder Kalsi Due Date: February 2025

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

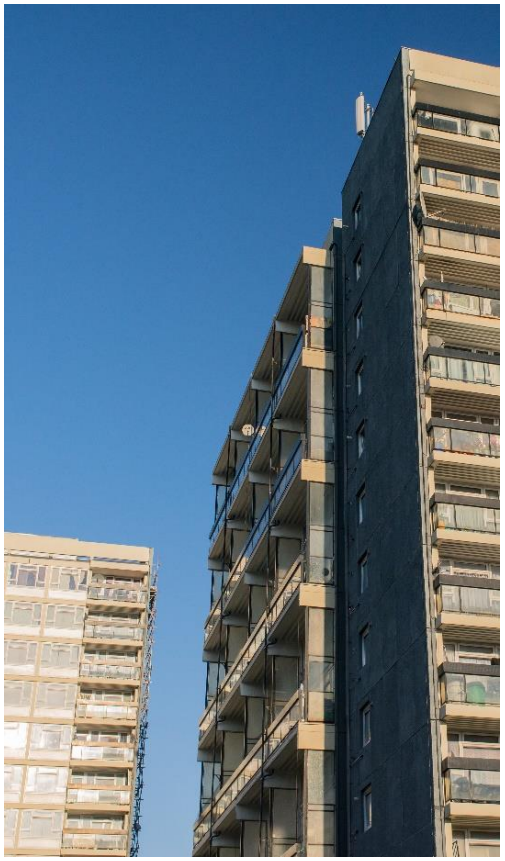
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



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Appendix B:
Value for Money Auditor responsibilities



Value for Money arrangements work

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The audited body's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.**
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1	<u>Housing Revenue Account:</u> a. We recommend that the Council takes urgent steps to return the HRA to making operating surpluses sufficient to cover existing borrowing requirements and to start building up HRA general reserve balances. b. We recommend that the Council sets a target level of minimum HRA general reserve balances, expressed as a number of month's HRA expenditure and aims to meet this target in a specified number of years.	Key	Key recommendation (Financial sustainability) Raised November 2023	a. Following on from the steps taken during 2022/23, the base deficit of £1.4m from 2023/24 has been wholly eliminated for 2024/25. A rent increase of 7.7% from 1 April 2024 (in line with September 2023 CPI plus 1%) together with the discontinuation of a temporary provision from reserves made during 2023/24, was necessary to protect the long term resilience of the HRA. The balanced budget set for 2024/25 is providing a strong foundation from which to make contributions to the HRA General Reserve in the coming years as the financial operating environment allows. b. The key strategic housing financial objective is to maintain the long-term financial resilience of the HRA and the 10-year Business Plan aims to maintain general balances equivalent to 5% of annual spend. The initial target minimum balance of £5m was met and exceeded during 2023/24 with a balance of £5.4m by 31 March 2024 in the HRA General Reserve (with another £6.2m in earmarked reserves). A 5% target for the HRA General Reserve is equivalent to £5.3m based on the 24/25 gross expenditure budget for the HRA of £106.7m. This is equivalent to 0.6 months of gross expenditure. The Council suggests that this could be used as the minimum requirement for the HRA General Reserve balance going forward with a target to achieve 1 month (currently £8.9m) within the next four years. This aspect is now resolved.	In progress – needs to be sustained in 2024/25 Yes	There has been significant improvement over the last six months however, we would like to see the new processes embed in 2024/25. We will revisit these recommendations as part of the 2024/25 VfM work.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1	<u>Housing Revenue Account:</u> c. Within the constraints of the maximum rent increases allowed by the Regulator of Social Housing for social rents, HRA income should cover cost increases as far as possible, and this should be reflected in non-regulatory fee increases. d. We recommend that this financial model is used to demonstrate plans for returning the HRA to a position of financial sustainability and to demonstrate how both legally required works and new build aspirations might be funded and paid for. We would expect the financial business plan to allow reporting of various scenarios and for projections to be supported by extensive sensitivity analysis and stress testing. e. We recommend that a comprehensive exercise is undertaken to improve the quality of stock condition survey data. If all team members visiting homes are involved in validating existing records and updating stock condition data, this will give rise to a sense of ownership and increase confidence in the stock condition survey data amongst team members. This needs to be supported by appropriate technology.	Key recommendation (Financial sustainability)	November 2023	c. The Council has optimised the position in terms of income generation for tenant service charges (full cost recovery) and for Council homes rental income (with use of the 5% rent flexibility for relets). A review of other non-regulatory fees (including commercial income, garage rents, advertising hoardings, management fees) will be undertaken to ensure that income from all housing assets is optimised for the HRA. This aspect is now resolved. d. The current 10-year financial business plan is being revised as part of the annual budget setting process and this will take into account the Council's latest plans to deliver both legally required works and affordable housing as well as demonstrate plans for a financially resilient, sustainable HRA. The report presented for Cabinet approval in February 2025 will include the results and implications of analysis and stress testing of key sensitivities. e. The new stock condition surveys are almost complete and work has already begun to analyse the findings. This information will be used to develop the next Asset Management Strategy (2025-2030) which is expected to be completed in the new year. This will then enable a revised 5 year capital programme to be devised and this is expected to be finalised in the autumn of 2025. This aspect is now resolved.	Yes In-progress Yes	There has been significant improvement over the last six months however, we would like to see the new processes embed in 2024/25. We will revisit these recommendations as part of the 2024/25 VfM work.

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
2	Service Performance in Housing: The Council should continue on its improvement journey with the operational performance of its housing service to ensure it is meeting a minimum core service standard.	Key recommendation (Improving economy, efficiency and effectiveness)	November 2023	The governance arrangements established in 2023/24 have been continued and enhanced in ensuring delivery of the improvement journey for both operational and financial performance. voids performance is reported on regularly at Service Improvement Board and the average level of income loss from voids has improved markedly in recent months with the average number of void properties reducing from an average in 23/24 of 320 to an average for the 24/25 financial year to date of 250. We are pleased to note that on 25 October the Council received a letter from the Housing Ombudsman who confirmed that all ten recommendations of their P49 report have now been met and completed.	No	There has been significant improvement over the last six months however, we would like to see the new processes embed in 24/25. We will revisit these recommendations as part of the 2024/25 VfM work.

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1	Savings: a) The Council should identify and develop savings early in the budget process to ensure appropriate prioritisation and the necessary level of rigour commensurate with the forecast budget gaps. At present, the Council is forecasting a 2024/25 budget gap that would involve a £18m use of reserves if no additional savings or income generation plans are devised. The Council do not anticipate the materialisation of the need to use reserves as they are relying on developing savings plans. The issue is that 2024/25 is soon approaching and there are currently a lack of developed savings schemes from which to close the budget gap. We recommend reporting clearly the intention to iteratively develop and identify savings so as to provide assurance that the budget gap will be mitigated. b) The Council should implement a single, consolidated and regularly updated mechanism that tracks its savings plans. This should include the savings that have been agreed, how they will be monitored and the extent to which they have been achieved. The savings should also be built into the authority's annual budget and medium-term financial plan. c) Savings must be publicly agreed and approved by Members and progress against savings plans alongside any variances of deviation from those plans must be publicly reported to Members.	Improvement	November 2023	The Savings Programme (£2.9m for 2023/24) is now considered at the Finance SLT as part of the in year financial performance reporting. It is also being reported separately in the CRM Reports to Cabinet for 2023/24 (with a RAG rating system). This will be continued and replicated at Departmental DMTs.	Yes	No

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
2	The Council should review and evaluate how it sets it capital budget. Consideration of this will enable it to set more realistic budgets going forward.	Improvement	November 2023	The Council has a strongly developed capital strategy (as set out in the Annual 4 Year Capital Programme Report to Cabinet/Council in February of each year). This is supported by other arrangements (including the Development Board, S106/CIL Board) and a new Corporate Capital Board has been established in 2023/24 (Chaired by AD Finance) to ensure delivery of programmes. Future capital projects are being evaluated using the Treasury Green Book Model and this is intended to improve capital budget planning. Capital strategy from 2024/25 budget report and annual treasury report for 2024/25, which evidence an integrated approach to capital.	Yes	No

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
3	Risk management: a) We recommend that the Council implement a regular, mandated annual review of its Risk Strategy. b) The Council should consider the number of risks reported on the Corporate Risk Register (CRR). c) We recommend that the Council include a new column in its Corporate Risk Register (CRR) setting out the key controls and assurances for each risk. Though this function is currently being fulfilled by the 'Current position' column, we believe that it would add greater clarity if users were able to point to the key controls and assurances in place to seek assurance that the Council is mitigating the risk.	Improvement	November 2023	The Risk Strategy is being reviewed and arrangements will be put in place for Annual Review and endorsement by Assurance SLT. The current risks reported on the CRR have been reduced (but it is important that these are comprehensive and reflect the strategic risks that are being faced by the Council). a) Risk strategy being drafted and will be presented to SLT Assurance in Autumn 2024 and then to Audit Committee in Q4. b) The CRR is reviewed on a quarterly basis with the number of risks having been reduced significantly. SLT Assurance are satisfied that the right risks are held on the CRR. c) CRR continues to be reviewed and will be presented to SLT Assurance in the Autumn and then on to Audit Committee.	Partially	Yes

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
4	**Audit committee:** a) We recommend that the Council enshrines in its Constitution the separation of executive roles and Audit Committee membership and include that it will institute the rule that a period of two years should elapse before a councillor who previously held a senior policy role joins the Audit Committee in line with CIPFA's guidance Audit Committees: Practical Guidance for Local Authorities and Police (2022). b) We recommend that the Council considers the merits of appointing appropriately qualified independent members to the Audit Committee. c) We recommend that the Council reports annually on how the Audit Committee has complied with the position statement, discharged its responsibilities and include an assessment of its performance.	Improvement	November 2023	a) The Review of Effectiveness will commence with a workshop with the Audit Committee in the Autumn 2024 and the outcome reported to the Committee in Q4. b) A paper will be presented to SLT Assurance on this in November 2024 and the outcome of this paper considered as part of the Review of Effectiveness workshop with the Audit Committee. c) An annual report of the Audit Committee will be prepared for the 2024/25 municipal year and annually thereafter.	No	Yes
5	The Council should ensure consistent monitoring of the work of its companies at senior leadership level.	Improvement	November 2023	SLT now receive regular reports on the work of the companies which then proceed to Cabinet. Internal updates are also raised quarterly at Commercial Board.	Yes	No

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
6	The Council should consider publicly reporting on performance indicators to ensure openness and transparency.	Improvement	November 2023	Assurance on progress against strategic objectives including performance indicators is intended against the new Corporate Plan in early 2025. It remains the case that the Council widely reports its performance to residents/ employees/ government departments/ regulatory bodies through existing statutory duties and requirements. Considerable information is already available through nationally published statistics (including OfLog). Reporting against corporate performance has not been added to the forward plan of Policy Oversight Board. It was requested at SLT that further consideration be given to this reporting.	No	Yes
7	The Council should consider how it can reduce the number of tender waivers, in favour of a greater focus on competitive tendering, to better safeguard VfM through the procurement process.	Improvement	November 2023	The Council has about 100 contract waivers per year. The requests to waive contract standing orders are evaluated at the weekly Contract Assurance Board (and services are specifically requested for justifications and demonstration of value for money). The vast majority of waivers are below procurement threshold requests, and it is important to consider that potential re-procurement costs for low value contracts may not represent value for money. The new forward plan of procurement will assist further in the year ahead.	Yes	No

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Appendix C: Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
2020-21 IR5	The Council should report capital outturn against the planned capital budget from the start of the year and ensure the budget more accurately reflects the expect capital spend in year	Improvement	September 2022	Capital outturn is now measured against capital budget throughout the year	Yes	No
2020-21 IR7	The Council should review and improve the governance arrangements for the companies in which it has an interest, including clarifying the role of the Commercial Revenue Committee.	Improvement	September 2022	Covered by 2022-23 IR5 above	Yes	No
2020-21 IR8	The Council should ensure that performance against the Council's strategic objectives are reviewed by Cabinet in public meetings to facilitate openness and transparency and to enable public scrutiny.	Improvement	September 2022	Corporate Plan went to December 2023 Cabinet	Yes	No
2020-21 IR9	The Council should develop a clear data quality strategy and supporting policy	Improvement	September 2022	Data quality policy approved by SLT in April 2024 and disseminated to the organisation. Internal audit will include a data quality audit in the 2024/25 audit programme	Yes	No
2020-21 IR11	The Council should define its significant partnerships and develop a register that identifies the contribution that partnerships make to the Council's corporate objectives.	Improvement	September 2022	The partnership register reflects the contents of the related parties list in the statement of accounts. We report on our wholly owned companies twice yearly to SLT and Cabinet, and contractual monitoring of other related parties is done through other mechanisms within the organisation, e.g. the 3SIF programme, a grant giving programme for the third sector.	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Audit Committee

Date: 6 November 2024

Subject: Health and Safety Update April 2023 – March 2024

Report of: The Corporate Health and Safety Board

Report author: Paul Neary, Head of Corporate Health and Safety

Responsible Director: Bram Kainth**,** Strategic Director of Place

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SUMMARY

This report highlights the Council's activities and performance in health and safety at work for the financial year 2023/2024.

RECOMMENDATIONS

1. Note the health and safety at work performance of the Council during the period of April 2023 to April 2024.

Wards Affected: All wards.

Our Values	**Summary of how this report aligns to the H&F Values**
Building shared prosperity	Good health and safety performance has the goal of eliminating and reducing workplace accidents. Accidents come at a cost (human and financial) to the council and the injured person. A shared prosperity between the organisation, the employee and the residents is achieved by the eliminating and reducing accidents.
Creating a compassionate council	Good health and safety management has a moral objective. To learn of family, friends, colleagues, or residents killed, or seriously injured, in a workplace accident is profoundly distressing. Therefore, a compassionate council must embrace the moral aspect of health and safety at work, not merely the economic and legal aspects of it.
Doing things with residents, not to them	Good health and safety at work performance includes the safety of the residents with whom we interact in the

	everyday aspects of our core business activities.
Being ruthlessly financially efficient	Good health and safety management is financially efficient because it prevents fines for breach of statutory duty or settlement of civil claims brought against the council.
Taking pride in H&F	We take pride in a good health and safety at work performance because it reflects the image of the borough as portrayed to our residents and to others.
Rising to the challenge of the climate and ecological emergency	Good health and safety management plays a part in tackling the climate emergency in many ways. For instance, the requirement to seek less hazardous workplace substances for employee health, for example, replacing solvents with water-based products during COSHH assessment review.

FINANCIAL IMPACT

1. A budget is allocated for training of safety responders (Nominated First Aiders, Fire Evacuation Officers, Evacuation Chair Operators) as identified in policy, which is coordinated by Corporate Health and Safety. Health and safety induction training is funded for all employees and coordinated through the 'Be-online Awaken' software program. Specific health and safety training is identified through risk assessment, verified through audit and funded by the respective department.

2. In Hammersmith and Fulham Council health and safety at work is equal to all other business. Strategic directors and assistant directors / chief officers are required under policy to budget for health and safety requirements at work. Similarly, under policy the council must ensure the decisions take account of health and safety and that resources are allocated for this purpose.

LEGAL IMPLICATIONS

3. 'Except in such cases as may be prescribed, it shall be the duty of every employer to prepare and as often as may be appropriate revise a written statement of [the] general policy with respect to the health and safety at work of [the] employees and the organisation and arrangements for the time being in force for carrying out that policy and to bring the statement and any revision of it to the notice of all of [the] employees. (Health and Safety at Work etc. Act 1974. section 2(3)).

4. The policy statement, signed by the leader and the head of paid service, is displayed in all LBHF workplaces. The statement is valid until October 2025 unless a change in head of paid service and/or leadership occurs first, in which case the statement must be renewed sooner. The organisation and arrangements for health and safety at work in LBHF are found on the intranet.

CONTACT OFFICERS

Name: Paul Neary
Position: Head of Corporate Safety, adviser to Health and Safety Board.
Email: corporatehealthandsafety@lbhf.gov.uk

Name: Andre Mark
Position: Health and Safety Board. Member of the Board representing Finance
Email: Andre.Mark@lbhf.gov.uk

KEY POINTS OF NOTE

5. No enforcement action was taken against the Council by the Health and Safety Executive (HSE) during the financial year 2023/2024. Eight cases were reported to the HSE during this period.

6. Council staff continue to work in a hybrid way depending on business needs. This ranges from borough-based staff using the office for touch down but who largely work around the borough, to office only based staff, and those working remotely and on a flexible basis in the office. Support continues for those working in the home environment to carry out duties remotely. Recent changes in the vacation of the Shortlands Building have necessitated more office space being located for teams in 145 King Street, Clockworks Building and Bagley's Lane Depot until the opening of the new Campus site.

7. Employee wellbeing is spearheaded by the People and Talent Team and supported by the Corporate Health and Safety team. Diverse wide-ranging wellbeing initiatives continued to support the personal resilience of the workforce and recovery during the period.

8. The success of these initiatives was demonstrated through positive outcomes evidenced from the 'outstanding' employee attendance statistics and survey results. The datasets demonstrate significant employee engagement, which had a direct positive impact on the resilience of H&F to support the delivery of critical key services throughout an extremely challenging and difficult period.

9. Wellbeing Wednesday sessions continue to be a popular success and the 'supporting your personal resilience' intranet pages continue to be a success. There are now 35 Wellbeing Champions, trained in mental health first aid, with representatives across all directorates. This is a major enhancement to supporting the wellbeing of staff.

ACCIDENTS, INJURIES AND NEAR-MISS INCIDENTS

10. Appendix A details accidents, injuries and near-miss for the period April to April 2023/24. Eight RIDDORS (Reporting of Injuries, Diseases and Dangerous Occurrence Regulations) were reported to the HSE. For the year 2022-2023 there were a total of nine incidents reported to the HSE.

11. Table 1 provides an overview of incidents reported to HSE.

Date Reported	Category	Type	Department

05/05/2023	Over 7 day absence	Slip, trip or fall	Environment
22/05/2023	Fracture of upper limb (pupil)	Slip, trip or fall	Schools
08/09/2023	Bone Fracture (staff)	Violence and aggression	Schools
12/09/2023	Over 7 day absence (staff)	Slip, trip or fall	Schools
09/01/2024	Over 7 day absence	Struck against object	Children's Services
11/01/2024	Bone Fracture (staff)	Slip, trip or fall	Schools
18/01/2024	Bone Fracture – trunk (staff)	Slip, trip or fall	Schools
13/03/2024	Bone Fracture – ankle (staff)	Fall from height	Schools

There was no follow up response from HSE regarding RIDDOR reports submitted.

Table 1. Incidents reported to HSE in financial year 2023/24 (April-March)

12. All incidents that are reportable to the HSE are investigated by the Corporate H&S team, seeking to make recommendations to prevent recurrence and requiring services to review risk assessments. Only RIDDOR incidents are reported to the HSE.

13. There was a total of 397 (308 non-school + 89 school) incidents reported to AssessNET for this period. This included:

- 308 total incidents were reported by Council departments (non-school)
- 89 total incidents were reported by schools
- 81 total injury incidents were reported by council departments
- 11 of which were caused by violence and aggression
- 83 total injury incidents were reported by schools
- 15 of which were caused by violence and aggression
- 215 total near miss incidents were reported by council departments (non-school)
- 135 of which were classified as violence and aggression
- 2 near misses were reported by schools.
- 0 near misses were classified as violence and aggression by schools
- 11 incidents of property damage were reported, all from non-school departments.
- 0 incidents of dangerous occurrences were reported.
- 2 illness incidents were reported, both from schools.
- 3 Defined Incident (Security) incidents were reported, 2 from a school and 1 from a Council department.

14. Near misses are less severe than accidents. However, near misses should not be ignored or treated lightly, as they can provide valuable insight into how well we are managing health and safety in our workplace. Near misses may seem trivial but they are a valuable source of information. Taking time to review the underlying causes is likely to reduce risk, improve health and safety, and save us time and money.

15. A total of 1552 days is confirmed as lost to the council due to safety related incidents at work during the period. This includes 922 for non-school staff and 630 for school staff on current figures produced by the system. This does not allow for updates from managers being received on a daily basis.

16. Most incidents relating to violence and aggression were reported by front facing staff. This is noticeable in library buildings where verbal threats to staff are on the increase. Conflict Management training has been delivered to all library staff. Mark Raisbeck, Director of Public Realm, is reviewing actions to support library staff in consultation with Daniel Waller, Assistant Director Cultural Services, and Community Safety teams in conjunction with library managers.

17. Incidents of violence against staff are reported to the police. Crime numbers are recorded in incident reports. Service managers are required to follow-up with the police and to progress prosecutions against perpetrators where evidence can be substantiated. The addition of body cameras to our higher risk employment groups continued to assist in the evidence gathering process, as well as acting as a deterrent and will continue to do so to protect staff. Options for additional security for councillors are being progressed such as Solo Assist Monitors or security lanyards and training will be provided with devices. Surgery visits were completed to review risk assessments of surgery sites by the Corporate Health and Safety team in the Winter of 2023. Contributors of violence and aggression (as indicated by the HSE) could be the subject of traumatic or neglectful environments, life circumstances that cause stress, such as poverty, relationship problems, or abuse, service related violence, such as when providing services to clients, customers.

18. Table 2 shows comparison between the safety incident reporting figures for this period and for the three previous financial years.

2023/2024		2022/2023		2021/2022		2020/2021	
Accidents resulting in injury (Including schools)	**164**	Accidents resulting in injury (Including schools)	**138**	Accidents resulting in injury	**51**	Accidents resulting in injury	**53**
Violence and Aggression (Injury and Near Miss including schools)	**161**	Violence and Aggression (Injury and Near Miss including schools)	**103**	Violence and intimidation	**81**	Violence and intimidation	**41**
Near miss (Including schools)	**217**	Near miss (Including schools)	**131**	Near miss (other)	**68**	Near miss (other)	**39**
Dangerous occurrence	**0**	Dangerous occurrence	**3**	Dangerous occurrence	**0**	Dangerous occurrence	**3**

Table 2 comparison between the safety incident reporting figures for this period and for the three previous financial years.
Please note, a new incident recording system came into operation in 2021, which is currently AssessNET.

HEALTH AND SAFETY BOARD - SUMMARY OF THE FINANCIAL YEAR 2023 / 2024

19. The function of the H&S Board is:

    a) To promote the recommendations from the previous year's annual report, driving consultation on policy review and change at strategic level through directorate senior management teams (DMTs) and trades unions (TU Forum).

b) Examine and advise on matters reactive in nature that arise during the year, either through internal sources or external sources. For example, scrutiny of emerging trends in incidents (internal sources) to identify process or procedural changes via risk assessment review. This is done with a view to preventing recurrence, eliminating future risk, or reducing risk to the lowest level, as far as is reasonably practicable.

20. During year 2023-24 the board has advised on and moved forward the following items: -

21. **Premises controller policy and guidance document**. Revised policies for premises controllers with accompanying guidance were approved by the board. One was designed for schools and the other for all other council buildings. The revision provided a more lucid 'at a glance' style to help premises controllers and to give better understanding of the client role that the Council undertakes within the Construction design and management regulations (CDM). The corporate safety team continue to provide training to premises controllers through 1-1 training and class training sessions.

