London Borough of Hammersmith & Fulham

Audit Committee

Agenda

Monday 27 October 2025 at 7.00 pm

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

Watch the meeting live: youtube.com/hammersmithandfulham

MEMBERSHIP

Administration	Opposition	Independent
Councillor Patrick Walsh (Chair) Councillor Lisa Homan Councillor Callum Nimmo	Councillor Adrian Pascu-Tulbure	Councillor David Morton
Co-opted Independent Member		
Charlotte Moar		

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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: 16 October 2025

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 5 - 9

To approve the minutes and exempt minutes of the meeting held on 9 June 2025 as an accurate record.

4. STATEMENT OF ACCOUNTS 2024/25, INCLUDING PENSION FUND ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 10 - 420

This report presents the London Borough of Hammersmith & Fulham's 2024/25 Statement of Accounts, including the Pension Fund Accounts and Annual Governance Statement for approval.

5. ANNUAL AUDIT REPORT (VALUE FOR MONEY) 2024/25 421 - 473

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 year 2024/25.

6. TREASURY MANAGEMENT OUTTURN REPORT 2024/25 474 - 481

This report sets out the Council's Treasury Management Outturn for 2024/25 and is in line with the Council's Treasury Management Strategy Statement (TMSS) (as approved by Council on 12 February 2024). The details are subject to external audit review in line with governance and regulatory requirements.

7. RISK MANAGEMENT UPDATE 482 - 497

The purpose of this report is to provide members of the Audit Committee with an update on risk management across the Council.

8. INTERNAL AUDIT PROGRESS REPORT (APRIL TO AUGUST 2025) 498 - 509

This report summarises the work of Internal Audit included in the 2025/26 Internal Audit Plan up to the end of August 2025. Two audits have been finalised and both received positive assurance opinions. Two further audits have been issued in draft and will be finalised on receipt of the management responses.

9. DATES OF FUTURE MEETINGS

To note the future dates of meetings:

- 1 December 2025
- 16 March 2026
- 8 June 2026

10. EXCLUSION OF THE PUBLIC AND PRESS (IF REQUIRED)

Proposed resolution:

The Committee is invited to resolve, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

London Borough of Hammersmith & Fulham

Audit Committee

Minutes

Monday 9 June 2025

PRESENT

Committee members: Councillors Patrick Walsh (Chair), Lisa Homan, Callum Nimmo and David Morton

External Auditor – Grant Thornton
Paul Cuttle (Key Audit Partner)

Officers:
Sharon Lea (Chief Executive) (attended remotely)
Sukvinder Kalsi (Executive Director of Finance & Corporate Services)
Jacqui McShannon (Executive Director of People) (attended remotely)
David Hughes (Director of Audit, Fraud, Risk and Insurance) (attended remotely)
James Newman (Assistant Director of Finance)
Moira Mackie (Head of Internal Audit)
Andy Hyatt (Head of Fraud)
Jules Binney (Risk and Assurance Manager)
Tina Akpogheneta (Chief Digital Officer, Digital Services)
Liam Oliff (Committee Coordinator)

1. APOLOGIES FOR ABSENCE

An apology for absence was received from Cllr Adrian Pascu-Tulbure.

Sharon Lea, Jacqui McShannon and David Hughes were attending remotely.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED:
The minutes of the meeting held on 10 March 2025 were agreed as an accurate record.

4. EXTERNAL AUDIT PLANS 2024/25

Paul Cuttle (Key Audit Partner – Grant Thornton) introduced the report which set out the audit plan for the London Borough of Hammersmith and Fulham (LBHF) and the LBHF Pension Fund. The process used to process the accounts was the same as previous years and the outcome was expected to be similar. The annual accounts were required to be published by the end of June, but it was expected that this would be done ahead of the deadline.

Councillor Callum Nimmo mentioned that there was a statutory backstop in place which was helping Councils which were struggling to publish their accounts and questioned whether this would be relevant for LBHF. Paul Cuttle explained that the backstop was not needed at LBHF, but that Councillor Nimmo was correct that this was being used by many Councils. He added that the intention at LBHF was to sign off accounts well in advance of the deadline.

Councillor Lisa Homan sought views on the impact of the volatility in the pension sector and the upcoming pensions bill on the Local Government Pension Scheme (LGPS). Paul Cuttle told the Committee that it was too soon to tell exactly what the impacts would be. Regarding market volatility, he added that most of the focus with the pension investment was focused on Level 3 Investments, which were hard to value, he added that the approach to auditing would not change.

The Chair mentioned that the timeline for submitting accounts set out in the report was an ambitious one and that there would be additional workload. He asked that given the difficulties of recruiting staff in the audit sector, whether Grant Thornton were confident that they would be able to deliver the necessary work, within the given timeframes. Paul Cuttle told Councillors that roughly 80% of the accounts which had been signed off in time had been done through Grant Thornton, he added that he was confident in the timescales and that they would be starting the work for this year's accounts immediately. Sukvinder Kalsi (Executive Director of Finance & Corporate Services) added his thanks to the work of Paul Cuttle and the team at Grant Thornton. He mentioned that they provided independent assurance that the LBHF Finances were well managed and that they had signed off 4 sets of accounts in 18 month period.