22. **Preventing violence and aggression towards staff. Work-related violence is described by the HSE as "Any incident in which a person is abused, threatened, or assaulted in circumstances relating to their work."** Aggression and violence often take place between members of the public and customer facing employees, but it can also be experienced between colleagues. It poses a particular risk to those workers who are alone or work in remote locations or unsocial hours. Due to an increase in violence and aggression towards staff a new training module is under review by Corporate Safety and HR to add to mandatory training and is expected to be in place by 2024. This module will include the following:
    - What is work-related violence
    - The laws and regulations on violence and aggression in the workplace
    - Causes and triggers of violence
    - What to do to avoid, diffuse and manage potentially difficult and challenging situations
    - How to manage a situation when someone is violent or aggressive
    - How to protect yourself if someone attacks you
    - Verbal aggression and violence, including cyber bullying

23. **Risk Assessment Reviews.** As an employer, we are required by law to protect our employees, and others, from harm. Under the Management of Health and Safety at Work Regulations 1999, the minimum we must do is:
    - identify what could cause injury or illness in the council (hazards)
    - decide how likely it is that someone could be harmed and how seriously (the risk)
    - take action to eliminate the hazard, or if this is not possible, control the risk.

24. Corporate Health and Safety officers and FM Compliance continue to review risk assessments from locations and individual teams to ensure they are completed correctly, reviewed, and actions completed. During the coming months Corporate Safety officers will continue to visit individual teams to ensure this process is adhered to and offer advice and training when required. FM compliance records can be found in Appendix B and these are updated monthly.

25. **Operational risk register.** An amendment to the operational risk register meant that red and amber outstanding actions were forwarded from the Board to departmental management teams and that the register will be available to councillors of the Audit Committee upon request.

26. The activity of the Health and Safety Team in conjunction with school head teacher, school business manager (SBM) and school premises/ facilities manager (SPM) is to support and contribute to the effective identification, mitigation of the broad range of work-related safety risks presented to staff and service users (pupils).

27. The corporate health and safety special advisor will continue to support the school senior leadership teams (SLT) with the management of their health and safety arrangements. It is important that H&S risks in school settings are understood and as such H&S audit reports are aligned to understanding how well H&S risks are being managed based on a numerical percentage demonstrated by compliance during the audit process.

28. A business-as-usual approach from the corporate health and safety dedicated advisor will continue to provide information, supervision and guidance on safety related matters as well as assistance in the reviewing of accident investigations.

HEALTH AND SAFETY AUDIT AND VISIT PROGRAMME

29. Corporate Health and Safety work closely with FM Compliance to ensure workplace inspections are carried out when due in a timely manner. (Appendix B).

OPERATIONAL PERFORMANCE OVERVIEW

30. The operational risk register covers reactive and proactive monitoring. The register is distributed to the H&S Board at regular planned meetings from where it is taken by representatives to directorate management teams (DMTs) for updating.

PERFORMANCE ON PRIORITIES FOR THE YEAR 2023/2024

31. Performance on priorities for the period April 2023 to April 2024 is reported as follows: -

32. **Training**. Throughout the 2023/24 financial year Corporate Safety continue to offer additional training monthly on the accident and incident recording system, AssessNET, as well as on the new Risk Assessment module which was added on 11/5/2023. Corporate Safety continue to deliver Fire Marshal training and Conflict Management training to teams on request and this is already being delivered to Libraries and Civil Enforcement teams and open to other front-line services as required.

33. **Training and assessment for working in the home environment**. Training sessions were delivered at the managers' forum, through departmental management teams and in service meetings. A revised guidance document was produced to assist managers with DSE case referrals. Compliance has improved but further work is needed, particularly on new starters and this priority will be carried over and monitored by the Health and Safety Board during the next financial year. The DSE training and self-assessment modules are being completed and management data shows that 46% of staff have completed DSE training and self-assessment and 53% of staff have completed a DSE re-assessment (Appendix C). Through directorate meetings, Corporate Health and Safety update the

directors on who in their teams needs to complete and by when their DSE assessments or reassessments.

34. Staff are sent automated reminder emails to undertake DSE training and assessment when they join the council and for refresher re-training and assessment every two years. DMTs are made aware of outstanding compliance issues.

35. The need for a reassessment will be sooner if there is a major change:
to the user's software
    - to any of the equipment (screen, keyboard, input devices)
    - in the amount of time required to be spent using DSE
    - in other task requirements (for example, greater speed or accuracy)
    - Or if the workstation is relocated (even if all equipment and furniture stay the same)

DSE ASSESSMENT

36. Corporate H&S continue to carry out 30-to-60-minute one-to-one virtual DSE assessments with staff where specialist DSE and/or reasonable adjustments are required. Specialist ergonomic advice is provided as part of this process. Referrals are generated from the Wellness Centre and staff DSE self-assessment referrals.

DSE TRAINING

37. DSE awareness training has been delivered to managers and staff. The training presentation covers the importance of effective display screen equipment management and the review and closure of self-assessments for staff within their teams.

MENTAL HEALTH AND WELLBEING

38. Corporate Health and Safety has worked together with People and Talent Team, with leading on the wellbeing 'coffee' break meetings. These 30-minute meetings are held monthly and provide a safe space for staff to raise concerns with regards to mental health. It served as a 'drop-in' with the flexibility to leave the meeting as and when required. Monthly support meetings were also held to provide support, information, and guidance to the council's cohort of 26 wellbeing champions. These are updated regularly on the Intranet site.

39. **Policy review.** A revised health, safety and wellbeing policy statement was signed by the Chief Executive and the Leader of the Council in October 2023 and is due for renewal October 2024. The policy statement of intent is posted on notice boards in Council Buildings in the Borough.

40. **Driver safety management.** Further consideration of software management systems available and modest administration resources to oversee the introduction and ongoing usage of such a system, compared with in-house procedures already available. A system has been sourced and finance agreed, and a project manager has been allocated to follow this through with the supplier. This was agreed and accepted by Trade Union representatives, showing no cause for concern to members. The expected time of delivery is mid-2024.

41. **Induction training compliance.** We aim to achieve 96% compliance by the end of this financial year. This includes display screen equipment (DSE) training and self-assessment compliance at induction, or at the two-yearly refresher training and

assessment period as outlined in policy. Corporate Health and Safety will continue to monitor the upward trend.

42. **Campus Update** Regular meetings are carried out to prepare the Campus for occupation on completion, Corporate Safety have completed the Fire Safety Strategy for the building, and this was shared and discussed at Health and Safety Board meeting 8th November 2023 for final comments and approval.

43. **Martyn's Law.** On Monday 19th December 2022, the Government announced details for the Protect Duty, now to be known as 'Martyn's Law' in memory of Martyn Hett, who was killed alongside 21 others in the Manchester Arena terrorist attack in 2017. Martyn's Law will have wide reaching implications and be introduced by the Government as soon as parliamentary time allows. Subsequently, there will be a lead in time allowing for those captured by the Duty to prepare for commencement. The Bill was introduced to Parliament on 12th September 2024 and is currently undergoing Parliamentary scrutiny.

44. **Residents' Building Safety Group** meets monthly with stakeholders and all activities during the year will be shared in the end of year report.

EQUALITY, DIVERSITY AND INCLUSIVITY IMPLICATIONS

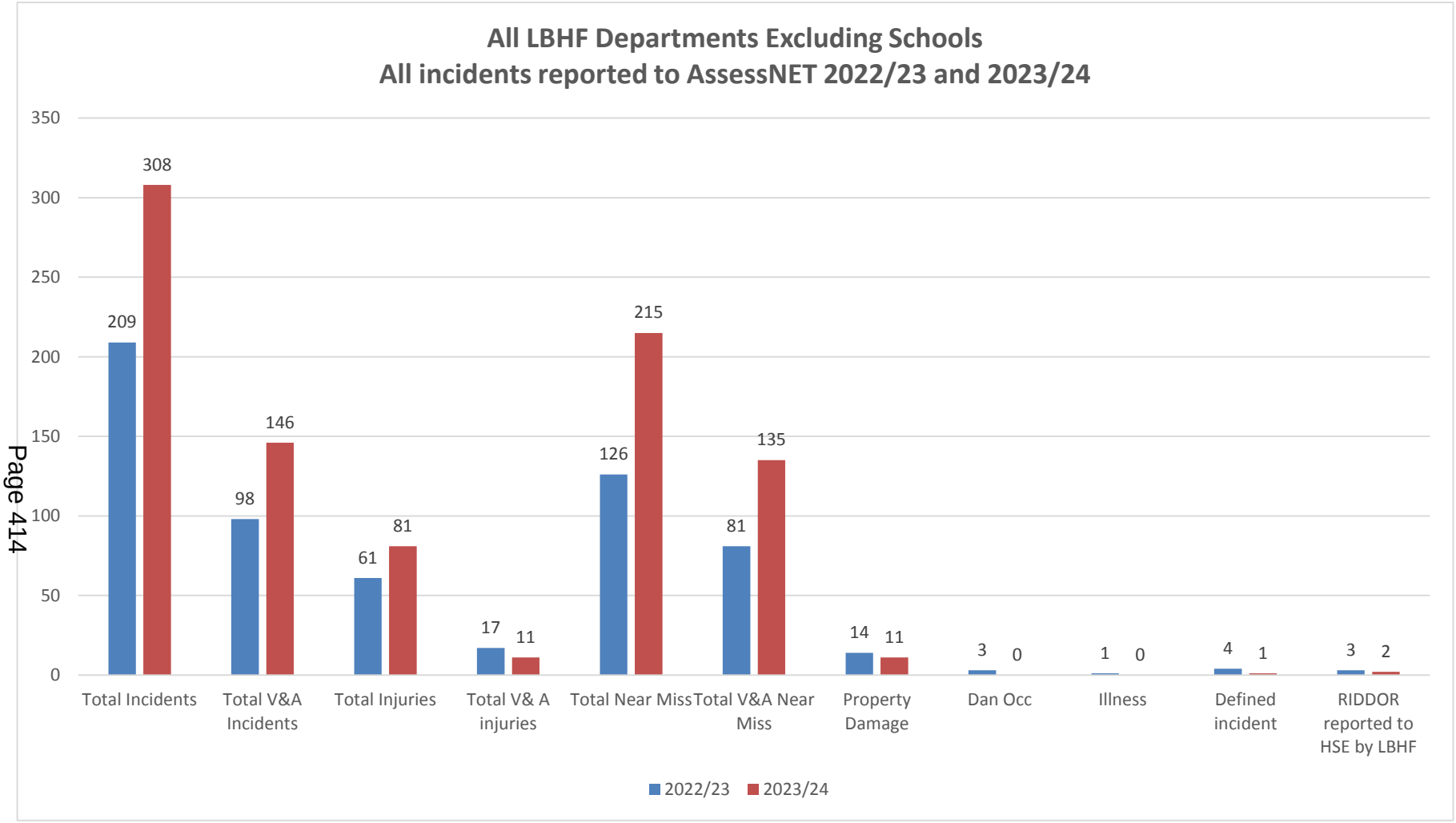
45. There are no equality, diversity and inclusivity implications in this report. Corporate Health and Safety continue to provide detailed advice and guidance on personal emergency evacuation plans for colleagues that are disabled.

LIST OF APPENDICES

Appendix A. Safety incident reporting 2023/2024 (April 2023 - March 2024) by incident type. A comparison is recorded showing figures for 2022/23 report and 2023/24. There have been some increases but also decreases.
Appendix B. Property & FM Statutory Compliance Report for 1st April 2024
Appendix C. Health and Safety on-line DSE training and self-assessment training status report.

LONDON BOROUGH OF HAMMERSMITH & FULHAM

APPENDIX A



APPENDIX A

All incidents reported to AssessNET by LBHF Departments (excluding schools) during 2022/23 and 2023/24, together with percentage of each classified as violence and aggression

Year	Total Incidents	Total V&A Incidents	*% of total incidents classified as V&A	Total Injury	Total V&A Injury	% of total Injuries classified V&A	Total Near Miss	Total V&A Near Miss	% of total Near Miss classified V&A	Property Damage	**Dan Occ	Illness	****Defined Incident	RIDDOR reported to HSE by LBHF***
2022/23	209	98	47%	61	17	28%	126	81	64%	14	3	1	4	3
2023/24	308	146	47%	81	11	14%	215	135	63%	11	0	0	1	2
	Increase	Increase	No change	Increase	Decrease	Decrease	Increase	Increase	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

Abbreviations

*V&A = Violence and Aggression

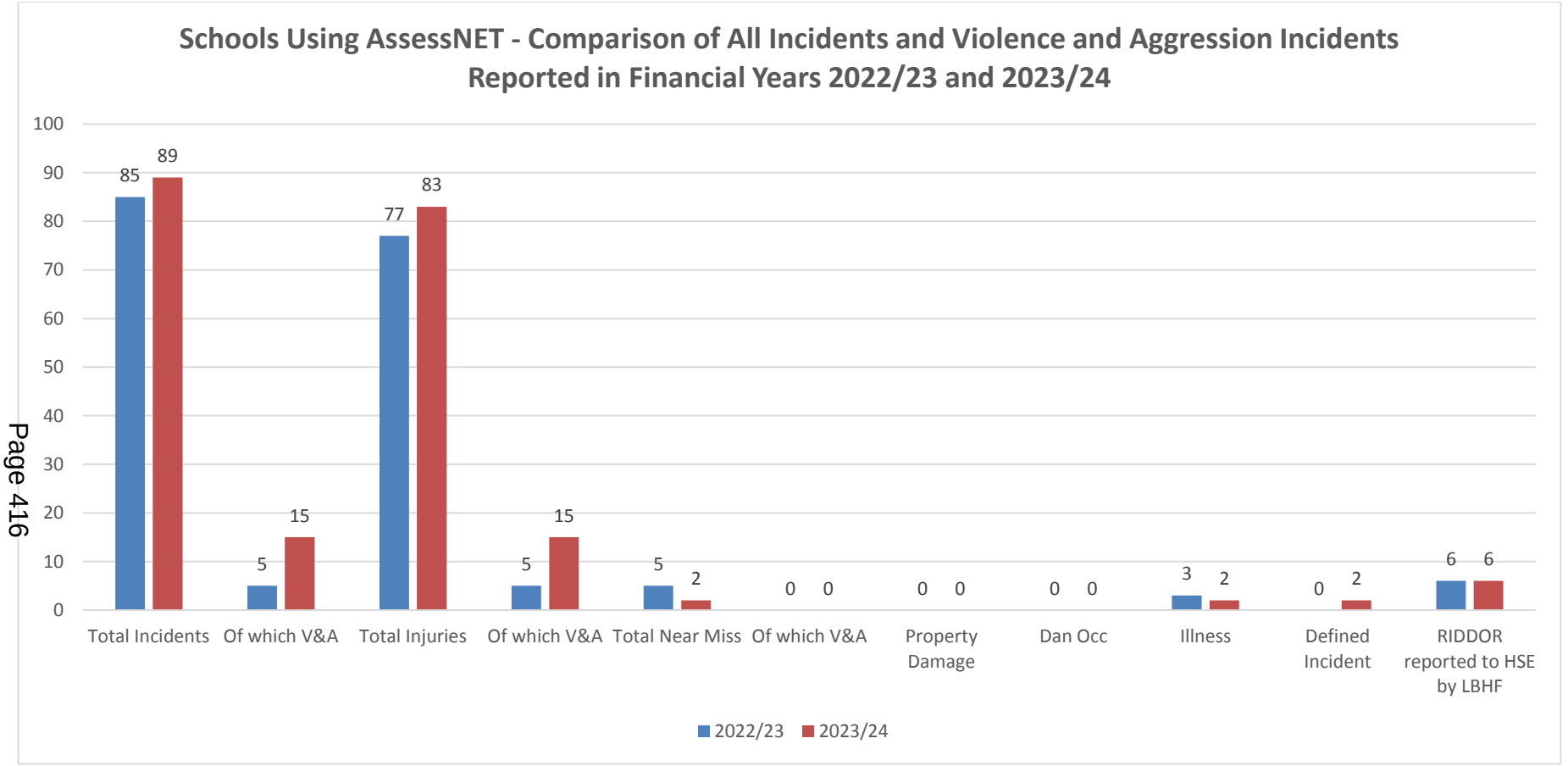
** Dan Occ = Dangerous Occurrences

*** RIDDOR and HSE = Reporting of Incidents, Diseases and Dangerous Occurrence Regulations. HSE = Health and Safety Executive to whom these are reported. (Incidents reportable to HSE include those causing 7 day or more absence as a result of an injury and those causing certain specified injuries such as fractures.)

****Defined Incidents generally relate to security issues.

During the year 2023/24 we have seen an increase in total incidents and an increase in total injuries but have also seen a decrease in percentage of injuries caused by violence and aggression. We also saw a minor decrease in percentage of near misses caused by violence and aggression. A decrease in property damage, dangerous occurrence, illness and defined incidents (security) is also noted, as well as a decrease in RIDDOR HSE reports.

APPENDIX A


Schools Using AssessNET - Comparison of All Incidents and Violence and Aggression Incidents Reported in Financial Years 2022/23 and 2023/24
100
90
80
70
60
50
40
30
20
10
0
85
89
5
15
77
83
5
15
5
2
0
0
0
0
0
0
3
2
0
2
6
6
Total Incidents
Of which V&A
Total Injuries
Of which V&A
Total Near Miss
Of which V&A
Property Damage
Dan Occ
Illness
Defined Incident
RIDDOR reported to HSE by LBHF
2022/23
2023/24

APPENDIX A

All incidents reported by LBHF Schools using the AssessNET system during 2022/23 and 2023/24, together with percentage of each classified as violence and aggression

Year	Total Incidents	Total V&A Incidents	*% of total incidents classified as V&A	Total Injury	Total V&A Injury	% of total Injuries classified V&A	Total Near Miss	Total V&A Near Miss	% of total Near Miss classified V&A	Property Damage	**Dan Occ	Illness	****Defined Incident	RIDDOR reported to HSE by LBHF***
2022/23	85	5	6%	77	5	6%	5	0	0%	0	0	3	0	6
2023/24	89	15	17%	83	15	18%	2	0	0%	0	0	2	2	6
	Increase	Increase	Increase	Increase	Increase	Increase	Decrease	No change	No change	No change	No change	Decrease	Increase	No change

Abbreviations

* V&A = Violence and Aggression

** Dan Occ = Dangerous Occurrences

*** RIDDOR and HSE = Reporting of Incidents, Diseases and Dangerous Occurrence Regulations. HSE = Health and Safety Executive to whom these are reported. (Incidents reportable to HSE include those causing 7 day or more absence as a result of an injury and those causing certain specified injuries such as fractures.)

****Defined Incidents generally relate to security issues.

During the year 2023/24 we have seen an increase in total incidents in schools and an increase in the percentage of incidents which were caused by violence and aggression. There was also an increase in total injuries and an increase in the percentage of those injuries which were caused by violence and aggression. There has been a decrease in near misses being reported and none of these were classified as violence and aggression. No change was observed in property damage or dangerous occurrence incidents and Illness incidents decreased. Defined Incident (security/schools) also increased. There was no change in the number of RIDDOR incidents reported to HSE.

APPENDIX A

Summaries for individual LBHF Departments for last two financial years 2022-23 and 2023-24

Children's Services Excluding Schools

Year	Total Incidents	Total V&A Incidents	*% of total incidents classified as V&A	Total Injury	Total V&A Injury	% of total Injuries classified V&A	Total Near Miss	Total V&A Near Miss	% of total Near Miss classified V&A	Property Damage	**Dan Occ	Illness	****Defined Incident	***RIDDOR reported to HSE by LBHF
2022/23	20	6	30%	13	3	23%	6	3	50%	1	0	0	0	0
2023/24	40	9	23%	18	2	11%	22	7	32%	0	0	0	0	1
	Increase	Increase	Decrease	Increase	Decrease	Decrease	Increase	Increase	Decrease	Decrease	No change	No change	No change	Increase

Economy

Year	Total Incidents	Total V&A Incidents	*% of total incidents classified as V&A	Total Injury	Total V&A Injury	% of total Injuries classified V&A	Total Near Miss	Total V&A Near Miss	% of total Near Miss classified V&A	Property Damage	**Dan Occ	Illness	****Defined Incident	***RIDDOR reported to HSE by LBHF
2022/23	5	1	20%	2	0	0%	2	1	50%	1	0	0	0	0
2023/24	8	2	25%	3	0	0%	4	2	50%	1	0	0	0	0
	Increase	Increase	Increase	Increase	No change	No change	Increase	Increase	No change	No change	No change	No change	No change	No change

Environment

Year	Total Incidents	Total V&A Incidents	*% of total incidents classified as V&A	Total Injury	Total V&A Injury	% of total Injuries classified V&A	Total Near Miss	Total V&A Near Miss	% of total Near Miss classified V&A	Property Damage	**Dan Occ	Illness	****Defined Incident	***RIDDOR reported to HSE by LBHF
2022/23	144	78	55%	32	8	25%	99	70	71%	8	2	1	2	2
2023/24	203	116	57%	38	7	18%	155	109	70%	9	0	0	1	1
	Increase	Increase	Increase	Increase	Decrease	Decrease	Increase	Increase	Decrease	Increase	Decrease	Decrease	Decrease	Decrease

APPENDIX A

Finance

Year	Total Incidents	Total V&A Incidents	*% of total incidents classified as V&A	Total Injury	Total V&A Injury	% of total Injuries classified V&A	Total Near Miss	Total V&A Near Miss	% of total Near Miss classified V&A	Property Damage	**Dan Occ	Illness	****Defined Incident	***RIDDOR reported to HSE by LBHF
2022/23	2	2	100%	0	0	0%	2	2	100%	0	0	0	0	0
2023/24	4	4	100%	0	0	0%	4	4	100%	0	0	0	0	0
	Increase	Increase	No change	No change	No change	No change	Increase	Increase	No change	No change	No change	No change	No change	No change

Housing (Economy)

Year	Total Incidents	Total V&A Incidents	*% of total incidents classified as V&A	Total Injury	Total V&A Injury	% of total Injuries classified V&A	Total Near Miss	Total V&A Near Miss	% of total Near Miss classified V&A	Property Damage	**Dan Occ	Illness	****Defined Incident	***RIDDOR reported to HSE by LBHF
2022/23	31	10	32%	8	5	63%	17	5	29%	1	0	1	0	1
2023/24	35	12	34%	12	2	17%	23	10	43%	0	0	0	0	0
	Increase	Increase	Increase	Increase	Decrease	Decrease	Increase	Increase	Increase	Decrease	No change	Decrease	No change	Decrease

Resources

Year	Total Incidents	Total V&A Incidents	*% of total incidents classified as V&A	Total Injury	Total V&A Injury	% of total Injuries classified V&A	Total Near Miss	Total V&A Near Miss	% of total Near Miss classified V&A	Property Damage	**Dan Occ	Illness	****Defined Incident	***RIDDOR reported to HSE by LBHF
2022/23	5	0	0%	4	0	0%	0	0	0%	0	0	0	1	0
2023/24	7	1	14%	5	0	0%	2	1	50%	0	0	0	0	0
	Increase	Increase	Increase	Increase	No change	No change	Increase	Increase	Increase	No change	No change	No change	Decrease	No change

APPENDIX A

Social Care

Year	Total Incidents	Total V&A Incidents	*% of total incidents classified as V&A	Total Injury	Total V&A Injury	% of total Injuries classified V&A	Total Near Miss	Total V&A Near Miss	% of total Near Miss classified V&A	Property Damage	**Dan Occ	Illness	****Defined Incident	***RIDDOR reported to HSE by LBHF
2022/23	2	1	50%	2	1	50%	0	0	0%	0	0	0	0	0
2023/24	11	2	18%	5	0	0%	5	2	40%	1	0	0	0	0
	Increase	Increase	Decrease	Increase	Decrease	Decrease	Increase	Increase	Increase	Increase	No change	No change	No change	No change

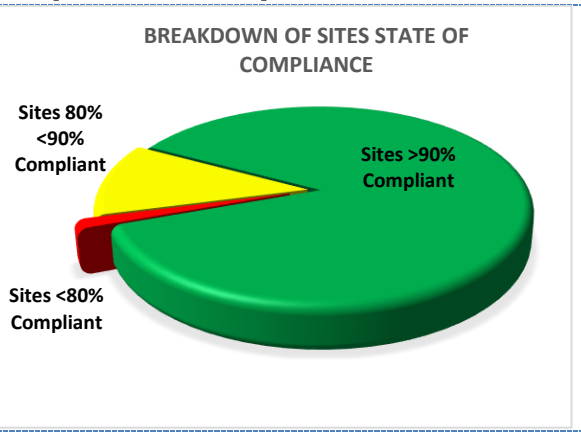
LONDON BOROUGH OF HAMMERSMITH & FULHAM

PROPERTY AND FM Statutory Compliance Report for 1st April 2024 APPENDIX B

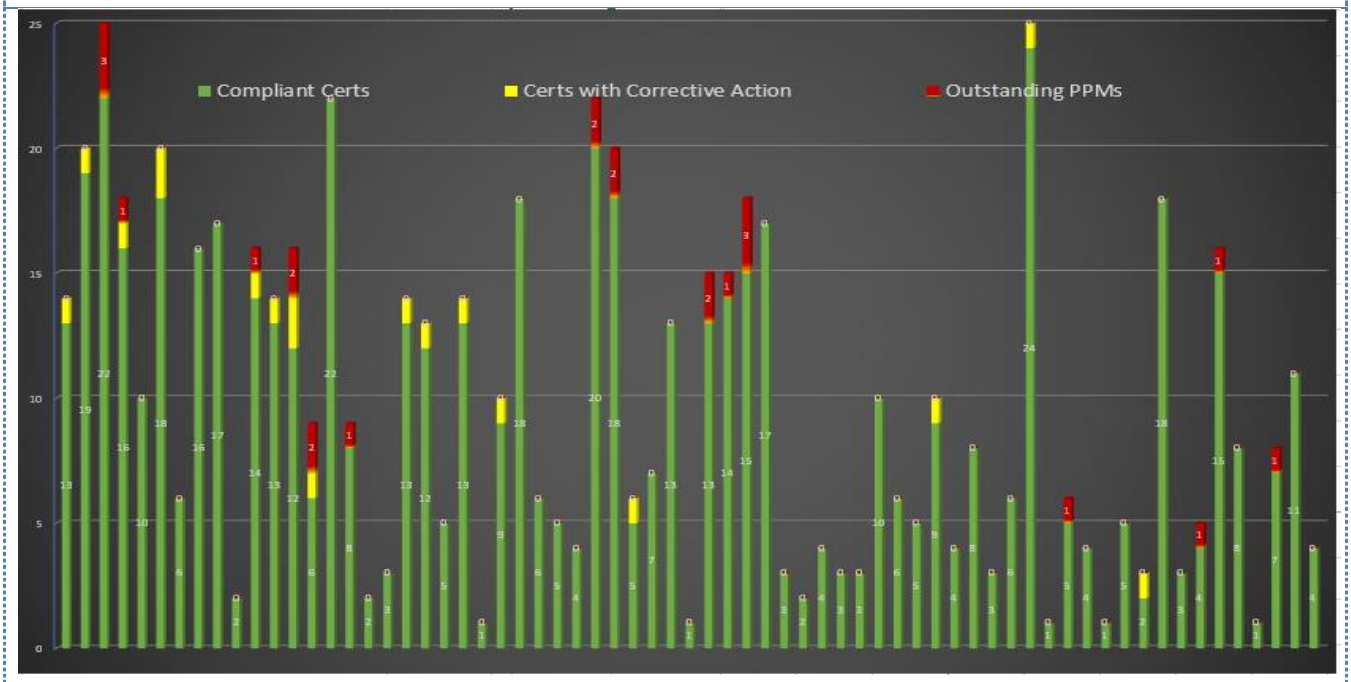
This report shows the overall compliance of its 67 operational buildings that Hard FM Technical Services manages and provides engineering support. It is a snapshot, on the 1st of every month showing state of compliance which can vary on a daily basis dependant when each are due. There are 7 core statutory disciplines covering a total of 36 individual workstreams.

Current Overview of State of Corporate Compliance

	1st April 2024		1st March 2024	
No. of Sites <80% Compliant	1	1%	0	0%
Sites 80% < 90% Compliant	8	12%	6	9%
No. of Sites <90% Compliant	58	87%	61	91%
Estate Compliant as a Whole	67	96.2%	67	97%

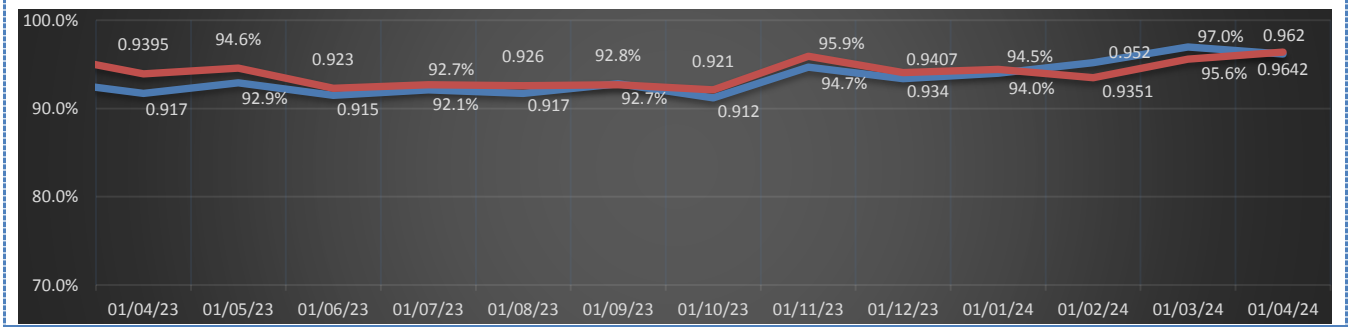


Please note that not all the 39 workstreams are applicable to each site. Below represents all 67 sites showing number of checks completed and number outstanding as well as amount of remedial works required to maintain their state of compliance.



Above table represents each site and its state of Compliance.

- **Green - Compliance PPM Completed with No Remedial Actions Required**
- **Yellow – Compliance PPM Completed with Outstanding Remedial**
- **Red – Compliance PPM Not Completed yet**



APPENDIX B

Fire Management Compliance

RAG Status

Overall, Fire Management decreased from 99.7% to 97%

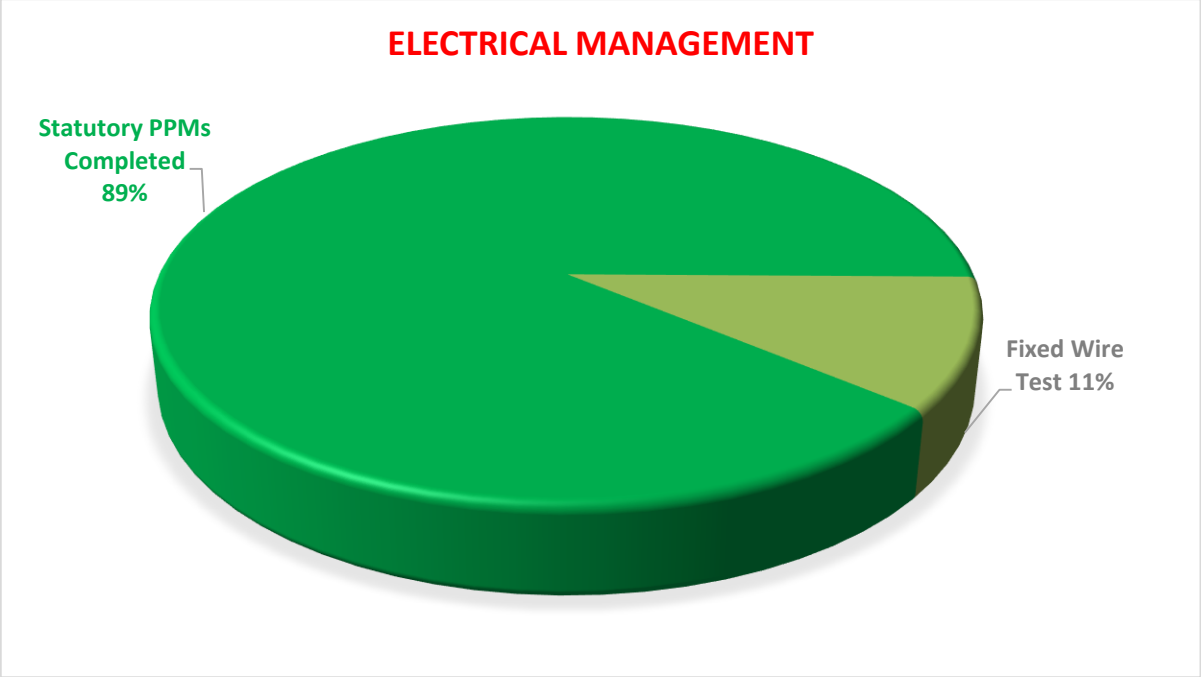


Action Plan:

1. FRAs all complete..	100%
2. Fire Alarm servicing – x3 sites left for service but are scheduled for servicing.	92.7%
3. Annual Emergency Lighting all complete.	100%
4. Fire extinguishers checks. 36 out of 40 serviced. X3 sites awaiting certification. Checks of the outstanding sites have been carried out.	92.3%
5. All water/fire Suppression up to date.	100%
6. Fire Doors – x1 site remaining to service but is on the schedule of inspection.	96.8%
7. All building containing Fire Shutters up to date.	100%
8. Maintenance on all Fire Dampers up to date.	100%
9. Kitchen Ductwork – All complete.	100%

Electrical Management Compliance	RAG Status

Electrical Management Compliance stayed at 89%

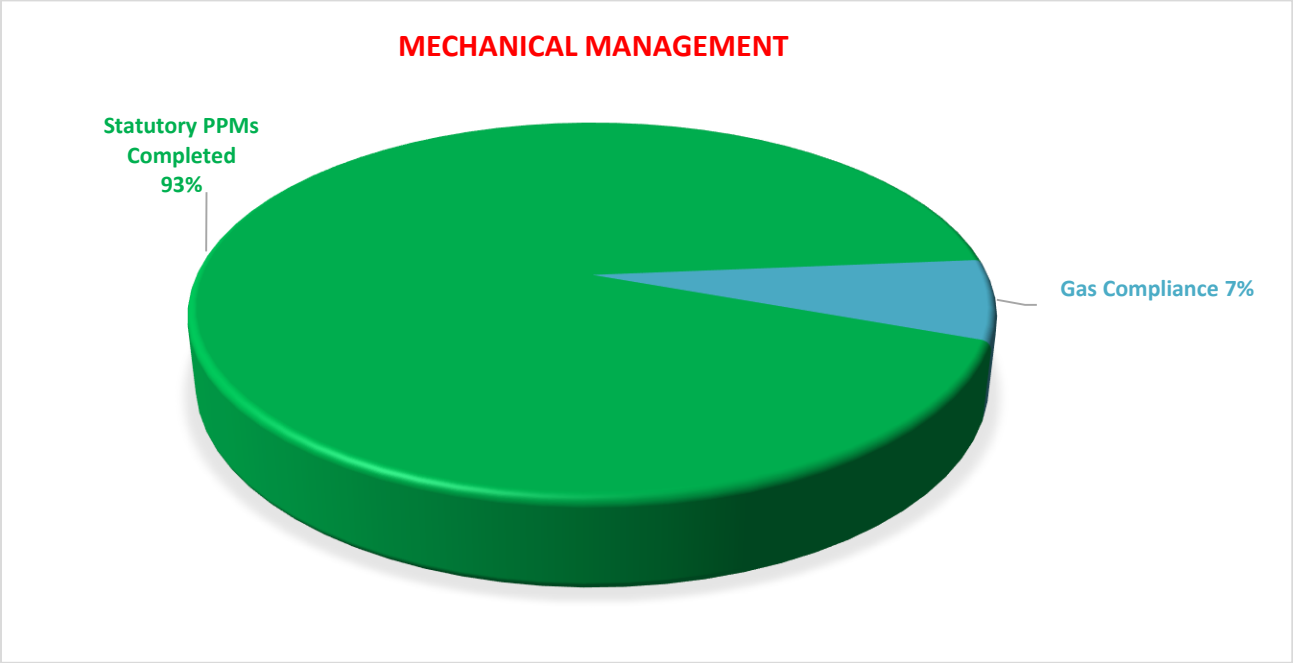


Action Plan

1. Backup generators all service up to date	100%
2. FWTs – All sites complete. Low % due to a lot of remedial works to be reviewed, which are scheduled for completion.	81.3%
3. PAT – All complete.	100%
4. All lighting protection up to date.	100%

Mechanical Management Compliance	RAG Status

Mechanical Management compliance decreased from 94% to 93%

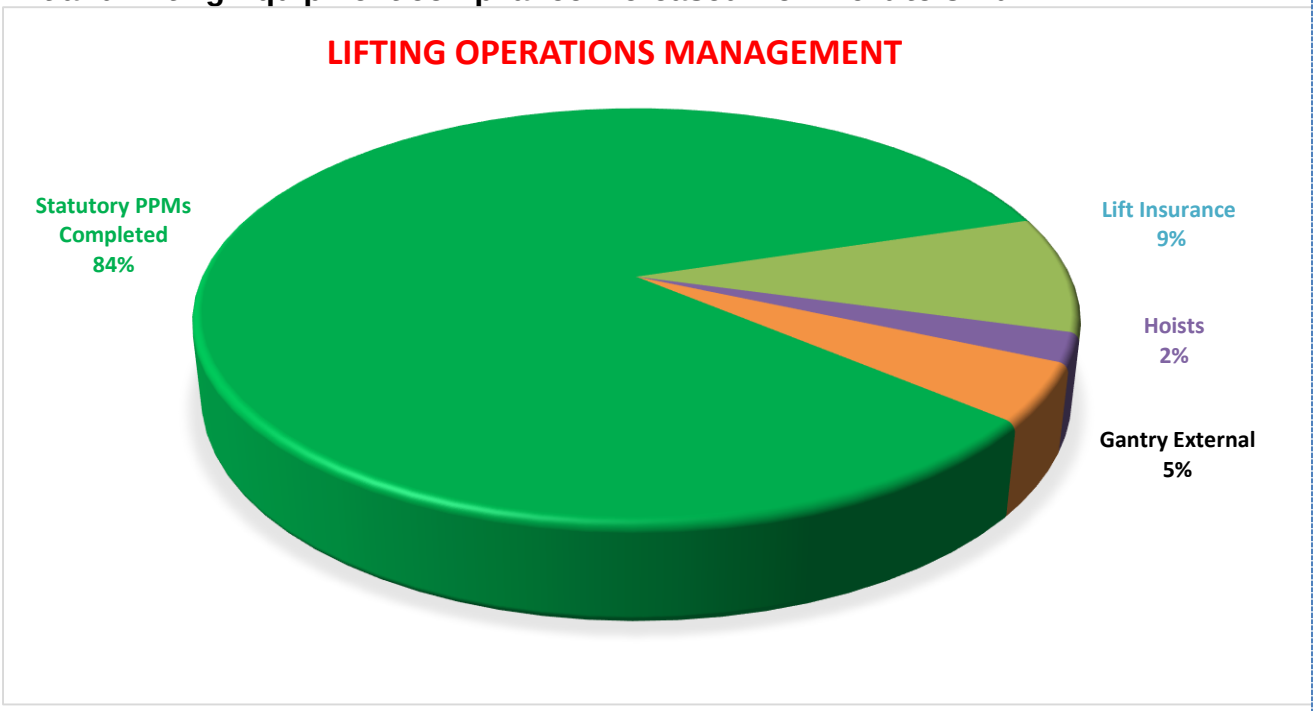


Action Plan

1. All LEVs up to date.	100%
2. All Commercial gas supply safety checks up to date.	100%
3. Oil boiler combustion isolated so no further checks required.	100%
4. Gas boilers service – x1 outstanding site, and low percentage due to remedial works taking place.	80%
5. Pressure vessel testing – all complete.	100%
6. All insurance pressure safety checks up to date.	100%
7. Mechanical automatic doors service – All complete.	100%
8. All electrical gates service up to date.	100%

Lifting Operations and Lifting Equipment Compliance	RAG Status

Lift and Lifting Equipment compliance increased from 79% to 84%

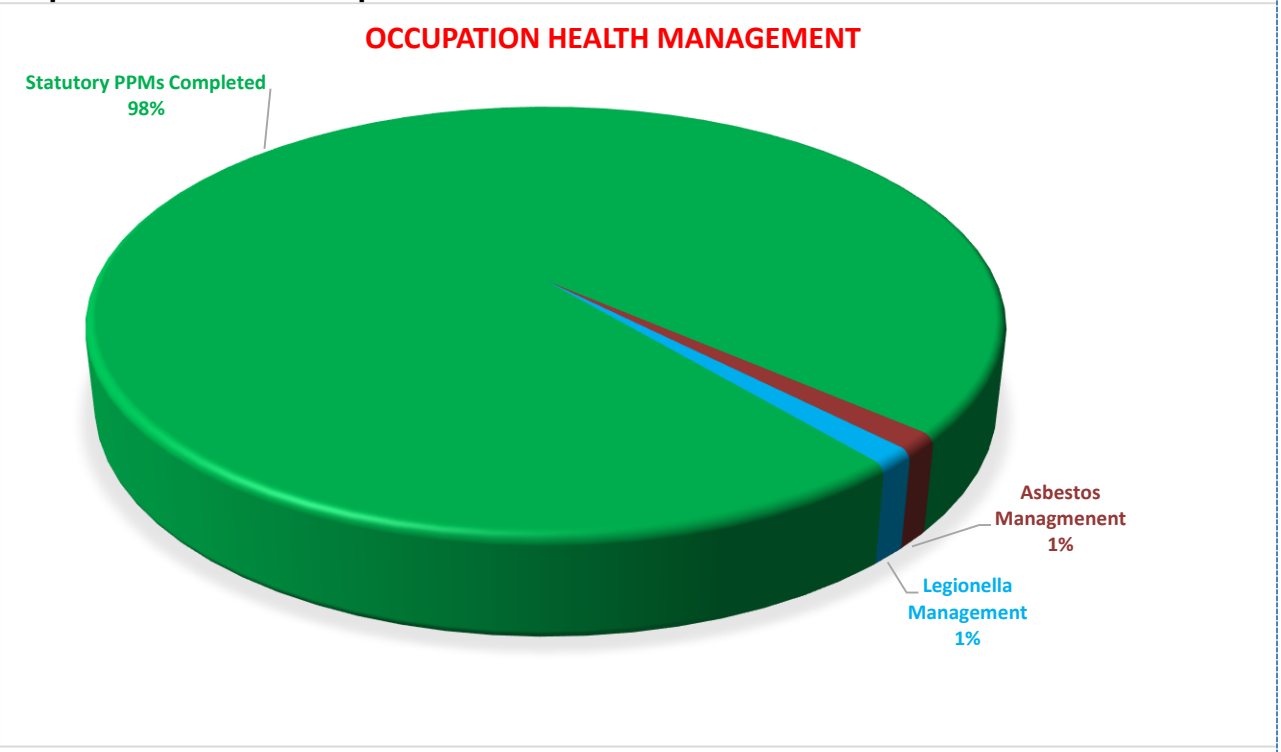


Action Plan

1. Lift maintenance – all complete.	100%
2. 9 out of 13 sites lift safety insurance checks have been completed, still awaiting last 4 to be carried out – due to repairs on lifts and access issues. Sites: Hammersmith Library, 145 King Street (X2) and North Area Housing Office. All will be completed following repairs.	69.2%
3. Hoists & Trolleys – x1 site (Lyric Theatre) remaining due to access issues and request from site.	50%
4. All sites containing evacuation chairs were checked	100%
5. External Staircases and gantries – x2 require inspection. These are the Public Mortuary and Bagley's Lane Depot and are scheduled for May 2024	75%
6. All Fall arrest systems certified.	100%

Occupational Health Compliance	RAG Status

Occupational Health Compliance decreased from 99% to 98%

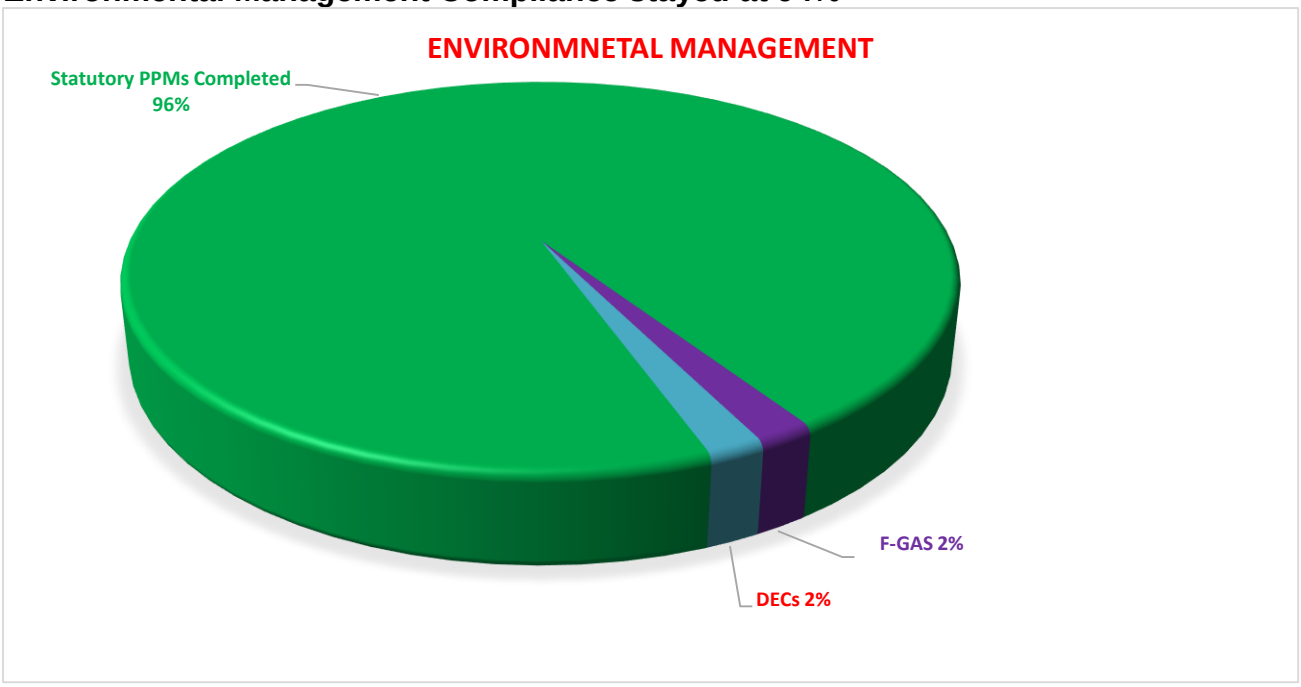


Action Plan

1. 35 out of 36 sites asbestos reinspection's are completed.	97.2%
2. 43 out of 43 sites Legionella Risk Assessments completed. review of x1 site required.	97.7%
3. All sites requiring COSHH assessments completed and in place.	100%

Environmental Compliance	RAG Status

Environmental Management Compliance stayed at 94%



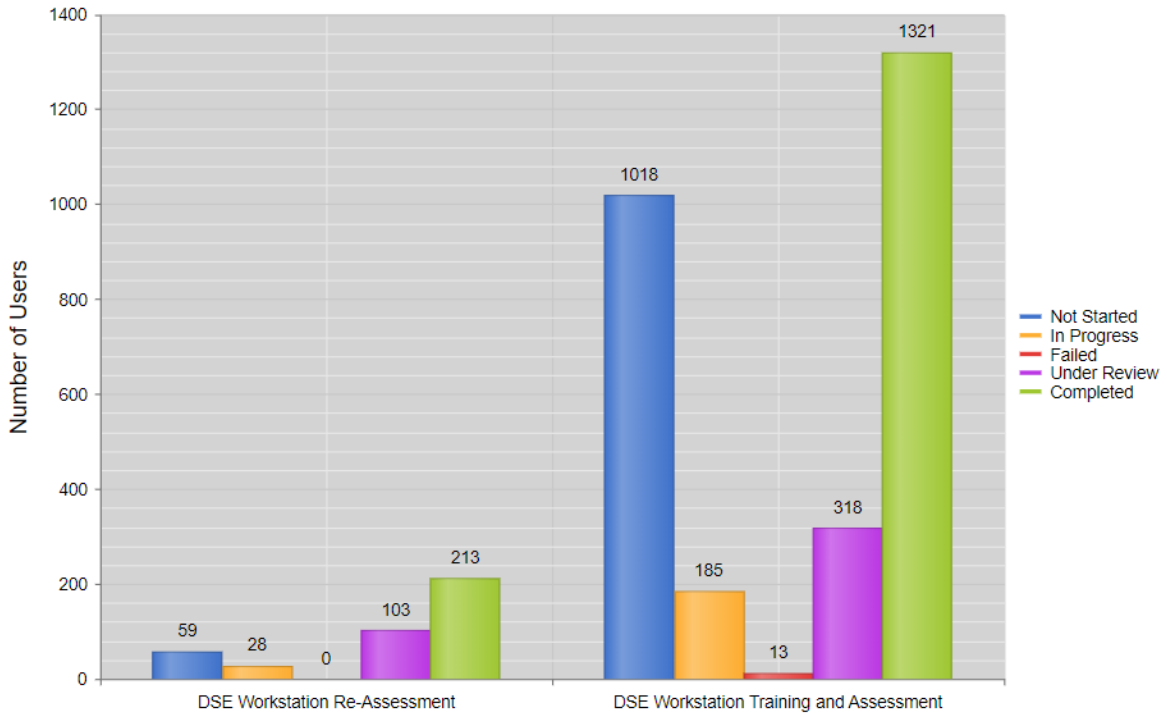
Action Plan

1. All TM44 energy efficiency certification for air conditioning completed	100%
2. A/C Servicing and FGAS servicing – x1 site remaining due to access issues.	94.7%
3. Refrigeration - Mortuary Fridges have a full service.	100%
4. 21 out of 22 sites have DECs completed. The 1 remaining site has a few issues with the data provided or missing so unable to complete DEC. Still having issues with receiving the correct information.	95.5%
5. Oil bunding inspections completed.	100%

AWAKEN DSE TRAINING AND SELF ASSESSMENT STATUS REPORT 29TH APRIL 2024

Number of Packages 2

Close



Package	Not Started	In Progress	Failed	Under Review	Completed
DSE Workstation Re-Assessment	59	28	0	103	213
DSE Workstation Training and Assessment	1018	185	13	318	1321

Export Results to CSV | Export Results to Excel

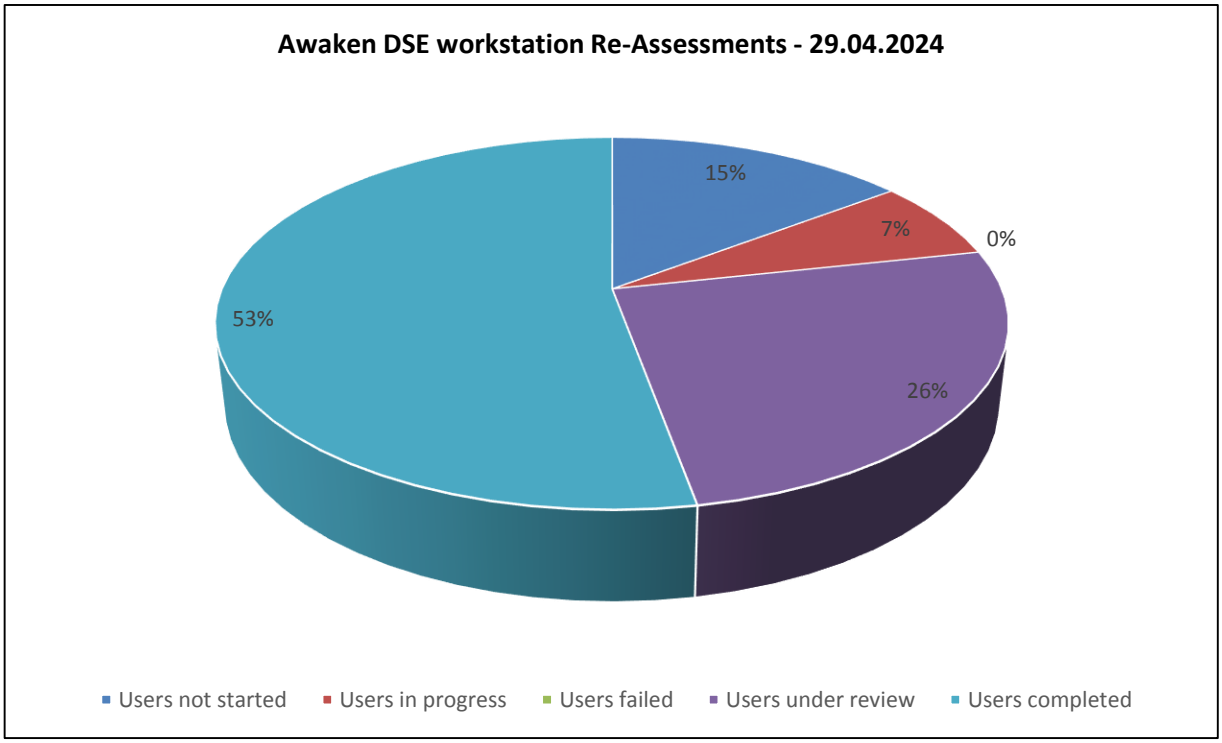
Title	Users assigned	Users not started	Users in progress	Users failed	Users under review	Users completed
DSE Workstation Re-Assessment	403	59	28	0	103	213
DSE Workstation Training and Assessment	2855	1018	185	13	318	1321

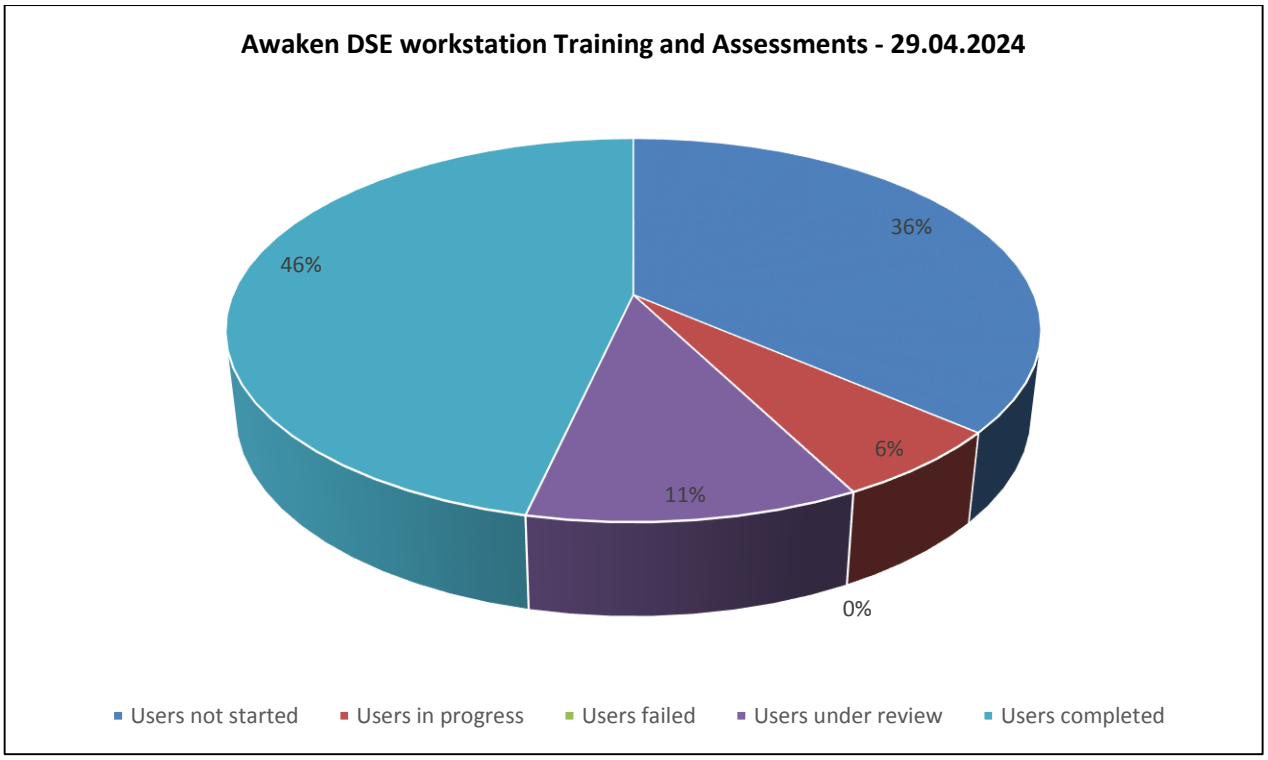
Percentage

Title	Users assigned	Users not started	Users in progress	Users failed	Users under review	Users completed
DSE Workstation Re-Assessment	403	15%	7%	0%	26%	53%
DSE Workstation Training and Assessment	2855	36%	6%	0%	11%	46%

APPENDIX C

AWAKEN DSE TRAINING AND SELF ASSESSMENT STATUS REPORT 29TH APRIL 2024





APPENDIX C

AWAKEN DSE TRAINING AND SELF ASSESSMENT STATUS REPORT 29TH APRIL 2024

**Agency and self-employed workers that are DSE users will be required to complete DSE training and self-assessment when contracted to the council for more than 10 working days. This should take place as soon as possible after the 10 working days period.
Mandatory training modules available in Awaken online health and safety training are:

1. **Display screen equipment (DSE) training and self-assessment** (for all DSE users)
2. **Health and safety induction** (for new starters and periodic refresher training)
3. **Fire safety awareness**
4. **Manual handling induction and,**
5. **Workplace well-being**

A violence and aggression training module will be added to the suite of health and safety training modules. If will be reviewed by senior management of People and Talent and corporate health and safety. All staff will be required to complete it once rolled out.

DSE workstation training and self-assessments

Staff are sent an automated reminder to undertake DSE training and assessment when they join the council and for refresher re-training and re-assessment every two years.

DSE workstation Re-Assessments

This period will be sooner if there is

- a major change to the user's software
- a major change to any of the equipment (screen, keyboard, input devices etc.)
- a substantial increase in the amount of time required to be spent using DSE
- a substantial change in other task requirements (for example, greater speed or accuracy)
- if the workstation is relocated (even if all equipment and furniture stay the same)
- if major features of the work equipment are significantly modified (for example, lighting
- if the employee becomes an expectant mother, as part of her expectant mother risk assessment (and reviewed at each trimester of pregnancy, or more frequently if required)
- if a DSE assessment is required as reasonable adjustment or is part of a return-to-work risk assessment.

Cases under review

The appropriate remedial actions must be addressed as they are reported to managers via the Awaken training and assessment software module. Managers can seek further advice from the corporate health and safety team, or, where underlying health conditions are identified, through the wellness centre (occupational health).

Management and monitoring of staff training and self-assessment

Managers and those that manage others receive monthly Awaken DSE training status reports for their staff. Awaken will send out a summary email with every four weeks with important statistics about the managers area of responsibility, e.g., cases that have been referred to them where staff issues have been identified.

Resources

An Awaken DSE Managers Guidance document, Awaken Managers guide is available for managers to access when required. It can be accessed from the health and safety intranet page and the monthly Awaken DSE training status reports.

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Audit Committee

Date: 6 November 2024

Subject: Annual Complaints Report 2023/2024

Report of: Councillor Ree, Cabinet Member for Finance and Reform

Report author: Ashley Bryant, Interim Director of Resident Services

Responsible Director: Sukvinder Kalsi, Executive Director Finance and Corporate Services

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SUMMARY

This report summarises the Council's performance and learning from resident complaints during the period 1 April 2023 to 31 March 2024. It includes all complaints covering stage 1, 2, Ombudsman and statutory complaints. It is a statutory duty to publish this information.

Overall, this report shows a marked improvement in the council's management of complaints. Our performance in managing complaints has improved with an increase in the responses at stage 1 and stage 2 complaints being closed within the corporate timescales, with an uplift of 8% on stage 1 and 29% on stage 2 complaints compared to 2022/2023.

We have made it easier for our residents to complain when things go wrong and ensuring that we are learning from complaints is a priority for us. Good progress has been made this year and we will continue to focus on reducing causes for residents to complain as we strengthen our services to meet residents' needs.

As such, there has been an increase in stage 1 and stage 2 complaints during the year. The main increases are within Housing repairs with an 18% increase in stage 1 complaints received and a 43% increase under Housing Service that incorporates housing advice, estate services, tenancy management, housing allocations, homelessness, and temporary accommodation.

The Housing service is the area where we receive the highest number of complaints, and we are delivering an ambitious £729m investment programme to modernise our ageing housing stock. We are putting things right with our repairs service and have invested heavily in additional repairs contractor capacity. Our new management is ensuring that contractors complete quality work punctually and are more responsive to our residents, especially people with vulnerabilities or support needs.

We established a Housing Hub in June 2023 to improve our management of complaints and to increase focus and expertise in compassionate customer service and complaints handling.

In relation to Ombudsman complaints 8 cases of Local Government Social Care Ombudsman (LGSCO) decisions found fault out of the 38 cases closed in total. This is 4.3 per 100,000 residents compared to 8.2 for similar authorities. This means that our percentage of decisions upheld was 73% compared to an average of 85% for similar organisations. Our compliance was 100% compared to 99% in similar organisations.

We have the lowest number of upheld LGSCO decisions per 100,000 residents and are second lowest for the upheld % rate (excluding City of London).

92% of Housing Ombudsman (HO) decisions found fault across 53 cases. This includes 19 findings of severe maladministration on 13 cases and 58 findings of maladministration across 40 cases. Of the total 57 cases investigated and closed during the year only 6 cases did not find maladministration (10%). As a percentage of all findings of fault, 92% were maladministration.

The nature of the backlogs in the HO investigations during this time means that most cases that were investigated related to the prior year 22/23 with some cases going back much further. Nevertheless, the Council has recognised that many of its homes needed repair where there was significant backlog which has now been rectified.

RECOMMENDATIONS

That the Committee:

1. Note the Council's performance on complaints during the year 2023/24 and the organisational learning from them.

Wards Affected: All

Our Priorities

Our Priorities	**Summary of how this report aligns to the H&F Priorities**
Building shared prosperity	*Having effective systems in place to monitor feedback from residents enables opportunities to improve services for our residents' benefit.*
Creating a compassionate council	*Understanding difficulties our residents face in dealing with our services where residents are experiencing their most difficult circumstances or have complex needs*

Doing things with residents, not to them	*Learning from our residents' feedback enables us to ensure that we are delivering services that meet their needs.*
Being ruthlessly financially efficient	*Providing a service that meets residents needs provides value for money. Ensuring we learn from our mistakes and improve services accordingly is financially efficient.*
Taking pride in H&F	*Providing accessible and effective services to our residents and businesses makes Hammersmith and Fulham an attractive place to live work and do business in*
Rising to the challenge of the climate and ecological emergency	*A more efficient service increases the opportunity for digital delivery and better facilitates sustainable service delivery.*

Financial Implications

There are no direct financial implications from the recommendations in this report.

Implications by Alex Pygram, Head of Finance, Corporate Services, 26th July 2024

Legal Implications

There are no direct legal implications arising from this report.

Implications completed by Angela Hogan, Chief Solicitor (Contracts and Procurement) 31st July 2024

Risk Management Implications

The report sets the Council's performance on complaints during the year 2023/24 and the organisational learning extracts from concluded complaints. Failure to handle complaints on a timely basis and resolving the substance of the complaint first time can lead to escalation of complaints, delays in resolution for residents, and investigations being conducted by the relevant Ombudsman, who can determine that the council was at fault or that a maladministration had occurred and recommend compensation to the complainant.

Implications completed by David Hughes, Director of Audit, Fraud, Risk and Insurance, 29 July 2024

Background Papers Used in Preparing This Report
None.

This report summarises the Council's performance and learning from resident complaints during the period 1 April 2023 to 31 March 2024. It includes all complaints covering stage 1, 2, Ombudsman and statutory complaints. It is a statutory duty to publish this information.

1. BACKGROUND

1.1 The Council provides a wide range of services to over 185,000 residents and thousands of businesses. It delivers them across various channels, including responding to over 1millon telephone calls, online self-service, webchat, social media, email, in person and by post. The Council ensures that any complaints related to the services it delivers can be received via any channel. We seek to learn from them and look for patterns of service failure. We continue to use the feedback we receive from our complaints to identify areas for service improvements. This is detailed further in Section 6 Organisational Learnings.

1.2 The Council works hard to view the complaints we receive as a positive opportunity for learning and service improvement whilst remaining focussed on trying to resolve them to the satisfaction of our residents as quickly as we can.

1.3 This is a single report on all Council complaints covering stage 1, stage 2, and Ombudsman with summary information on statutory adults and children's social care complaints.

1.4 We aim to resolve concerns raised by residents as quickly as possible. However, where this is not possible, we have a complaints policy and process to ensure that all complaints are dealt with fairly, swiftly, and within statutory guidelines where relevant. Any issues raised that are not recorded as complaints are not formally logged or reported, although services are encouraged to record these informal enquiries in some way to inform the way they deliver and improve their services in the future. This report focuses not only on volumes and timeliness of complaint responses but also aims, when it is possible, to identify themes and lessons learnt that result in sustainable service improvements.

1.5 Our complaint procedure is designed to manage those complaints that require a formal documented response and therefore could not be satisfied earlier in the process. The complaints policy and procedure can be found here:

H&F Corporate Complaints Policy for Adults' Services, Children's Services and Corporate Complaints May 2024 (lbhf.gov.uk)

1.6 In April 2024 the Housing Ombudsman revised the code and the Housing Ombudsman Code became statutory code. At the same time the Local Government and Social Care Ombudsman (LGSCO) launched a new Complaint Handling Code and many elements of this align to the HO Code. The changes for the LGSCO Code went live from 1st April 2024, however the LGSCO will have a phased approach to this roll out and the code will not be formally

considered/referred to within the decision and determination stage at this time and this will be effective in 2025/2026. This allows Local Authorities time to embed the changes. This report and the performance data within it relates to the policies in place during the period April 2023 to March 2024 prior to the code changes.

1.7 We have a duty to report our performance on complaints through our governance arrangements and publish a copy of the annual complaints report on our website.

1.8 The LGSCO published its Annual review for LBHF last year and this demonstrated that performance of the Council has improved when compared to 2022/2023.Our performance is better than the average for similar authorities and we have the lowest number of upheld decisions per 100,000 residents and are in the top 2 for the upheld % rate when compared to all London Boroughs (excluding City of London).

2. THE OVERALL PICTURE

2.1 Summary of complaints received and closed during the period April 2023 to March 2024 at both stages. (Figures in brackets are the previous year)

Complaint stage	23/24 Complaints received	23/24 Complaints closed	23/24 Complaints closed within timescale	23/24 % completed within timescale	23/24 % upheld
Stage 1	5108 (4038)	5030 (3782)	4553 (3138)	91% (83%)	61% (64%)
Stage 2	799 (498)	785 (547)	615 (269)	78% (49%)	73% (65%)

2.2 As can be seen from the above figures, 2023-2024 saw an increase in stage 1 complaints received of 26% and 60% for stage 2. We closed 5,030 stage 1 complaints during the year, a 32% increase on the year before. 91% were completed within the complaint policy response timescales and 61% were upheld. 799 (15%) were escalated to stage 2, and 78% of these were completed within the timescale. The number of stage 2 complaints closed also increased from the previous year by 43%. There has been an improvement in 2023/2024 compared to 2022/2023 in the responses at stage 1 and stage 2 complaints being closed within the corporate timescales, with an improvement of 8% on stage 1 and 29% on stage 2 complaint.

2.3 In 2023/24 there were increases in complaints particularly across the Housing Service. Within Housing repairs there was a 18% increase in stage 1 complaints received and a 43% increase in stage 1 complaints received under Housing Service that incorporates housing advice, estate services, tenancy management, housing allocations, homelessness, and temporary accommodation. The Housing Services has seen demand increases across all service areas.

2.4 Since March 2023, there has been extensive staff training and a coaching programme commenced covering these key skills:

- communication
- identifying vulnerabilities
- record keeping
- call handling and repair diagnostics.

2.5 In addition, a new Housing Hub was created to act as a single point of contact incorporating improved communication and follow-up on repairs. Housing has undertaken to be fully compliant with the Housing Ombudsman Complaint Handling Code and introducing new LGSCO handling code ahead of the April 2025 deadline. Housing is now creating a positive complaint handling culture – learning from complaints and Ombudsman cases and enhancing our quality checking.

2.6 Improved access to our services has delivered:

- repairs contact centre answering 97% of calls in February 2024 compared to 66% in February 2023
- calls reducing by 2,500 per month
- average wait time approximately one minute
- proactive contact for repeat callers
- increased use of insight.

Housing has terminated a previous contractor, appointment new contractors and created a new culture of contract management within the repairs service to ensure a resident centric approach to delivery.

2.7 Significant improvements have been achieved with focus across the whole Council ensuring complaints are a priority for each Directorate. There is weekly reporting in place for open cases that are nearly due or overdue and a daily report for Housing to help improve performance. This ensures that Directors are aware of all open cases, ensuring targeted approaches to cases closed in time.

3. SERVICE BREAKDOWN OF COMPLAINTS DATA 2023-2024

3.1 Stage 1 complaints

Please note that these are broken down by the departmental structures at the time. The Resident Experience Team is listed separately as it holds complex multi-service complaints that extend beyond one department.

Stage 1 complaints	23/24 Complaints received	23/24 Complaints closed	23/24 Complaints closed within timescale	23/24 % completed within timescale	23/24 % upheld

People - Adult Social Care	9	9	9	100%	44%
People - Children's Services	39	37	28	76%	73%
Place - Economy	3287	3213	2894	90%	73%
Place - Environment	1330	1341	1235	92%	36%
Finance & Corporate Services - Finance	87	88	78	89%	36%
Finance & Corporate Services - Corporate Services	332	318	297	93%	51%
Finance & Corporate Services - Resident Experience Team	24	24	12	50%	63%
Total	**5108**	**5030**	**4553**	**91%**	**61%**

3.1.1 Over 64% of stage 1 complaints related to the Economy department and 26% to Environment. The figures for Economy are broken down further below, with most of these stage 1 complaints relating to Housing, particularly Repairs. In 2023/24 the Repairs Service delivered 58,310 reactive repairs, including mechanical and electric repairs and voids works across our homes and received 2,254 stage 1 complaints equating to 4% service dissatisfaction. A further breakdown of Housing complaints is in the table below.

Stage 1 complaints	**23/24 Complaints received**	**23/24 Complaints closed**	**23/24 Complaints closed within timescale**	**23/24 % completed within timescale**	**23/24 % upheld**
All housing	3227	3157	2844	90%	73%
Housing repairs	*2254*	*2200*	*2012*	*91%*	*82%*
Housing (non-repairs)	*973*	*957*	*832*	*90%*	*52%*

Economy (other)	60	56	50	89%	52%
Total Economy	**3287**	**3213**	**2894**	**90%**	**73%**

3.1.2 The service improvement plans in Section 6 Organisational Learnings, demonstrates the work that has completed to improve our Housing service together with further planned improvements.

3.1.3 A review of Environment cases received show that the highest volumes of stage 1 complaints related to waste services at 36%, 18% for parking, and 15% for public realm.

3.1.4 We received a total of 483 complaints for the waste service which mainly relate to missed or incomplete refuse and recycling collections. During 23/24 we collected 3.4m bins which equates to a low dissatisfaction rate of 0.014%. We take a transparent, customer-centric approach to reviewing complaints aiming to prevent future issues - this includes helping crews understand the resident perspective, advising residents on how best to present their waste and recycling and work with them to achieve any changes. We also work with the contractor in identifying practical solutions to prevent recurring issues such as simplifying processes and communications for the crews.

3.1.5 We received a total of 250 complaints for the parking service which were related to penalty charge notices (PCN), policy, traffic orders, action taken by the blue badge fraud team, and information and advice about new parking schemes in the borough. The volume of complaints remains relatively low in comparison to the engagement activity with the service, with 39,389 telephone calls and more than 130,000 pieces of correspondence relating to PCN fines received during the period 23/24.

3.2 Stage 2 complaints

Stage 2 complaints	23/24 Complaints Received	23/24 Complaints closed	23/24 Complaints closed with timescale	23/24 % completed within timescale	23/4 % upheld
People - Adult Social Care	1	0	0	0%	0%
People - Children's Services	11	10	10	100%	50%
Place - Economy	658	655	501	76%	79%
Place - Environment	97	92	81	88%	48%
Finance & Corporate	20	17	14	82%	29%

Services - Finance					
Finance & Corporate Services - Corporate Services	11	10	9	90%	30%
Finance & Corporate Services - Resident Experience Team	1	1	0	0%	100%
Total	**799**	**785**	**615**	**78%**	**73%**

3.2.1 82% of stage 2 complaints related to the Economy department and 12% to Environment. The figures for Economy can be broken down further as below, with 99% of Economy's stage 2 complaints related to Housing, mostly repairs:

Stage 2 complaints	**23/24 Complaints received**	**23/34 Complaints closed**	**23/24 Complaints closed within timescale**	**23/24 % completed within timescale**	**23/24 % upheld**
All housing	649	646	494	76%	79%
Housing repairs	*500*	*513*	*378*	*74%*	*86%*
Housing (non-repairs)	*149*	*133*	*116*	*89%*	*50%*
Economy (other)	18	9	7	76%	33%
Total Economy	**658**	**655**	**501**	**78%**	**79%**

3.2.2 A review of Environment cases received show that most stage 2 complaint cases were for waste services at 30% and parking at 28%.

3.2.3 In some cases, a complaint maybe refused. This could be because the initial complaint is then identified as a first-time service request, should follow an appeal process or has been captured initially as a complaint via the self-service portal or through initial triaging and further investigation found the categorisation needs to change. A record of refusals is held. There were 157 refusals, the two highest categories, 75% of cases (117) cases within the Environment Directorate with 89% of those cases relating to waste service for rubbish or recycling collections. 18% of cases refused were within Economy and the rest across the other Directorates, for various reasons including service requests, planning appeals and benefit appeals.

3.3 Statutory complaints

3.3.1 Children Act complaints

Children Act complaints pertain to statutory social work support or intervention for children and families.

Complaint stage	23/24 completed Investigations	23/24 amount completed on time	23/24 % completed on time
Stage 1	33	22	67%
Stage 2	9	7	78%
Stage 3	4	4	100%

3.3.2 Adult Social Care complaints

Complaint stage	23/24 completed Investigations	23/24 amount completed on time	23/24 % completed on time
Stage 1	107	78	73%
Stage 2	17	14	82%
Stage 3	N/A	N/A	N/A

4 OMBUDSMAN COMPLAINTS

4.1 The Council is subject to two Ombudsman services – the Housing Ombudsman (for council housing landlord functions) and the Local Government and Social Care Ombudsman for all other services. Complainants can take their complaints to the relevant Ombudsman if they remain dissatisfied after the Council's two stage complaint process has been completed or (in the case of the Housing Ombudsman) if they believe the Council is not complying with the complaints code of practice.

4.2 Ombudsman complaints can take up to 12 months to investigate therefore complaints usually relate to the previous year (2022/23).

4.3 The final determinations received in 23/24 for the LGSCO and the Housing Ombudsman are detailed Section 4.6 and 4.7, separated into the individual business areas.

4.4 In 23/24 8 cases (21%) of Local Government and Social Care Ombudsman decisions found fault out of the 38 cases closed in total. 92% of Housing Ombudsman decisions found fault across 53 cases. This includes 19 findings of severe maladministration on 13 cases and 58 findings of maladministration across 40 cases. Of the total 57 cases investigated and closed during the year

only 6 cases did not find maladministration (10%). As a percentage of all findings of fault, 92% were maladministration.

4.5 We received one complaint handling failure order during the period. This was addressed and due to an error made after the timescale was given by the Housing Ombudsman, the stage 1 was incorrectly registered with the wrong timescale which applied 15 days instead of 10 days.

4.6 Local Government and Social Care Ombudsman (LGSCO)

4.6.1 The LGSCO published its Annual review for LBHF on 24th July 2024.

4.6.2 This demonstrated that performance of the Council has improved when compared to 2022/2023 with 8 decisions upheld (18 22/23), which is 4.3 per 100,000 residents compared to 8.2 for similar authorities.

4.6.3 During the period, the LGSCO concluded 38 cases (88 in 22/23) but only 11 were investigated fully (28 in 22/23) and a decision issued. Others were concluded for a variety of reasons including being closed after initial enquiries, giving advice to follow complaints process, closed as incomplete, invalid, or referred back for local resolution.

4.6.4 LGSCO cases concluded during the period April 2023 to March 2024 by service.

Business Area	Investigated no fault found	Investigated fault found	Decision by LGSCO not to investigate	Total
Adult Social Care		1	2	3
Children's Services		1	5	6
Corporate services – business rates			1	1
Economy – Allocations and Lettings		1		1
Economy H&F maintenance			1	1
Economy - Development Management			1	1
Economy – Housing Advice & Assessment	1		3	4
Economy – Planning and Regeneration			1	1
Economy – Temporary Accommodation	1	3		4
Economy – Tenancy Management South		1		1

Economy – Tenancy management North			1	1
Environment – Highways Co-ordination & Licensing			2	2
Environment – Noise and nuisance	1			1
Environment – Parking			7	7
Environment – Transportation Policy			1	1
Environment – Waste		1		1
Trading Standards			2	2
Total	**3**	**8**	**27**	**38**

4.6.5 The table below shows the number of cases closed in each quarter with a breakdown of the case volumes and the percentage of cases with a decision not to investigate by the LGSCO.

23/24 quarters	Total cases investigated and closed	Total cases investigated and closed no fault found	Total cases investigated and closed fault found	Volume and percentages cases closed with a decision by the LGSCO not investigate
Q1 April-June	11	2	4	5 (46%)
Q2 July-Sept	12	1	3	8 (67%)
Q3 Oct - Dec	10	0	1	9 (90%)
Q4 Jan-Mar	5	0	0	5 (100%)
Total	38	3	8	27 71%)

4.6.6 Of the 11 cases investigated during the period, 8 of those were upheld. This means our percentage of decisions upheld is 73% (64% in 23/24) . The LGSCO also reports on compliance with recommendations and orders, and we had 100% compliance compared to 99% in similar organisations. The link to the LGSCO annual report for 23/24 is detailed below.

London Borough of Hammersmith & Fulham - Local Government and Social Care Ombudsman

4.6.7 The LGSCO also reports on cases where the authority has satisfactorily resolved the issue prior to the decision being issued. We had 13% resolved (28% in 22/23) and this compares to an average of 12% in similar organisations.

Whilst the percentage resolved is lower this is based on 1 case out of the 8 that were upheld, and we are performing better than similar authorities.

4.6.8 The LGSCO does not currently differentiate its upheld findings into severe or maladministration in the same way as the Housing Ombudsman.

4.6.9 There were no Public Interest Reports published involving Hammersmith and Fulham.

4.7 Housing Ombudsman Service (HO)

4.7.1 The Housing Ombudsman Service is set up by law to look at complaints about the housing organisations that are registered with them. They resolve disputes involving the tenants and leaseholders of social landlords (housing associations and local authorities) and voluntary members (private landlords and letting agents who are committed to good service for their tenants).

4.7.2 On 1st April 2024, the HO went live with its revised Complaint Handling Code. This sets out requirements for member landlords that will allow them to respond to complaints effectively and fairly. We undertook a review of our policies and processes against the changes and have update these accordingly to align with the go live date.

4.7.3 The Code ensures complaint handling data is being used consistently across landlord members, promotes engagement at various levels within a landlord and sets out expectations for boards or equivalent governance, senior executives, and frontline staff. Compliance with the Code forms part of the membership obligations.

4.7.4 Members are obliged to complete the self-assessment to measure the level of compliance. When carrying out a complaint investigation the HO will consider whether the landlord dealt with the complaint in accordance with the Code. Any failure identified could result in a finding of service failure, maladministration or severe maladministration for complaint handling and orders and recommendations will be made to put matters right and ensure compliance with the Code.

4.7.5 The HO's Complaint Handling Code and the Council's self-assessment can be found at: H&F Housing Ombudsman Complaint Handling Code Self Assessment (lbhf.gov.uk).

4.7.6 Housing Ombudsman cases determined during the period April 2023 to March 2024.

Business Area	23/24 Number of final det. Q1	23/24 Number of final det. Q2	23/24 Number of final det. Q3	23/24 Number of final det. Q4	23/24 Total

Economy- Allocations and Lettings	1				**1**
Economy – Maintenance	16	17	5	11	**49**
Economy – Sheltered Housing		1			**1**
Economy – Tenancy Management North	1		1		**2**
Economy – Tenancy Management South	2	1		1	**4**
Total	**20**	**19**	**6**	**12**	**57**
Overall fault rate	**19/20 (95%)**	**18/19 (95%)**	**6/6 (100%)**	**10/12 (83%)**	**53/57 (92%)**

4.7.7 The main categories of findings by the HO were 45% property condition, 33% complaint handling and 7% Temporary Decants.

4.7.8 The nature of the backlogs in HO investigations during this time means that most cases that were investigated related to the prior year 22/23 with some cases going back much further. Nevertheless, the Council has recognised that many of its homes needed repair where there was significant backlog which has now been rectified.

4.7.9 In May 2023 the HO commenced a Paragraph 49 investigation into the way that the council manages its complaints and repairs. The link to the report is below with a summary which details the issues that were identified together with the actions that we have taken to address these.

4.7.10 Key issues identified in the investigation were:

- Failure to consider the impact of extensive delays on vulnerable residents
- Complaint handling delay.
- Repeated broken promises at both repairs and complaint stage
- Inadequate complaint responses and inconsistent compensation offers.

4.7.11 The council has responded to the Paragraph 49 special investigation report and made improvements across the repairs service and complaint handling. A summary of improvements and actions taken for each of these points is detailed below. Further improvements we have made are detailed in Section 5 – Organisational Learning.

4.7.12 The link to the full report can be found here 24-02-14-Hammersmith-and-Fulham-P49-Final.pdf (housing-ombudsman.org.uk)

4.7.13 We are working through the recommendations with the Housing Ombudsman, who has commended our leadership for its positive approach to learning from

this investigation and are encouraged that we had already made significant changes in the themes identified in the report.

4.7.14 Repairs

- **Integrated contractor system:** The service has developed a system to oversee all individual repairs and track escalated cases, damp, mould, and disrepair cases.
- **Clear communication processes and training:** The service has established procedural guidelines for repairs under the disrepair procedure and trained staff to better communicate with residents.
- **Proactive measures to inform residents of contractor changes:** The service has used text messages and confirmation letters to inform residents of contractor changes and the reasons behind them. All transferred work undergoes review and inspection.
- **Supporting our resident's initiative:** The service is overseeing the maintenance of accurate records for support needs and mapping the customer journey across services to identify gaps.
- **Comprehensive process maps, procedures, and training:** The service has rolled out process maps, procedures, and training across the repairs service, enabling a more accessible arrangement that aids audits and inspections.
- **New repairs contractor procurement:** The service is in the process of procuring a new repairs contractor, with input from the residents working group.

4.7.15 Complaints

- **Quality assurance module for complaint handling:** The service has integrated a quality assurance module into its casework system, with regular quality assessment of complaint responses and plans to implement it more widely.
- **Overhaul of complaint handling and Housing Ombudsman casework system:** The service is undergoing an overhaul of its complaint handling and Housing Ombudsman casework system and processes, with improved recording, monitoring, and follow-up of actions across services.
- **Review of legal compliance for complaint handling:** The service is devising a review and approach with legal colleagues to ensure that complaints are handled appropriately in instances where a legal claim has not yet been filed in court, and to assess procedural and staff training needs for compliance.
- **Update of corporate complaints policy:** The service has updated its corporate complaints policy to ensure compliance with the new statutory Complaint Handling Code from the Housing Ombudsman and has published it on the website.
- **Publication of annual report:** The service has published its annual report on the complaints received, overall performance, lessons learned, and improvements made on the website.

- **Tracking and escalation of actions promised in complaint responses:** The service has updated its policy to explicitly state that all actions promised in complaint responses will be diligently tracked to completion and has established a clear escalation pathway to address any delays in repairs.

5. ORGANISATIONAL LEARNING

5.1 Complaints are classified against a series of categories within the system so that we can understand root causes and organisational learning. Not all complaints were classified, and some had more than one category assigned to them, but the main causes are set out below:

- Delays in service delivery – including contractor failures (44%)
- Service quality (19%)
- Failure to do something (14%)
- Disagree with council decision/outcome, cancellation, or withdrawal (9%)
- Disagree with charge or payment issue (7%)
- Lack of or poor communication (4%)
- Staff conduct and behaviour (3%)

5.2 We are a learning organisation and the analysis completed on complaints has identified several key areas where we need to improve our services. Detailed below are the learnings from the complaints received by the Council and those investigated by the Ombudsmen to improve future service provision. Focusing on the highest complaint volume service areas, it details further context and ongoing improvement actions.

5.3 **Housing Repairs**

Housing Repairs is consistently the area of service delivery where the Council receives most complaints and a proportionately higher number escalate to the Housing Ombudsman

The reasons for complaints are consistent and cover:

- Historical failures to complete works on time and poor management of WIP (live repairs) in the system.
- Delays and poor communications in progressing complex repairs or component replacements in homes (kitchens, bathrooms, windows etc)
- Missed appointments
- Complaints responded to at earlier stages with agreed remedial actions not monitored and delivered within agreed time scales.

To help bring about speedier resolution for the resident the following service improvements have been made:

- We invested in a new Housing repairs leadership team and new repair's structure that focused on contract management and improved services for residents
- The management of Ombudsman cases within Repairs has changed significantly because of the learning from these cases. Each case has been reviewed and is managed and monitored with a single point of contact; dedicated lead surveyor responsible for all home visits and resident engagement for pre and post inspections managing and signing off all repairs with our residents in a timelier fashion. All Ombudsman cases have dedicated contractors for completion of works which are monitored on a case-by-case basis.
- Proactive work on open and closed stage 1 and 2 complaints has taken place. A new internal housing repairs team of 8 operatives has been mobilised and targets all existing and new stage 1 complaints, tracked and monitored to completion. This includes resident sign off for each stage of works.
- A new process with closer working with between the complaints and repairs team with daily escalations issued to the team for local resolutions.
- Daily and weekly reviews of all stage 1, 2 and Ombudsman cases in place with live reporting on outstanding repairs.
- Historical cases continue to be reviewed with follow up MOT style inspections taking place across the service.
- New repairs contractors have been mobilised and completing new resident repairs in target.
- Proactive calls to homes with existing repairs on the day.
- Dedicated internal housing repairs operatives in sheltered homes across the city, prioritising vulnerable residents' repairs.

5.4 **Housing Non-Repairs**

- We have reviewed our estates provision and agreed that compliance officers will move into the estates team so that we have better compliance outcomes for our residents.
- We started to improve our working relationships with colleagues in the LET and ASB teams so that we have unified enforcement approach to deal with non-compliance noise
- We returned our south housing management service from an external contractor our housing management south so that we have a unified approach in delivery of housing management across the borough to ensure consistency of service delivery to our residents.
- We have a strategic programme to focus on reducing our empty properties.
- We have had an external auditor to review our top 6 compliance areas and over the last 12mths our compliance has been between 98%-100%.

5.5 **Waste Services**

There have been significant changes to the waste services in the past year, with a new contract being mobilised from January 2023 and several new services (such as wheeled bin collections and food waste recycling services)

and service delivery methods (such as collections of waste and recycling being delivered separately rather than co-collected) being introduced.

With any significant changes to the way our services are delivered there will always be a period during which new services will take time to become operationally embedded, during which time the crews become used to the new requirements and residents adapt to those changes.

We continuously review the reasons for complaints we receive and use these to drive service improvement. Preventative measures taken include:

- a transparent, customer-centric approach which includes helping crews understand the resident perspective.
- advising residents on how best to present their waste and recycling; and
- working with residents to smoothly embed change.

We also work with the contractor in identifying practical solutions to prevent recurring issues, such as simplifying processes and communications for the crews.

5.6 Parking

The complaints the Parking Service receives are rooted in three key areas:

- Issues around Penalty Charge Notices (PCNs)
- Issues around bay signage and markings
- Parking policy

In the past 12 months, the Parking Service has taken several steps to reduce the number of complaints in those areas by doing the following:

- Increasing resources to deal with PCN challenges, ensuring that backlogs and waiting times for responses are reduced significantly
- Undertake a comprehensive on-street parking asset audit, ensuring that parking signage and lines are fit for purpose, are clear and easy to understand, and meet the needs of the parking stress in the area
- Commenced a borough-wide parking consultation with residents, regarding the potential change to parking controls in their zone

5.7 Comprehensive Complaints Handling Across the Organisation

5.7.1 Enhanced Complaints and Compensation Procedures

The Council has significantly improved its complaints and compensation handling procedures. We have made notable advancements in improving timelessness, quality, and following protocols with an emphasis on quality and tracking through to completion of actions. Our dedication to accessibility is evident through the variety of available complaint submission methods, including self-service, email, telephone, and in-person interactions, supported by an assisted service feature. Information about how to complain is displayed

throughout the Council's housing estates to ensure transparency. With a customer centric ethos being driven across the Council at every level and within every service.

5.7.2 Integration of Complaints Policies and Training

The Council has effectively incorporated its complaints policies and the Housing Ombudsman Complaint Handling Code into the training programs for complaint investigators. We are committed to enhancing quality and resolution processes by ensuring we drive culture change in effective complaint handling to have a key focus within every service, allocating additional resources where necessary and executing service improvement strategies.

5.7.3 Strategic Improvements in Housing Service

The Housing Service, which receives the highest volume of complaints, has seen strategic enhancements. The establishment of a new Complaint, Dispute and Resolution team in May 2023 has been pivotal in bolstering resources and concentrating efforts on resolving housing-related issues and complaints.

We have improved our contact services so that our contact centre triages repairs requests with contractors so that they get the right person to attend at the first appointment to improve first time fix.

5.7.4 Feedback and Continuous Improvement

Highlighting the value of feedback and ongoing improvement, in December 2023 we implemented contact centre customer satisfaction surveys within Housing Repairs and plan to roll out council wide in June 2024. These surveys will yield insights into organisational challenges and shortcomings, directing our focus on enhancing service delivery and achieving early resident satisfaction.

5.7.5 Resource Allocation in Repair Services

During 23/24, the Council increased resources within the repair services, especially at the senior management level. We have prioritised improving the initial service experience to proactively resolve issues faced by residents and tenants, thereby reducing the incidence of complaints. We have increased our contractor resource where gaps were identified to drive repair improvements and resolve repairs effectively at the first point of contact.

5.7.6 Complaints Training

Training in Line with the Housing Ombudsman Code is ongoing, the Complaint, Dispute and Resolution Team, the Resident Experience Team continue to develop through training that aligns with the revisions to the Housing Ombudsman Complaint Handling Code, policies, and procedures.

5.7.7 Monitoring and Timely Response to Complaints

Complaints are meticulously monitored and tracked to guarantee timely responses. Good communication is in place and provided to residents when investigations continue beyond the expected timeframe.

5.7.8 Monitoring Processes in Housing Repairs

In April 2023 we introduced additional monitoring procedures in Housing repairs, focusing particularly on closed stage two complaints, and introduced this for stage 1 complaints in Q2 23/24. We are tracking and monitoring all outstanding actions after closure of a complaint to ensure resolution. This is actioned by the investigating officer at stage 1 and a dedicated resource at stage 2 who work closely with the Housing Teams. We are currently working towards the new LGSCO code requirements around tracking actions after resolution for all other service areas.

5.7.9 Investments and Business System Changes

Throughout 23/24 we have made changes to our complaint management systems to ensure comprehensive reporting is place for all service areas. More recently developing a live data complaints dashboard which started in early 2024. This is currently in use as a pilot dashboard to prepare for council wide roll out in Q2 24/25. This is a highly beneficial dashboard for senior level oversight of complaints performance against targets, complaints received, trends and themes.

6. TENANT SATISFACTION MEASURES STANDARD

The Tenant Satisfaction Measures Standards (TSMS) requires the council, a registered provider of social housing, to report tenant satisfaction measures compliant with the housing regulator's requirements.

The TSMS for the reporting year 2023-24 are made up of:

- 12 Measures collected from tenant perception surveys
- 10 measures generated from management information

The TSMS return must be submitted by the 30 June 2024. The standard also requires providers to publish their performance against the TSMs to residents.

There are two measures that relate to complaints and below is our performance against these measures.

6.1 Complaint 1

Measure	Description	Calculation	Number of Complaints (A)	Relevant stock (B)	2023- 2024 Performance
CH01(a)	Complaints relative to landlord size (stage 1)	A/B x 1000	2,635	11,971	220.1

CH02(b)	Complaints relative to the landlord size (stage 2)	A/B x 1000	573	11,971	47.9

6.2 Complaint 2

Measure	Description	Calculation	Complaints Closed (A)	Responded on time (B)	2023-2024 Performance
CH02 (a)	Complaints responded to on time (stage 1)	B/A x 100	2,644	2,476	93.6%
CH02 (b)	Complaints responded to on time (stage 2)	B/A x 100	564	491	87.1%

7. COMPENSATION

7.1 There was a significant increase in compensation paid during the period April 2023 to March 2024 – up from £519,521.37 in 2022/2023 to £792,007.18. The tables below show the directorate breakdown by stage.

Directorate 01/04/23-31/03/24	Immediate resolution	Corporate stage 1	Corporate stage 2	Ombudsman	Childrens - Childrens stage 1	Childrens - Childrens stage 2	Childrens - Ombudsman	Total	%
Economy	£25.00	£451,156.62	£222,451.93	£78,005.43	£0.00	£0.00	£0.00	£751,638.98	94.90%
Environment services	£0.00	£303.20	£1,650.00	£0.00	£0.00	£0.00	£0.00	£1,953.20	0.25%
Childrens services	£0.00	£8,305.00	£0.00	£3,100.00	£12,828.00	£2,576.00	£10,000.00	£36,809.00	4.65%
Corporate services	£0.00	£31.00	£0.00	£0.00	£0.00	£0.00	£0.00	£31.00	0.00%
Resident experience	£0.00	£250.00	£0.00	£0.00	£0.00	£0.00	£0.00	£250.00	0.03%
Finance	£0.00	£0.00	£175.00	£0.00	£0.00	£0.00	£0.00	£175.00	0.02%
Resources	£0.00	£0.00	£250.00	£0.00	£0.00	£0.00	£0.00	£250.00	0.03%
Adult social care	£0.00	£0.00	£0.00	£900.00	£0.00	£0.00	£0.00	£900.00	0.11%
Total	**£25.00**	**£460,045.82**	**£224,526.93**	**£82,005.43**	**£12,828.00**	**£2,576.00**	**£10,000.00**	**£792,007.18**	
%	0.00%	58.09%	28.35%	10.35%	1.62%	0.33%	1.26%		

7.2 The main increases in compensation across the council is within Economy. Compared to compensation paid in 2022/2023, there was an increase of 57% at stage 1, 32% at stage 2 and 178% at Ombudsman for Economy cases.

7.3 There has been improved adherence in 2023/2024 when investigating and referring to the internal Housing Compensation policy. This is referred to for each case at stage 1 and stage 2. Compensation is also considered and offered on cases going further back than the initial 6 months prior to a complaint, and complaint investigators can use discretion when evaluating compensation and the length of time if necessary. The investigator now takes into consideration the entire length of time the issue has been ongoing. As a Council we ensure we take into consideration the impact on the complainant's wellbeing, distress and any other impacts or disruption due to delays or failures. There is a clear internal compensation process in place.

7.4 In March 2024 we published three new compensation policies for corporate complaints, housing repairs and housing management. These policies are in place to ensure consistent adherence when calculating compensation and

transparency for our residents and customers. The link to the website page where all three compensation policies are published is detailed below.

Complaints and compliments | London Borough of Hammersmith & Fulham (lbhf.gov.uk)

7.5 The Complaints, Dispute and Resolution Team for Housing Services has made significant improvements to ensure excellent complaint handling across these service areas in 23/24 and continues to focus on this. Responding to complaints on time saw a marked improvement in the last quarter of the year after a ringfence of cases was cleared in August 2023. The performance has stabilised since whilst ensuring quality and adherence to process and policies is in place and being monitored. We have developed a new reporting suite with a live complaints dashboard which ensure wide access for all managers and relevant officers to have daily assurance of performance and see trends and themes on complaints being received.

7.6 We also recognise that we must have understanding and empathy for our residents and we must consider their wellbeing as part of the impact of a poor complaint or service resolution. The implementation of new compensation policies provides greater assurance to consistency and fairness when investigating complaints. Although compensation cannot change the past, we need to consider the impact that delays in resolution may have caused. We recognise the crucial link between stable housing, a comfortable home environment and general wellbeing. We encourage our residents to actively engage with us and many residents and customer are open about the impacts poor service and the need to complain has had on them. We have also implemented a customer satisfaction feedback survey across the Housing Repairs call centre to gather insight and ensure improvements continue to be made. This data helps us learn where we have gone wrong and what has gone well and build on great service delivery. General improvements around managing targets and performance in the Housing Repairs contact centre has driven an ethos for right first time and resolving where possible before any need to make a complaint.

7.7 Our focus is on ensuring that complaints receive a timely and complete resolution and that learning from complaints is embedded into our continuous service improvement. Prevention is key but also with a right first-time approach, updates on delays and managing customer expectations effectively throughout the whole end to end service journey, ensures a significant improved customer experience.

LIST OF APPENDICES

Appendix A - Lead member's response to annual complaints report
Appendix B - Access to complaints
Appendix C - Annual self-assessment 2023/24
Appendix D - Local Government and Social Care Ombudsman Annual Review Letter 2023/24

Appendix A – Lead members response to the 2023-2024 Annual Complaints Report

Our Corporate Plan contains our strategy to deliver the ambitions of the H&F Vision up to 2026. It sets out what we want to achieve for our residents and reaffirms the six values of the organisation that influences everything that we do. It provides a comprehensive and cross-cutting set of ambitions for the organisation. It explains how we will transform our services and invest money to help protect high quality essential services for our residents.

In all the services we provide, we are looking to advance our values and support those residents who need it most. We want our services to be of the highest standard and inclusive and accessible to all, whilst ensuring that our resources are used effectively, compliantly with our responsibilities, and are supported by good governance.

We recognise that things will go wrong, and we welcome the opportunity to learn from complaints to support improvements in our services. As is recognised in our annual report, our housing repairs service is the service that receives the highest number of complaints and we have made considerable changes and improvements to our housing services over the last year. We strive for consistently high quality, fair, and compassionate services. We want everyone to have a safe, decent warm home in a diverse and thriving community.

We are delivering an ambitious £729m investment programme to modernise our ageing housing stock. We are putting things right with our repairs and have invested heavily in additional repairs contractor capacity. Our new management is ensuring that contractors complete quality work punctually and are more responsive to our residents, especially people with vulnerabilities or support needs.

We established a Housing Hub in June 2023 to increase focus and expertise in compassionate customer service and complaints handling. Since September, all repair complaints have been responded to in time and we continue to incorporate residents' feedback into our practice. This initiative is a crucial component of our broader efforts to foster cultural change within the Housing service, rebuilding trust with residents affected by previous poor performance.

Ensuring we are learning from complaints is a priority for us and whilst good progress has been made this year, we will continue to focus of reducing causes for residents to complain about our services.

While we have improved, our journey of change still has far to go. We will continue to listen to residents to guide our long-term plans. We will report progress to council scrutiny committees, ensure compliance with national legislation, and seek best practice from external bodies, as we strengthen our services to meet residents' needs.

Appendix B - Access to Complaints April 2023 to March 2024

1. Contact Channels

1.1 The Council enables residents to make complaints through a variety of channels - 62% came through the Council's self-service form and 32% via email – email includes updates and follow ups. The Council's main contact centre uses the self-service form to log complaints received over the phone.

Contact method	Adult Social Care complaint	Children Act complaint	Comment	Complaint	Compliment	Enquiry	Total
Email	5	33	10	1,673	246	501	**2,468**
Facebook	0	0	0	1	0	0	**1**
Form	0	0	0	1	1	0	**2**
In person	0	0	4	5	0	1	**10**
Letter	0	0	0	11	0	5	**16**
Other	0	0	0	1	2	0	**3**
Phone	1	4	1	296	44	82	**428**
Self service	2	6	345	3,983	106	315	**4,757**
Total	**8**	**43**	**360**	**5,971**	**399**	**904**	**7,685**

2. Equalities data

2.1 The Council's online self-service form asks residents to provide demographic data about themselves so that we can ensure equitable access to complaints. It is not mandatory to complete these questions and complaints received through other channels will not have captured this information. Nevertheless, the data we do hold shows:

- 58% female, 38% male with the remaining preferring not to say or other gender identity/transgender
- 70% were heterosexual, 4% gay, lesbian or bisexual with 26% preferring not to say their sexual orientation
- Only 5 complaints registered that they had a disability, so this is an area to explore access and awareness
- The breakdown for complaints made by ethnicity is detailed in the table below.

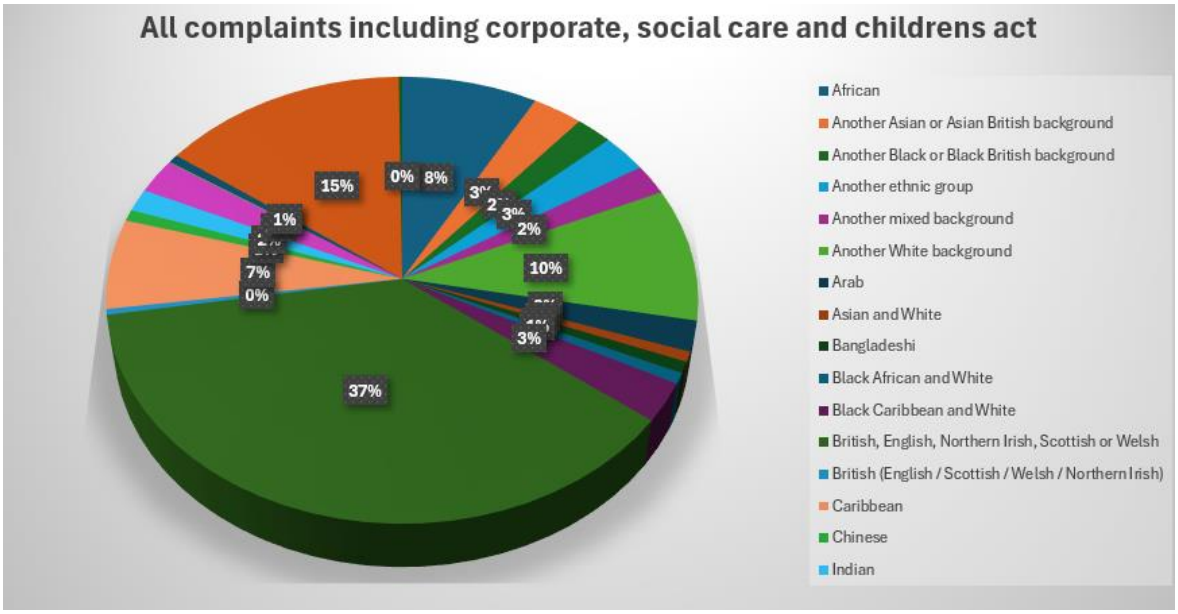


Figure 1- Equalities data 2023-2024

2.2 It is important that the Council ensures equity of access to our complaints and dispute resolution processes and that people are not disproportionately impacted by our decisions. The equalities analysis of complaints data for the year 2023/24 suggests that there is good access by a range of ethnicities and genders but there is a need to continue to ensure that disabled people are aware of and can access the complaints process.

3. Compliments

3.1 The Council endeavours to deliver good quality services and excellent customer care. The table below shows the number of compliments received over the year with over 500 received through the formal channels. 43% of compliments were for a high-quality service being delivered and 40% for good customer care.

Compliments	**Total received 23/24**
Adult Social Care	197
Children's services	48
Corporate Services	79
Economy	120
Environment	100
Finance	32
Resident Experience Team	3
Total	**579**

Appendix C: Self-assessment form

This self-assessment form should be completed by the complaints officer and it must be reviewed and approved by the landlord's governing body at least annually.

Once approved, landlords must publish the self-assessment as part of the annual complaints performance and service improvement report on their website. The governing body's response to the report must be published alongside this.

Landlords are required to complete the self-assessment in full and support all statements with evidence, with additional commentary as necessary.

We recognise that there may be a small number of circumstances where landlords are unable to meet the requirements, for example, if they do not have a website. In these circumstances, we expect landlords to deliver the intentions of the Code in an alternative way, for example by publishing information in a public area so that it is easily accessible.

Section 1: Definition of a complaint

Code provision	Code requirement	Comply: Yes / No	Evidence	Commentary / explanation

1.2	A complaint must be defined as: *'an expression of dissatisfaction, however made, about the standard of service, actions or lack of action by the landlord, its own staff, or those acting on its behalf, affecting a resident or group of residents.'*	Yes	The policy includes the following wording to define a complaint: **"An expression of dissatisfaction, however made, about the standard of service, actions, or lack of action by our organisation, our staff, or those acting on our behalf, affecting an individual resident or group of residents."** Please also refer to the complaints policy H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	Hammersmith and Fulham Council has a formal complaints policy which covers corporate complaints and complaints relating to Adult Social Care and Children's Services. Please see link in evidence. The policy is reviewed every three years, or sooner if there is a relevant change. This was last reviewed in May 2024 to be in line with the new Housing Ombudsman Complaint Handling Code.
1.3	A resident does not have to use the word 'complaint' for it to be treated as such. Whenever a resident expresses dissatisfaction landlords must give them the choice to make complaint. A complaint that is submitted via a third party or representative must be handled in line with the landlord's complaints policy.	Yes	Please refer to the complaints policy. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk) Please refer to the complaints policy pages 13 & 16	Complaints are accepted as a formal complaint even if the word 'complaint' is not used. They can be made via all channels including verbally on a call, face to face, online, by email and in any written communication. A complaint submitted via a third party or representative

				will still be handled in line with our complaints policy. We aim to manage expectations from the outset being clear where the desired outcome is unreasonable or unrealistic.
1.4	Landlords must recognise the difference between a service request and a complaint. This must be set out in their complaints policy. A service request is a request from a resident to the landlord requiring action to be taken to put something right. Service requests are not complaints, but must be recorded, monitored and reviewed regularly.	Yes	Please refer to the complaints policy page 11 H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	A complaint could be identified by triaging a service request. An explanation of the difference between a service request and a complaint is included in our policy.
1.5	A complaint must be raised when the resident expresses dissatisfaction with the response to their service request, even if the handling of the service request remains ongoing. Landlords must not stop their efforts to address the service request if the resident complains.	Yes	Commentary/explanation as evidence. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	Complaints can be raised while the service request is in progress and the service will continue to be progressed alongside the complaint process. All staff are aware of this and follow the process accordingly.

1.6	An expression of dissatisfaction with services made through a survey is not defined as a complaint, though wherever possible, the person completing the survey should be made aware of how they can pursue a complaint if they wish to. Where landlords ask for wider feedback about	Yes	Commentary/explanation as evidence. We are displaying the poster on noticeboards across the estates and have it on our online noticeboard on the Get Involved	If a comment in a survey constituted a complaint, we would refer the resident to the complaints process or the relevant process.
	their services, they also must provide details of how residents can complain.		Hub -Talk To Us – LBHF Get Involved The engagement team is also taking the opportunity to cascade this information at various resident community events they attend.	We publicise online on our website and through publications. We have a digital poster on the Get Involved page and these posters are also positioned on notice boards on the Hammersmith and Fulham Housing Estates. This gives details on how to log a repair request, make a complaint, how to contact the Ombudsman and details of the Complaint Handling Code.

Section 2: Exclusions

Code provision	Code requirement	Comply: Yes / No	Evidence	Commentary / explanation
2.1	Landlords must accept a complaint unless there is a valid reason not to do so. If landlords decide not to accept a complaint they must be able to evidence their reasoning. Each complaint must be considered on its own merits	Yes	Please refer to the complaints policy page 7 H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	Complaints are only refused by exception and for the reasons specified in the policy and each case will be considered on its merits. We will always provide a detailed explanation setting out the reasons why the matter is not suitable for our complaints process and the right to escalate to the Housing Ombudsman.
2.2	A complaints policy must set out the circumstances in which a matter will not be considered as a complaint or escalated, and these circumstances must be fair and reasonable to residents. Acceptable exclusions include: • The issue giving rise to the complaint occurred over twelve months ago. • Legal proceedings have started. This is defined as details of the claim, such as the Claim Form and Particulars of Claim, having been filed at court.	Yes	Please refer to the complaints policy pages 10 and 11 H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	Our Complaints Policy details reasons that a complaint will not be considered. This includes where the complaint will follow a different process, for an example, an appeal to a planning application.

	• Matters that have previously been considered under the complaints policy.			
2.3	Landlords must accept complaints referred to them within 12 months of the issue occurring or the resident becoming aware of the issue, unless they are excluded on other grounds. Landlords must consider whether to apply discretion to accept complaints made outside this time limit where there are good reasons to do so.	Yes	Please refer to the complaints policy page 7 H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	Our complaints policy explains circumstances where discretion may apply.
2.4	If a landlord decides not to accept a complaint, an explanation must be provided to the resident setting out the reasons why the matter is not suitable for the complaints process and the right to take that decision to the Ombudsman. If the Ombudsman does not agree that the exclusion has been fairly applied, the Ombudsman may tell the landlord to take on the complaint.	Yes	Commentary/explanation as evidence. There are also clear guidelines within the complaints policy pages 11 and 12. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	Where a complaint is refused the response to the resident gives the reasons why and will give details of the route to take this to the Ombudsman.
2.5	Landlords must not take a blanket approach to excluding complaints; they must consider the individual circumstances of each complaint.	Yes	Commentary/explanation as evidence	Each case is considered and determined on its own merits with clear reasons being sent to the resident about any decisions to exclude any aspects, clearly identified in the complaints policy. Also providing details of the route to the Ombudsman.

Section 3: Accessibility and Awareness

Code provision	Code requirement	Comply: Yes / No	Evidence	Commentary / explanation

3.1	Landlords must make it easy for residents to complain by providing different channels through which they can make a complaint. Landlords must consider their duties under the Equality Act 2010 and anticipate the needs and reasonable adjustments of residents who may need to access the complaints process.	Yes	LBHF has a broad range of access channels available to make a complaint. This includes our 'Contact us' web page which allows customers to make a complaint in different ways. Contact us | London Borough of Hammersmith & Fulham (lbhf.gov.uk)	Complaints are accepted as a formal complaint even if the word 'complaint' is not used. They can be made via all channels including verbally on a call, face to face, online, by email and in any written communication. This includes our 'Contact us' web page which allows customers to make a complaint in different ways. In compliance with the Equalities Act, we adapt our procedures and policies to meet resident's needs and put in place reasonable adjustments. We ask about specific needs/ requirements on our self-service request form. Contact centres that fill out this self-service request form over the phone on behalf of residents also capture these needs. The completion of this information then enables an alert to be generated on the system for officers viewing the

				case. Home visits are arranged through our Tenancy Management Team where required. Safeguarding processes are followed as appropriate, and the Resident Experience Team liaise with relevant departments such as Adult Social Care and Children's Services Staff delivering services and complaint handlers are reminded to check the relevant sections on the housing system to ensure services delivered consider any recorded vulnerabilities. In addition, consideration is given to the training needs of staff through complaint investigations and feedback.
3.2	Residents must be able to raise their complaints in any way and with any member of staff. All staff must be aware of the complaints process and be able to pass details of the complaint to the appropriate person within the landlord.	Yes	Commentary/explanation as evidence	All council staff are aware of the complaints policies available on the website and can signpost or assist residents in accessing this service at this time. Handling complaints effectively and ensuring we assist resident and customer is one

				of LBHF's priorities, this is highlighted at the Corporate
				Induction for all new staff members. All staff have access to the website and can signpost and offer an assisted service to residents and customers at any time. Through training and guidance in the Housing Service this ethos and way of working is championed to ensure all staff are aware and action appropriately.

3.3	High volumes of complaints must not be seen as a negative, as they can be indicative of a well-publicised and accessible complaints process. Low complaint volumes are potentially a sign that residents are unable to complain.	Yes	Commentary/explanation as evidence. Complaints and compliments | London Borough of Hammersmith & Fulham (lbhf.gov.uk) H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	The council's complaints policy and processes are published on our website and on our estate, notice boards, to ensure accessibility for all.
3.4	Landlords must make their complaint policy available in a clear and accessible format for all residents. This will detail the two-stage process, what will happen at each stage, and the timeframes for responding. The policy must also be published on the landlord's website.	Yes	Commentary/explanation as evidence. Complaints and compliments | London Borough of Hammersmith & Fulham (lbhf.gov.uk) H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	The policy is published on our website and can be made available in other formats if requested. The website itself can be translated into other languages and offers a read aloud facility which can be used while browsing the complaints web pages, but this does not apply to linked documents such as the policy.

				Our website includes a page with information on accessibility and information on how residents can get support with accessibility of our website and our services. Accessibility statement | LBHF

3.5	The policy must explain how the landlord will publicise details of the complaints policy, including information about the Ombudsman and this Code.	Yes	Please refer to the complaints policy Page 10. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	This information is available within the complaints policy.
3.6	Landlords must give residents the opportunity to have a representative deal with their complaint on their behalf, and to be represented or accompanied at any meeting with the landlord.	Yes	Commentary/explanation as evidence. Please refer to the complaints policy Page 4. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	A complaint submitted via a third party or representative will still be handled in line with our complaints policy. Representatives can be invited to any meetings with the landlord regarding the complaint issues with the complaints consent.
3.7	Landlords must provide residents with information on their right to access the Ombudsman service and how the individual can engage with the Ombudsman about their complaint.	Yes	Commentary/explanation as evidence. Please refer to the complaints policy Page 10. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	Information on the resident's right to contact the Ombudsman service is provided throughout the resident's complaint. Details are included in the acknowledgement to the complaint and in the templates for complaint responses. Officers are instructed to

				include this information in interim complaint correspondence, for example when contacting residents to advise on extended timescales.

Section 4: Complaint Handling Staff

Code provision	Code requirement	Comply: Yes / No	Evidence	Commentary / explanation
4.1	Landlords must have a person or team assigned to take responsibility for complaint handling, including liaison with the Ombudsman and ensuring complaints are reported to the governing body (or equivalent). This Code will refer to that person or team as the 'complaints officer'. This role may be in addition to other duties.	Yes	Commentary/explanation as evidence	The Council has a central team, the Resident Experience Team, this team coordinate, and report on complaint responses across the Council. All complaints come into this team and are allocated to the relevant departments for response. The Ombudsman Link Officer is also part of this team and coordinates responses to the Ombudsman from relevant departments. The Resident Experience Team are responsible for providing complaints reports to our SLT and members. The Ombudsman Link Officer role sits within the Resident Experience Team.
4.2	The complaints officer must have access to staff at all levels to facilitate the prompt resolution of complaints. They must also have the authority and autonomy to act to resolve disputes promptly and fairly.	Yes	Commentary/explanation as evidence	All investigators ensure complaints on housing matters are fully investigated and resolved and organisational learning captured.

				Investigating Officers can facilitate prompt resolution by
				liaising with the relevant team or officer.

4.3	Landlords are expected to prioritise complaint handling and a culture of learning from complaints. All relevant staff must be suitably trained in the importance of complaint handling. It is important that complaints are seen as a core service and must be resourced to handle complaints effectively	Yes	Commentary/explanation as evidence	Learning from complaints is a key focus for the Council and reasons from complaints are informing the Housing Improvement Plan. A wide group of staff from across the Council have been involved in supporting the service improvement and learning from complaints. All teams work closely to ensure complaints on housing matters are fully investigated and resolved and organisational learning captured. There is a specialist wellresourced team within the Housing Service to effectively manage stage 1, stage 2, and Ombudsman complaints. Through training and guidance in the Housing Service a resident and customer centric ethos and way of working is championed to ensure all staff are aware and action appropriately. All investigators handling complaints within the Complaint, Dispute and

				Resolution Team and the Resident Experience Team have completed the HO online training. Continuous ongoing training with feedback to individual officers is in place across both teams. Training and guidance have been delivered to all wider housing teams to improve complaint handling across all Housing Services.

Section 5: The Complaint Handling Process

Code provision	Code requirement	Comply: Yes / No	Evidence	Commentary / explanation
5.1	Landlords must have a single policy in place for dealing with complaints covered by this Code. Residents must not be treated differently if they complain.	Yes	Commentary/explanation as evidence. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	Corporate Complaints Policy in place. All residents are treated fairly and in line with policies whether they have submitted a complaint or not.
5.2	The early and local resolution of issues between landlords and residents is key to effective complaint handling. It is not appropriate to have extra named stages (such as 'stage 0' or 'informal complaint') as this causes unnecessary confusion.	Yes	Please refer to the complaints policy details and the two-stage complaint process. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	The Council operates a two stage complaints process as per our policy. There is no stage zero or informal complaint process. Our aim is to provide early resolution for our residents for any service failures prior to them becoming a complaint.

5.3	A process with more than two stages is not acceptable under any circumstances as this will make the complaint process unduly long and delay access to the Ombudsman.	Yes	Please refer to the complaints policy details and the two-stage complaint process. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	The council operates a twostage process as per our complaints policy.
5.4	Where a landlord's complaint response is handled by a third party (e.g. a contractor or independent adjudicator) at any stage, it must form part of the two stage complaints process set out in this Code. Residents must not be expected to go through two complaints processes.	Yes	Commentary/explanation as evidence. Please refer to the complaints policy Page 10. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	All complaints are responded via the councils' complaints process with comments received from contractors, they do not provide their own responses.
5.5	Landlords are responsible for ensuring that any third parties handle complaints in line with the Code.	Yes	Commentary/explanation as evidence.	All complaint responses are via the council's process.

5.6	When a complaint is logged at Stage 1 or escalated to Stage 2, landlords must set out their understanding of the complaint and the outcomes the resident is seeking. The Code will refer to this as “the complaint definition”. If any aspect of the complaint is unclear, the resident must be asked for clarification.	Yes	Commentary/explanation as evidence.	We are including a summary of the complaint in our acknowledgements together with the outcome the resident is expecting. At stage 1 The complaints resolution officer will contact the complainant (where possible) prior to the acknowledgement being sent. For all stage 2 complaints, the investigating officer contacts the complainant to discuss the complaint, communications preferences, and any outcomes they are seeking.

5.7	When a complaint is acknowledged at either stage, landlords must be clear which aspects of the complaint they are, and are not, responsible for and clarify any areas where this is not clear.	Yes	Commentary/explanation as evidence	This is included in the complaint acknowledgement.

5.8	At each stage of the complaints process, complaint handlers must: a. deal with complaints on their merits, act independently, and have an open mind; b. give the resident a fair chance to set out their position. c. take measures to address any actual or perceived conflict of interest; and d. consider all relevant information and evidence carefully.	Yes	Commentary/explanation as evidence	As part of the training, guidance and adherence to the code, all officers investigating complaints act independently and fairly. All investigators aim to resolve conflict and consider all aspects and evidence available to fairly review the complaint.
5.9	Where a response to a complaint will fall outside the timescales set out in this Code, the landlord must agree with the resident suitable intervals for keeping them informed about their complaint.	Yes	Commentary/explanation as evidence.	All service directorates received guidance and updates on the new HO Complaint Handling Code including ensuring communication updates to complainants. This was completed in May 2024. Our policy details the timescales to respond to complaints and sets out what will we do if we need to agree an extension with the resident
5.10	Landlords must make reasonable adjustments for residents where appropriate under the Equality Act 2010.	Yes	Commentary/explanation as evidence	In compliance with the Equalities Act, we adapt our procedures and policies to

	Landlords must keep a record of any reasonable adjustments agreed, as well as a record of any disabilities a resident has disclosed. Any agreed reasonable adjustments must be kept under active review.			meet resident's needs and put in place reasonable adjustments. We ask about specific needs/ requirements on our self-service request form. Contact centres that fill out this self-service request form over the phone on behalf of residents also capture these needs. All housing staff have been briefed through a guidance note issued in March 2023, reminding them to record housing vulnerabilities on the housing system (Northgate). The briefing also included guidance on • Learning from complaints and complaint escalation • Impact on residents' wellbeing • Poor customer experience • Potential breach of equalities legislation • Impact on the Housing Revenue Account Staff delivering services and complaint handlers are reminded to check the relevant

				sections on the housing system to ensure services

				delivered consider any recorded vulnerabilities. In addition, consideration is given to the training needs of staff through complaint investigations and feedback. Reasonable adjustments are made when managing and dealing with a complaint. Complainants can inform us of any accessibility needs and support needs and we will take the appropriate action to ensure flexibility in our service offer and manage any priority needs.
5.11	Landlords must not refuse to escalate a complaint through all stages of the complaints procedure unless it has valid reasons to do so. Landlords must clearly set out these reasons, and they must comply with the provisions set out in section 2 of this Code.	Yes	Commentary/explanation as evidence	Within the complaints policy we clearly outline the process for an escalation to stage 2. Training and guidance on refusals unless valid has been delivered to senior managers of departments to cascade in May 2024.

5.12	A full record must be kept of the complaint, and the outcomes at each stage. This must include the original complaint and the date received, all correspondence with the resident, correspondence with other parties, and any relevant supporting documentation such as reports or surveys.	Yes	Commentary/explanation as evidence	Our case management system includes all details on each case at every stage and contains a full audit trail. The complaints management system enables comprehensive record keeping.

				All records of complaints are logged on our systems and original documents are files in our electronic document management systems. Any reviews, outcomes or other relevant correspondence relating to the complaints are also logged and recorded against the cases.
5.13	Landlords must have processes in place to ensure a complaint can be remedied at any stage of its complaints process. Landlords must ensure appropriate remedies can be provided at any stage of the complaints process without the need for escalation.	Yes	Commentary/explanation as evidence	We aim to provide a remedy and solution at the first point of contact and any stage of the complaint process, the complaint is a priority to resolve. We aim to minimise the need for escalation by getting it right first time. This is embedded within training and

				guidance across the organisation.
5.14	Landlords must have policies and procedures in place for managing unacceptable behaviour from residents and/or their representatives. Landlords must be able to evidence reasons for putting any restrictions in place and must keep restrictions under regular review.	Yes	Link to the policy referenced. Hammersmith & Fulham Council Unreasonable or Vexatious Behaviour Policy April 2020 (lbhf.gov.uk)	We have a policy to deal with unacceptable behaviour from residents in pursuing complaints and this is published on our website. We use this policy when appropriate. Restrictions are time-limited and reviewed. We are currently reviewing the process supporting this policy to ensure that it links with policies in respect of employee
				and elected member health and safety.

5.15	Any restrictions placed on contact due to unacceptable behaviour must be proportionate and demonstrate regard for the provisions of the Equality Act 2010.	Yes	Commentary/explanation as evidence	We only use this policy when appropriate. Restrictions are time-limited and reviewed. We do consider all aspects of contact and try to offer solutions and single points of contact initially to allow unrestricted communication arrangements to be in place that are reasonable for the complainant and the council.

Section 6: Complaints Stages

Stage 1

Code provision	Code requirement	Comply: Yes / No	Evidence	Commentary / explanation
6.1	Landlords must have processes in place to consider which complaints can be responded to as early as possible, and which require further investigation. Landlords must consider factors such as the complexity of the complaint and whether the resident is vulnerable or at risk. Most stage 1 complaints can be resolved promptly, and an explanation, apology or resolution provided to the resident.	Yes	Commentary/explanation as evidence	Resolved at first point of contact resolution criteria is available within the complaints handling system. This can be utilised for recording any complaints resolution put in place initially with a recorded outcome and agreement with the complainant. Through training and guidance when the complaint is submitted it is triaged by the complaint investigator, if they identify opportunities at this point to resolve at the first point of contact, they will liaise with the complainant to agree resolution.
6.2	Complaints must be acknowledged, defined and logged at stage 1 of the complaint's procedure **within five working days of the complaint being received**.	Yes	Please refer to the complaints policy pages 5 and 6. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	This is part of our Corporate Complaints policy

6.3	Landlords must issue a full response to stage 1 complaints **within 10 working**	Yes	Please refer to the complaints policy pages 5 and 6.	This is part of our Corporate Complaints policy
	days of the complaint being acknowledged.		H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	
6.4	Landlords must decide whether an extension to this timescale is needed when considering the complexity of the complaint and then inform the resident of the expected timescale for response. Any extension must be no more than 10 working days without good reason, and the reason(s) must be clearly explained to the resident.	Yes	Commentary/explanation as evidence. Please refer to the complaints policy pages 6 and 9. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	Where a response could not be sent within the 10 days an extension of up to 10 days is applied but this is only where this is communicated with the resident. If a response cannot be determined within this period, then a further timescale and communication plan will be agreed with the resident. This is detailed in our policy.
6.5	When an organisation informs a resident about an extension to these timescales, they must be provided with the contact details of the Ombudsman.	Yes	Commentary/explanation as evidence.	Housing Ombudsman contact details are provided in complaint acknowledgments, delays or extensions communications and final responses about complaints.

6.6	A complaint response must be provided to the resident when the answer to the complaint is known, not when the outstanding actions required to address the issue are completed. Outstanding actions must still be tracked and actioned promptly with appropriate updates provided to the resident.	Yes	Commentary/explanation as evidence. Please refer to the complaints policy page 6. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	Responses to repairs complaints are sent within the agreed timescales and any outstanding actions/repairs are tracked to completion. With the case officer being the single point of contact. Stage 2 cases with works outstanding are monitored by a stage 2 monitoring team through to completion. Residents have a named contact in the stage 2
				monitoring team and contact is made within 5 working days. All stage 2 repair works are signed off by a surveyor. Complaints within the Housing Service outside of repairs are also monitored for action to be completed and resolved when a complaint has been responded to. The investigating officer has the responsibility to track actions and timeframes. This can be monitored through the case management system.

6.7	Landlords must address all points raised in the complaint definition and provide clear reasons for any decisions, referencing the relevant policy, law and good practice where appropriate.	Yes	Commentary/explanation as evidence.	The council ensure that the complaint definition is clear, we aim to ensure this is defined in the acknowledgment. Contact is also made with the complainant to ensure we have captured all the relevant information at the start before the investigation commences.
6.8	Where residents raise additional complaints during the investigation, these must be incorporated into the stage 1 response if they are related and the stage 1 response has not been issued. Where the stage 1 response has been issued, the new issues are unrelated to the issues	Yes	Commentary/explanation as evidence.	We have ensured training and guidance has been given to all investigators to incorporate other relevant issues raised whilst investigating. We aim to resolve all of the complaint and find a suitable resolution
	already being investigated or it would unreasonably delay the response, the new issues must be logged as a new complaint.			as soon as possible, where possible without needing to raise a new complaint, and only then if necessary

6.9	Landlords must confirm the following in writing to the resident at the completion of stage 1 in clear, plain language: a. the complaint stage; b. the complaint definition. c. the decision on the complaint; d. the reasons for any decisions made. e. the details of any remedy offered to put things right; f. details of any outstanding actions; and g. details of how to escalate the matter to stage 2 if the individual is not satisfied with the response.	Yes	Commentary/explanation as evidence.	We have templates set up in our case management system that guide officers through each of the seven elements to ensure that all areas specified in the code are addressed. Stage 1 and stage 2 responses are reviewed by a senior officer before they are issued to ensure quality and to ensure that all the issues are addressed. Feedback and regular training are now given to all officers. We have also introduced a quality assurance framework that checks that all these areas are addressed.

Stage 2

Code provision	Code requirement	Comply: Yes / No	Evidence	Commentary / explanation
6.10	If all or part of the complaint is not resolved to the resident's satisfaction at stage 1, it must be progressed to stage 2 of the landlord's procedure. Stage 2 is the landlord's final response.	Yes	Commentary/explanation as evidence.	We have a clear 2 stage process within the policy and at all times we ensure complainants are aware of the independent review and

			H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	contact points for the Housing Ombudsman. We have delivered training and guidance across the council to ensure all staff are aware that a stage 2 complainant can be investigated if the complainant requests to escalate.
6.11	Requests for stage 2 must be acknowledged, defined and logged at stage 2 of the complaints procedure within five working days of the escalation request being received.	Yes	Please refer to the complaints policy page 8. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	Our complaints policy details that the acknowledgement of all stage 2 complaints includes a summary of the issues and outcomes they are seeking. All stage 2 escalations are contacted by phone (or residents preferred method) so that the scope of the complaint, communications preferences and the outcomes sought can be clarified.
6.12	Residents must not be required to explain their reasons for requesting a stage 2 consideration. Landlords are expected to make reasonable efforts to understand why a resident remains unhappy as part of its stage 2 response.	Yes	Commentary/explanation as evidence.	Through training and guidance all staff have been advised of the process to escalate to stage 2.
6.13	The person considering the complaint at stage 2 must not be the same person that considered the complaint at stage 1.	Yes	Commentary/explanation as evidence.	We have separate teams and Officers/Managers dealing with stage 1 and stage 2 complaints. This is part of the process we follow.

6.14	Landlords must issue a final response to the stage 2 **within 20 working days** of the complaint being acknowledged.	Yes	Please refer to the complaints policy page 8.	The Complaint, Dispute and Resolution Team and other investigating officer are monitored to ensure

			H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	adherence to the policy timescales and performance on open cases that are due is monitored daily.
6.15	Landlords must decide whether an extension to this timescale is needed when considering the complexity of the complaint and then inform the resident of the expected timescale for response. Any extension must be no more than 20 working days without good reason, and the reason(s) must be clearly explained to the resident.	Yes	Commentary/explanation as evidence. Please refer to the complaints policy page 8. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	For any cases where we are unable to resolve within 20 working days or a subsequent 20-day extension, we are in communication with the resident to agree the timescales and to keep them updated on actions taken.
6.16	When an organisation informs a resident about an extension to these timescales, they must be provided with the contact details of the Ombudsman.	Yes	Commentary/explanation as evidence.	We provide the Ombudsman contact details on all case extensions.

6.17	A complaint response must be provided to the resident when the answer to the complaint is known, not when the outstanding actions required to address the issue are completed. Outstanding actions must still be tracked and actioned promptly with appropriate updates provided to the resident.	Yes	Commentary/explanation as evidence. Please refer to the complaints policy page 6. H&F Corporate Complaints Policy June 2024 (lbhf.gov.uk)	Responses to Repairs complaints are sent within the agreed timescales and we share a plan of action once it is agreed with the resident. We continue to monitor any outstanding actions with the case officer being the single point of contact. Stage 2 cases with works outstanding are monitored by a closed stage 2 team through to completion. Residents have a named contact in the closed stage 2 team and contact is made within 5 working days. All stage 2 repair works are signed off by a surveyor.
				Complaints within the Housing Service outside of repairs are also monitored for actions to be completed and resolved when a complaint has been responded to. The investigating officer has the responsibility to track actions and timeframes. This can be monitored through the case management system.

6.18	Landlords must address all points raised in the complaint definition and provide clear reasons for any decisions, referencing the relevant policy, law and good practice where appropriate.	Yes	Commentary/explanation as evidence.	The council ensures that the complaint definition is clear, and we aim to ensure this is defined in the acknowledgment. Contact is also made with the complainant to ensure we have captured all the relevant information at the start before the investigation commences.
6.19	Landlords must confirm the following in writing to the resident at the completion of stage 2 in clear, plain language: a. the complaint stage; b. the complaint definition; c. the decision on the complaint; d. the reasons for any decisions made; e. the details of any remedy offered to put things right; f. details of any outstanding actions; and	Yes	Commentary/explanation as evidence.	We have templates set up in our case management system that guide officers through each of the elements to ensure that all areas specified in the code are addressed. Stage one and stage 2 responses are reviewed by a senior officer before they are issued to ensure quality and to ensure that all the issues are
	g. details of how to escalate the matter to the Ombudsman Service if the individual remains dissatisfied.			addressed. Feedback and regular training are now given to all officers. We have also introduced a quality assurance framework that checks all these elements are included.

6.20	Stage 2 is the landlord's final response and must involve all suitable staff members needed to issue such a response.	Yes	Commentary/explanation as evidence.	At stage 2 there is a dedicated team within Housing to respond. However, some complaint investigations may require management at a senior level. When these cases are identified, an appropriate person either supports the investigations or completes and responds, still following the policy and CHC.

Section 7: Putting things right

Code provision	Code requirement	Comply: Yes / No	Evidence	Commentary / explanation
7.1	Where something has gone wrong a landlord must acknowledge this and set out the actions it has already taken, or intends to take, to put things right. These can include: • Apologising; • Acknowledging where things have gone wrong; • Providing an explanation, assistance or reasons;	Yes	Commentary/explanation as evidence. The Council's compensation policies are available on the website. Complaints and compliments | London Borough of Hammersmith & Fulham (lbhf.gov.uk)	We have set up a Complaint, Dispute Resolution Team and our process is designed to resolve complaints. Where we get things wrong, we do apologise, often face to face, and offer compensation and seek to quickly rectify the issues working with the resident to agree outcomes.

	• Taking action if there has been delay; • Reconsidering or changing a decision; • Amending a record or adding a correction or addendum; • Providing a financial remedy; • Changing policies, procedures or practices.			The team then track that through to completion.
7.2	Any remedy offered must reflect the impact on the resident as a result of any fault identified.	Yes	Commentary/explanation as evidence. The Council's compensations policies are available on the website. Complaints and compliments | London Borough of Hammersmith & Fulham (lbhf.gov.uk)	We have guidelines in place on compensation and remedies following Ombudsman recommendations. We also cover this in training and use responsibilities under the tenancy agreement as a guide.

7.3	The remedy offer must clearly set out what will happen and by when, in agreement with the resident where appropriate. Any remedy proposed must be followed through to completion.	Yes	Commentary/explanation as evidence.	In most cases complaints are in respect of repairs and our responses will include appointments or in some cases a schedule of works which will give details of timescales. We have made significant improvements in following up on repairs after closure of the stage two complaints. In February 2023 we created a new team to do this. When a complaint is closed, it is passed to this team and the resident is advised that an officer will

				contact them in five working days. The resident then receives a call from their point of contact and this person monitors the repair position and maintains regular contact with the resident and the contractor to ensure completion. On completion of the repair a surveyor who is linked to this new team will carry out a post repair inspection so we can be sure that everything has been concluded and the resident is fully satisfied. This approach is having a positive impact and will deliver improvements for our residents.
7.4	Landlords must take account of the guidance issued by the Ombudsman when deciding on appropriate remedies.	Yes	Commentary/explanation as evidence. The Council's compensations policies are available on the website. Complaints and compliments | London Borough of Hammersmith & Fulham (lbhf.gov.uk)	Included in our compensation policy and follow Ombudsman guidelines on compensation

Section 8: Self-assessment, reporting and compliance

Code provision	Code requirement	Comply: Yes / No	Evidence	Commentary / explanation
8.1	Landlords must produce an annual complaints performance and service improvement report for scrutiny and challenge, which must include: a. the annual self-assessment against this Code to ensure their complaint handling policy remains in line with its requirements. b. a qualitative and quantitative analysis of the landlord's complaint handling performance. This must also include a summary of the types of complaints the landlord has refused to accept; c. any findings of non-compliance with this Code by the Ombudsman; d. the service improvements made as a result of the learning from complaints; e. any annual report about the landlord's performance from the Ombudsman; and f. any other relevant reports or publications produced by the Ombudsman in relation to the work of the landlord.	Yes	Links to the reports are detailed below. Annual Complaints Report 2022/2023 (lbhf.gov.uk) Appendix B - LGSCO Letter to London Borough of Hammersmith Fulham - Annual Review letter 2022-23 (lbhf.gov.uk)	An annual complaints report is published on the LBHF website. The Annual Complaints Report for 23/24 will be published in Q3 24/25. Sections a-f will be included in the 23/24 report.

8.2	The annual complaints performance and service improvement report must be reported to the landlord's governing body (or equivalent) and published on the on the section of its website relating to	Yes	Links to the reports are detailed below. Annual Complaints Report 2022/2023 (lbhf.gov.uk)	The annual complaints report and self-assessment are reported though the Council's governance processes. This is through various formats
	complaints. The governing body's response to the report must be published alongside this.		Appendix B - LGSCO Letter to London Borough of Hammersmith Fulham - Annual Review letter 202223 (lbhf.gov.uk) Link to the governance pages. Search decision-making documentation | London Borough of Hammersmith & Fulham (lbhf.gov.uk) The link below is for the Audit Committee in November 2023, where the self-assessment code was presented at this meeting. Agenda for Audit Committee on Monday, 27th November, 2023, 7.00 pm | London Borough of Hammersmith & Fulham (lbhf.gov.uk)	including Strategic Leadership Team reports, Members briefings and Audit Committees. The Member Responsible for Complaints (MRC) reviews all reports. This current CHC selfassessment will follow the governance process, provisional sign off has been agreed through SLT and with the MRC and the Lead Member for Housing.
8.3	Landlords must also carry out a selfassessment following a significant restructure, merger and/or change in procedures.	Yes	Commentary/explanation as evidence.	Self – assessments will take place when there is significant changes or restructures.

8.4	Landlords may be asked to review and update the self-assessment following an Ombudsman investigation.	Yes	Commentary/explanation as evidence.	This will be completed if requested by the HO.
8.5	If a landlord is unable to comply with the Code due to exceptional circumstances, such as a cyber incident, they must inform the Ombudsman, provide information to residents who may be affected, and publish this on their website Landlords	Yes	Commentary/explanation as evidence.	This is included in the Business Continuity plans and we have email contacts for the HO to be able to provide updates.
	must provide a timescale for returning to compliance with the Code.			

Section 9: Scrutiny & oversight: continuous learning and improvement

Code provision	Code requirement	Comply: Yes / No	Evidence	Commentary / explanation
9.1	Landlords must look beyond the circumstances of the individual complaint and consider whether service improvements can be made as a result of any learning from the complaint.	Yes	Commentary/explanation as evidence.	There is currently a Housing service improvement board who report weekly. Each case is considered on individual outcomes and improvements plan can be associated with the complaints management system if applicable.
9.2	A positive complaint handling culture is integral to the effectiveness with which landlords resolve disputes. Landlords must use complaints as a source of intelligence to identify issues and introduce positive changes in service delivery.	Yes	Commentary/explanation as evidence.	We have implemented a complaint survey which continues to be developed to breakdown to an individual complaint. Business changes are underway with the supplier to develop an improved reporting tool, this should be completed by Q3 24/25. Bespoke reporting is being utilised and insight and learning for effective complaint management and developing a positive culture is part of the service improvements in Housing.

9.3	Accountability and transparency are also integral to a positive complaint handling culture. Landlords must report back on wider learning and improvements from complaints to stakeholders, such as	Yes	Commentary/explanation as evidence.	Tenant Satisfaction Measures are captured through surveys, and they capture feedback on complaints as well. The Director of Housing newsletter is sent to residents

	residents' panels, staff and relevant committees.		Agenda for Audit Committee on Tuesday, 12th September, 2023, 7.00 pm | London Borough of Hammersmith & Fulham (lbhf.gov.uk)	to provide updates on the service. This also includes complaints information and improvements. The Director's report is a standard item at the Housing Representatives Forum and includes information on complaints and improvement. Jointly at resident groups we are reviewing their forward plan and have included an annual report which will incorporate feedback on complaints and lesson learnt. We are currently considering how we can share this information wider. **Lessons learnt and improvements;** with adherence to the CHC we capture insight and learning on primary causes for a complaints and root causes once the investigation is completed. **Performance monitoring and improvements;** Currently performance and insight are presented weekly on Housing

				Ombudsman cases and complaints to the Chief

				Executive, Directors, and Assistant Directors for Housing complaints. This includes detailed reports on repairs complaint management with contractors and the DLO. There is a fortnightly Complaints Housing Board chaired by the Head of Complaints, Dispute and Resolution to focus on learning, updates, and outcomes. There is a monthly Operational Learning Board led by a Service Manager with learning, feedback and changes required captured at service level. Key Performance Indicators for complaints upheld is reported to services monthly and reported to Strategic Leadership Team (SLT) quarterly. Quarterly performance in respect of Ombudsman cases is provided to SLT and they also receive reports on the

				annual performance data and the annual letter from the

				Housing Ombudsman. Complaint handling is reported to members quarterly as part of our performance reporting to Political Cabinet
9.4	Landlords must appoint a suitably senior lead person as accountable for their complaint handling. This person must assess any themes or trends to identify potential systemic issues, serious risks, or policies and procedures that require revision.	Yes	Commentary/explanation as evidence.	The Director Chief Operating Officer of Corporate Services. oversees the compilation of the CHC self-assessment and the associated actions. The Director Chief Operating Officer is responsible for reporting to SLT assurance complaint key performance indicators and relevant member committees on corporate complaints performance and analysis of route cause. The post holder is the owner of the corporate complaints policy and complaints handling procedures.
9.5	In addition to this a member of the governing body (or equivalent) must be appointed to have lead responsibility for complaints to support a positive complaint handling culture. This person is referred to as the Member Responsible for Complaints ('the MRC').	Yes	Commentary/explanation as evidence.	Cabinet Member Cllr Kwon is the lead member and responsible for complaints for LBHF. (Member Responsible for Complaints (MRC)

9.6	The MRC will be responsible for ensuring the governing body receives regular information on complaints that provides insight on the landlord's complaint handling	Yes	Commentary/explanation as evidence.	Cabinet Member Cllr Kwon has oversight of all governance reports on Complaints council wide.
	performance. This person must have access to suitable information and staff to perform this role and report on their findings.			Cabinet Member Cllr Umeh is the lead member responsible for Housing and receives weekly updates about the current position for oversight and scrutiny of complaints.
9.7	As a minimum, the MRC and the governing body (or equivalent) must receive: a. regular updates on the volume, categories and outcomes of complaints, alongside complaint handling performance. b. regular reviews of issues and trends arising from complaint handling. c. regular updates on the outcomes of the Ombudsman's investigations and progress made in complying with orders related to severe maladministration findings; and d. annual complaints performance and service improvement report.	Yes	Commentary/explanation as evidence.	The Cabinet Member Cllr Kwon is updated on a regular basis with an overview of the current complaint handling categories and outcomes. The CHC code self-assessment, the annual complaints reports and SLT quarterly reports are shared.

9.8	Landlords must have a standard objective in relation to complaint handling for all relevant employees or third parties that reflects the need to: a. have a collaborative and cooperative approach towards resolving complaints, working with colleagues across teams and departments; b. take collective responsibility for any shortfalls identified through complaints, rather than blaming others; and c. act within the professional standards for engaging with complaints as set by any relevant professional body.	Yes	Commentary/explanation as evidence.	Investigators within the Complaint, Dispute and Support Team and the Resident Experience Team have a standard objective for complaint handling. Across all Housing Services we are aiming to ensure a standard objective for complaints for all relevant staff.
				The approach was to ensure collaborative working across teams and departments. Identifying issues and eradicating a blame culture to ensure professional complaints handling, ownership and resolution.

Local Government & Social Care OMBUDSMAN

50 years 1974 - 2024

17 July 2024

By email

Ms Lea
Chief Executive
London Borough of Hammersmith & Fulham

Dear Ms Lea

Annual Review letter 2023-24

I write to you with your annual summary of complaint statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2024. The information offers valuable insight about your organisation's approach to complaints, and I know you will consider it as part of your corporate governance processes. As such, I have sought to share this letter with the Leader of your Council and Chair of the appropriate Scrutiny Committee, to ensure effective ownership and oversight of complaint outcomes, which offer valuable opportunities to learn and improve. In addition, this year, we have encouraged Monitoring Officers to register to receive the letter directly, supporting their role to report the decisions we uphold to their council.

For most of the reporting year, Paul Najsarek steered the organisation during his tenure as interim Ombudsman, and I was delighted to take up the role of Ombudsman in February 2024. I look forward to working with you and colleagues across the local government sector to ensure we continue to harness the value of individual complaints and drive and promote systemic change and improvement across the local government landscape.

While I know this ambition will align with your own, I am aware of the difficult financial circumstances and service demands that make continuous improvement a challenging focus for the sector. However, we will continue to hold organisations to account through our investigations and recommend proportionate actions to remedy injustice. Despite the challenges, I have great confidence that you recognise the valuable contribution and insight complaints, and their swift resolution, offer to improve services for the public.

Complaint statistics

Our statistics focus on three key areas that help to assess your organisation's commitment to putting things right when they go wrong:

Complaints upheld - We uphold complaints when we find fault in an organisation's actions, including where the organisation accepted fault before we investigated. We include the total number of investigations completed to provide important context for the statistic. This year, we also provide the number of upheld complaints per 100,000 population.

Compliance with recommendations - We recommend ways for organisations to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

Satisfactory remedy provided by the authority - In these cases, the organisation upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and give credit to organisations that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your organisation with similar authorities to provide an average marker of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data, and a copy of this letter, will be uploaded to our interactive map, Your council's performance, on 24 July 2024. This useful tool places all our data and information about councils in one place. You can find the detail of the decisions we have made about your Council, read the public reports we have issued, and view the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

Your organisation's performance

In previous letters to you, concerns have been raised about your housing department's late responses to our investigation enquiries. During the year, we made two enquiries of that department and am pleased to report the responses were received on time. This is a welcome improvement in practice, and I thank you and your staff for their efforts.

Supporting complaint and service improvement

In February, following a period of consultation, we launched the Complaint Handling Code for councils, setting out a clear process for responding to complaints effectively and fairly. It is aligned with the Code issued to housing authorities and landlords by the Housing Ombudsman Service and we encourage you to adopt the Code without undue delay. Twenty councils have volunteered to take part in an implementation pilot over the next two years that will develop further guidance and best practice.

The Code is issued to councils under our powers to provide guidance about good administrative practice. We expect councils to carefully consider the Code when developing policies and procedures and will begin considering it as part of our processes from April 2026 at the earliest.

The Code is considered good practice for all organisations we investigate (except where there are statutory complaint handling processes in place), and we may decide to issue it as guidance to other organisations in future.

Our successful complaint handling training programme continues to develop with new modules in Adult Social Care and Children's Services complaint handling available soon. All our courses include practical interactive workshops that help participants develop their complaint handling skills. We delivered 126 online workshops during the year, reaching more than 1,700 people. To find out more visit www.lgo.org.uk/training or get in touch at training@lgo.org.uk.

We were pleased to deliver an online complaint handling course to your staff during the year. I welcome your Council's investment in good complaint handling training and trust the course was useful to you.

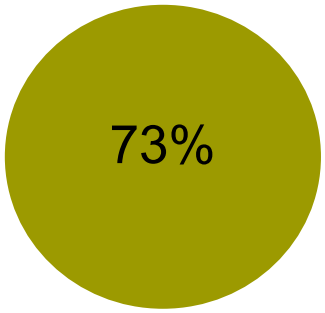
Returning to the theme of continuous improvement, we recognise the importance of reflecting on our own performance. With that in mind I encourage you to share your view of our organisation via this survey: https://www.smartsurvey.co.uk/s/ombudsman/. Your responses will help us to assess our impact and improve our offer to you. We want to gather a range of views and welcome multiple responses from organisations, so please do share the link with relevant colleagues.

Yours sincerely,



Amerdeep Somal
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Complaints upheld



73% of complaints we investigated were upheld.

This compares to an average of **85%** in similar organisations.

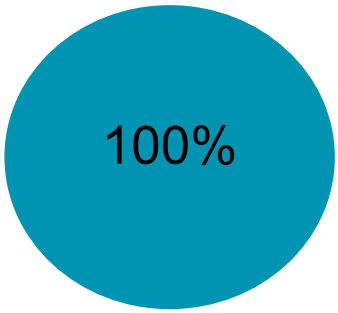
8
upheld decisions

This is 4.3 upheld decisions per 100,000 residents.

The average for authorities of this type is 8.2 upheld decisions per 100,000 residents.

Statistics are based on a total of **11** investigations for the period between 1 April 2023 to 31 March 2024

Compliance with Ombudsman recommendations



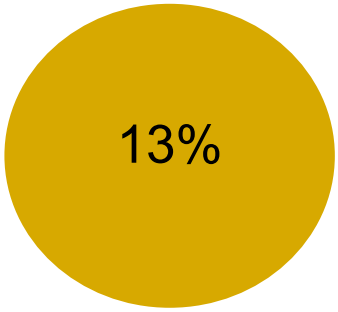
In **100%** of cases we were satisfied the organisation had successfully implemented our recommendations.

This compares to an average of **99%** in similar organisations.

Statistics are based on a total of **10** compliance outcomes for the period between 1 April 2023 to 31 March 2024

- Failure to comply with our recommendations is rare. An organisation with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

Satisfactory remedy provided by the organisation



In **13%** of upheld cases we found the organisation had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **12%** in similar organisations.

1
satisfactory remedy decision

Statistics are based on a total of **8** upheld decisions for the period between 1 April 2023 to 31 March 2024

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Audit Committee

Date: 6 November 2024

Subject: Treasury Management Outturn Report 2023/24

Report of: Phil Triggs, Tri-Borough Director of Treasury & Pensions

Report author: Sophie Green, Treasury Manager

Responsible Director: Sukvinder Kalsi, Executive Director Finance and Corporate Services

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SUMMARY

This report sets out the Council's Treasury Management Outturn for 2023/24 and is in line with the Council's Treasury Management Strategy (as approved by Council on 23 February 2023). The details are subject to external audit review and this report will also be presented to Audit Committee (in line with governance and regulatory requirements).

All local authorities were operating in a very challenging strategic financial environment during 2023/24 (continuing market uncertainty on interest rates and inflation). Despite that, the Council operated within the Treasury Limits and Prudential Indicators during 2023/24 and met all of its prudential indicators.

During 2023/24, the Council issued a 'Green Bond' of £1m and repaid £4.3m of PWLB loans and thereby reducing the total borrowing to £268.5m.

Cash balances were £159.3m at 31 March 2024 (lower than 31 March 2023). These funds were invested at competitive rates throughout the year with the average yield on investments increasing to 5.62% by year end.

Cash was invested in a diverse portfolio of money markets funds, local authorities and banks. The Treasury limits and Prudential indicators are set out in the Treasury Management Strategy Statement as approved by Council on 23 February 2023.

RECOMMENDATIONS

1. The Treasury Management Outturn Report for 2023/24 is noted and approved.

Wards Affected: None

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	Ensuring an optimum borrowing and investment strategy in line with the Council's Treasury Management Strategy Statement

Financial Impact

This report is wholly of a financial nature.

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 0207 641 4136
Email: ptriggs@westminster.gov.uk
Verified by Sukvinder Kalsi, Director of Finance
24th June 2024

Legal Implications

There are no legal implications in respect of this report.

Name: Grant Deg
Position: Assistant Director of Legal Services
Telephone: 07798 588 766
Email: grant.deg@lbhf.gov.uk

Background Papers Used in Preparing This Report

Treasury Management Strategy Statement 2023/24 (approved by Council on 23 February 2023)

DETAILED ANALYSIS

Proposals and Analysis of Options

Background and Treasury Position

1. Treasury management in this context is defined as:

> "The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. This annual treasury report covers:

- the treasury position as at 31 March 2024;
- the borrowing strategy for 2023/24;
- the borrowing outturn for 2023/24;
- compliance with treasury limits and prudential indicators;
- investment strategy for 2023/24; and
- investment outturn for 2023/24.

3. The Council's debt, all held with the Public Works Loan Board (PWLB), with the exception of a £1m Green Bond, and investment positions at the beginning and end of the 2023/24 year were as follows:

	31 March 2023 (£m)	Rate (%)	31 March 2024 (£m)	Rate (%)
General Fund (GF)	52.8	3.71	53.0	3.69
Housing Revenue Account (HRA)	218.9	3.77	215.5	3.73
Total Borrowing	**271.7**	**3.76**	**268.5**	**3.72**
Total Cash Invested	270.2	4.02	159.3	5.62
Net Cash Invested	**(1.5)**		**(109.2)**	

4. The table below shows the allocation of interest paid and received during the year 2023/24:

	Interest Paid (£m)	Interest Received (£m)	Net (£m)
General Fund (GF)	1.9	(10.3)	(8.4)
Housing Revenue Account (HRA)	7.9	(2.1)	5.8
Other*	0.0	(1.0)	(1.0)
Total	**9.8**	**(13.4)**	**(3.6)**

* Other – interest paid on balances held for other deposits such as Wormwood Scrubs and rent deposit.

5. The Housing Revenue Account (HRA) is responsible for servicing 80.6% of the Council's external debt and the General Fund is responsible for the remaining 19.4%.

6. The table below shows the split of investments by duration as at 31 March 2024:

Maturity Period	Fixed (£m)	MMF (£m)	Total (£m)
Liquidity	0.0	42.3	**42.3**
< 1 Month	5.0	0.0	**5.0**
1 – 3 Months	72.0	0.0	**72.0**
3 – 6 Months	20.0	0.0	**20.0**
6 – 12 Months	20.0	0.0	**20.0**

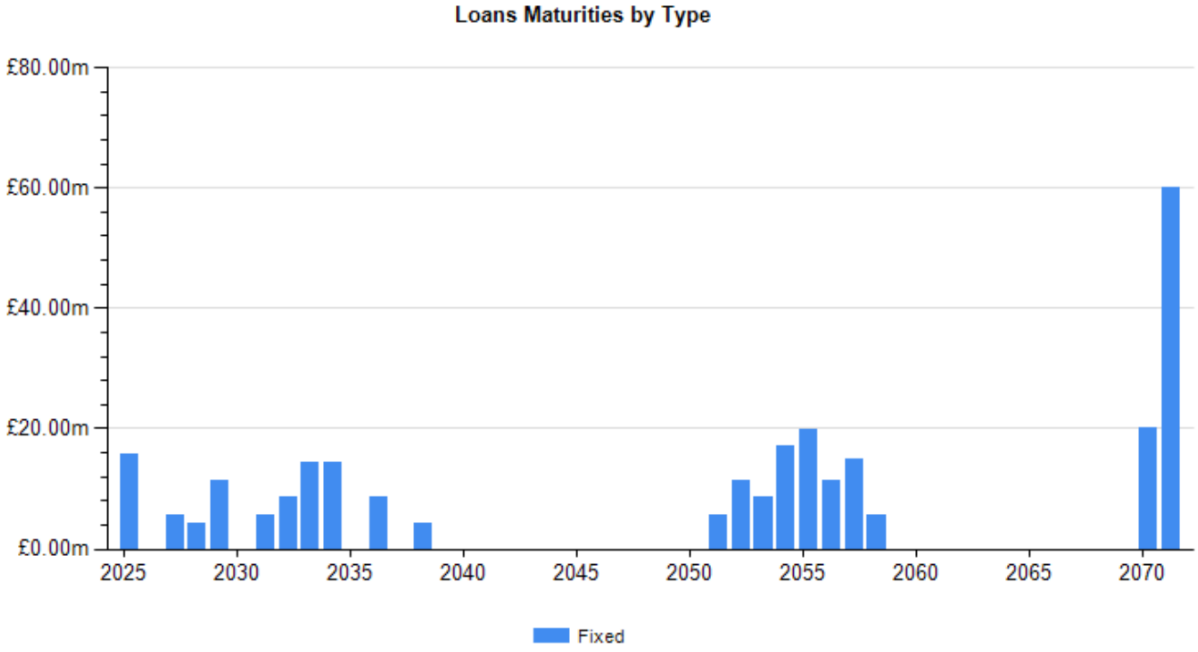
Total	**117.0**	**42.3**	**159.3**

7. The TMSS kept investments short-term and invested with highly rated or UK Government backed institutions, resulting in lower returns compared to borrowing rates.

Treasury Borrowing

8. During the year, the Council issued a Green Bond of £1m and repaid £4.3m of PWLB loans, reducing total borrowing to £268.5m.

9. All of the Council's loans are at a fixed rate of interest. The table below shows the debt profile as at 31 March 2024:



10. In 2023/24, the HRA PWLB debt of £215.5 million remained below the HRA Capital Financing Requirement (CFR) of £348 million, which generates internal borrowing of £132.5 million. This difference does not exceed the value of HRA working balances. HRA reserves and working capital, in excess of the internal borrowing, represent cash balances on which interest is allocated from the General Fund.

11. As at 31 March 2024, the Council had an under-borrowed position. This means that past and future capital expenditure is not fully funded by capital resources, with the balance instead being financed by cash reserves (known as internal borrowing).

Closing Capital Financing Requirement analysed between General Fund and Housing Revenue Account

	31 March 2023 CFR £m	31 March 2023 External Debt £m	31 March 2024 CFR £m	31 March 2024 External Debt £m
GF CFR (Excluding DSG funded Schools Windows borrowing)	134.0	0.0	163.1	0.0
GF CFR (DSG funded Schools Windows borrowing)	55.4	0.0	88.3	0.0
Total GF Headline CFR	**189.4**	**0.0**	**251.4**	**0.0**
Finance leases/PFI	13.5	0.0	14.3	0.0
Total Closing GF CFR	**202.9**	**52.8**	**265.7**	**53.0**
HRA TOTAL	300.6	0.0	348.3	0.0
HRA CFR Total	**300.6**	**218.9**	**348.3**	**215.5**
Total CFR/External Debt	**503.5**	**271.7**	**614.0**	**268.5**

Treasury Investments

12. At 31 March 2024, a significant part of the Council's treasury investment portfolio (£117.0 million) was held in fixed term deposits with Local Authorities and bank notice accounts.

13. The TMSS allowed investment in the following areas:

- an unlimited investment limit with the UK Government (DMO) deposits, UK gilts, repos and treasury bills;
- up to a maximum of £50 million per counterparty in supra-national banks, European agencies and covered bonds debt on a buy to hold basis with maturity dates of up to five years, and the Greater London Authority (GLA) bonds for up to three years;
- a limit of £30 million to be invested with any UK Local Authority (subject to internal counterparty approval by the Director of Treasury and Pensions and Director of Finance);
- no more than £45 million to be invested with any individual Money Market Fund;
- any financial instrument held with a UK bank limited to £70 million depending on the credit rating and Government ownership above 25% (limit of £50 million);
- any financial instrument held with a non-UK bank limited to £50 million.

14. The investments outstanding at 31 March 2024 amounted to £159.3 million invested in short-term deposits. This compares with £270.2 million short-term investments at 31 March 2023.

15. The table below provides an analysis of the cash deposits, together with comparisons from the previous year:

	31 March 2023 £m	31 March 2024 £m
Money Market Funds	151.6	42.3
Term Deposits	118.6	117.0
Total	**270.2**	**159.3**

16. During 2023/24 cash balances varied between £185.7 million and £281.6 million reflecting the timing of the Council's income (council tax, national non-domestic rates, government grants and capital receipts, etc) and expenditure (precept payments, payroll costs, supplier payments and capital projects).

17. The average return achieved on investments managed internally for the year was 4.97% compared with the average 7-day money market rate (uncompounded) of 4.96%. The total interest received of £13.5 million compares with a weighted average of 2.05% and a total interest received of £5.0 million for 2022/23. Interest rates were steady throughout the year with the Council following a low risk strategy and avoiding potentially higher returns which would increase counterparty risk.

Inflation Rates

18. The below table shows the movement in inflation rates throughout the 2023/24 financial year.

		CPIH Index (UK, 2015 = 100)	CPIH 12-month rate (%)
2023	**Mar**	126.8	8.9
	Apr	128.3	7.8
	May	129.1	7.9
	Jun	129.4	7.3
	Jul	129	6.4
	Aug	129.4	6.3
	Sep	130.1	6.3
	Oct	130.2	4.7
	Nov	130	4.2
	Dec	130.5	4.2
2024	**Jan**	130	4.2
	Feb	130.8	3.8
	Mar	131.6	3.8

Source: Consumer price inflation from the Office for National Statistics

Prudential Indicators

19. During the year the Council operated within the Treasury Limits and Prudential Indicators set out in the TMSS approved by Council on 23 February 2023.

20. The table below provides a breakdown of the indicators and actual position for the year ending 31 March 2024:

Indicator	2023/24 Approved Limit	2023/24 Actual	Indicator Met?
Capital Financing Requirement	£684m	£614m	Met
Authorised Limit for external debt[1]	£650m	£268.5m	Met
Operational Debt Boundary[2]	£705m		Met
Capital Expenditure	£203m	£185m	Met
Working capital balance	£0m	£0m	Met
Limit on surplus funds invested for more than 364 days	£120m	£0m	Met

Maturity Structure of Borrowing	Minimum	Maximum	Actual	Indicator Met?
Under 12 Months	0%	15%	6%	Met
12 Mths to within 24 Mths	0%	15%	0%	Met
24 Mths to within 5 years	0%	60%	8%	Met
5 years to within 10 years	0%	75%	16%	Met
Over 10 years	0%	100%	70%	Met

Ratio of financing costs to revenue stream	GF 2.82% HRA 35.42%	GF 2.85% HRA 25.62%
Ratio of Commercial/Service Investment Income to Net Revenue Stream	GF 1.80% HRA 3.41%	GF 1.80% HRA 2.71%

Reasons for Decision

21. The Council's treasury management activity is underpinned by the CIPFA Code, which recommends that members are informed of treasury management activities at least twice a year.

[1] The Authorised Limit is the maximum requirement for borrowing taking into account maturing debt, capital programme financing requirements and the ability to borrow in advance of need for up to two years ahead.

[2] The Operational Boundary is the expected normal upper requirement for borrowing in the year.

Equality Implications

22. There are no direct negative implications for protected groups, under the Equality Act 2010, arising from the information presented in this report.

23. Implications completed by: Sophie Green, Treasury Manager, tel. 07816 280 994. 24th June 2024.

Risk Management Implications

24. The purpose of this report is to present the Council's annual Treasury Management Outturn Report for 2023/24 in accordance with the Council's treasury management practices. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities is measured. Risk levels were set in accordance with the approved Treasury Management Strategy Statement.

25. The Council continues to recognise that effective treasury management provides support towards the achievement of its business and service objectives, specifically, being ruthlessly financially efficient. The identification, monitoring and control of risks are central to the achievement of the treasury objectives. Potential risks are identified, mitigated and monitored in accordance with treasury practice.

26. Implications verified by: David Hughes, Director of Audit, Risk and Fraud, tel. 020 7361 2389. 24th June 2024.

Procurement implications

27. There are no procurement implications arising from the information presented in this report.

Implications verified by:

Consultation

None.

LIST OF APPENDICES

NONE.