RESOLVED:
The Members noted the 2024/25 External Audit Plans for the London Borough of Hammersmith and Fulham Audit and London Borough of Hammersmith and Fulham Pension Fund Audit.

5. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2024/25

Moira Mackie (Head of Internal Audit) presented the report which summarised the work of Internal Audit in 2024/25 and 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 provided for the use of LBHF and is used to support its Annual Governance Statement. The report set out a consistent level of assurance being obtained and provided for 2024/25 through the work of internal audit.

Councillor Lisa Homan referred to page 105, paragraph 24 of the agenda pack and asked whether Councillors could be assured that the groups mentioned were effective when there were so many. David Hughes (Director of Audit, Fraud Risk and Insurance) explained that there were lots of boards mentioned as the officers were actively engaged with all these boards. He added that it was good to show that audit were involved at a senior level.

Councillor Lisa Homan referred to Appendix 4 on page 117 of the agenda pack and asked whether the implementation dates of June 2025 for the Climate actions were realistic. Moira Mackie said that they were optimistic implementation dates and that lots had changed since the audit was originally done. It was agreed that this topic could be brought back to September meeting of the Audit Committee, once the detailed follow up was complete.

ACTION: Moira Mackie

The Chair asked what happened once a department had been audited in terms of following up the recommended actions of the audit. Sharon Lea (Chief Executive) explained that Moira Mackie and the Senior Leadership Team (SLT) would look into the progress post audit and following that, the Chief Executive would chase the actions personally. The Chair asked Moira Mackie whether she would agree that there was support from SLT. Moira Mackie said there was good support from SLT. Sharon Lea added that there was a monthly SLT assurance meeting which was chaired by David Hughes and had items on the agenda to review audit statuses and outstanding actions. She mentioned that the line from SLT to departments that had been audited was that audits were an important check and challenge, and it is expected that the audit team would not have to chase actions.

RESOLVED:
That Members agreed to note the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment under paragraph 11 of the report.

6. CORPORATE ANTI-FRAUD SERVICE ANNUAL REPORT 2024/25

Andy Hyatt (Head of Fraud) introduced the report which provided an account of fraud-related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2024 to 31 March 2025 to minimise the risk of fraud, bribery and corruption occurring within and against the Council. The report also detailed activity and performance against the Council's Anti-Fraud and Corruption Strategy to assess its effectiveness, highlighted some of the current and emerging areas of fraud risk and provided an overview of the effectiveness of the Council's arrangements to minimise the risk of fraud. Between 1 April 2024 and 31 March 2025, the Council processed 92 new referrals and concluded 441 investigations. Conclusions varied from successful prosecutions to preventative measures, actions to deter fraud, or no further action if no wrongdoing was found. Out of the concluded cases, 112 resulted in positive outcomes related to preventing, detecting, or recovering fraud loss.

Councillor Lisa Homan asked about illegal TV streaming and sought further information on the topic. Andy Hyatt explained that there was a property within the Borough that was streaming football illegally to other residents. He added that 18% of the recovered money from the investigation would go to LBHF and that they were working closely with Sky and the Premier League.

Councillor Lisa Homan highlighted the issue of housing tenancy fraud and asked whether the Housing Associations were seeking help on this. Andy Hyatt told the Committee that LBHF had invested in a financial investigator to tackle this and were liaising with the Planning department. He added that Housing Associations had been getting their own investigators on board.

Councillor David Morton raised the issue of abandoned vehicles as well as untaxed and uninsured vehicles. He asked whether there was a mechanism to coordinate with the DVLA as usually Councillors were told that it was the DVLAs responsibility whenever they report an incident of this nature. Andy Hyatt explained that they did speak to the DVLA to gain intelligence on individuals but that there was not much coordination regarding abandoned vehicles. He agreed to have a further look at this after the meeting and liaise with Councillor Morton.

ACTION: Andy Hyatt

Councillor David Morton questioned the policy on squatting in commercial property and asked if it cost LBHF money to remove squatters as there was no legislation regarding commercial property like there was with residential property. Andy Hyatt agreed to liaise with the Community Safety Lead and the Metropolitan Police and come back to the committee with more information on this topic at a later date.

ACTION: Andy Hyatt

Councillor Callum Nimmo queried the trend in the figures regarding the number of properties that had been recovered due to fraudulent usage this year compared to the previous year. Andy Hyatt confirmed that the numbers were relatively even year-to-year.

Councillor Callum Nimmo asked how the majority of fraud cases were reported. Andy Hyatt told the committee that the way cases were reported varied, it was sometimes from maintenance workers who were working at the properties in question, there had also been reports from Councillors when canvassing.

The Chair sought more clarity on the calculation used to determine the loss to LBHF when there was fraud at a property and the gain when it was recovered. Andy Hyatt explained that it was a complicated formula and that he was happy to provide more details after the meeting.

ACTION: Andy Hyatt

Councillor Lisa Homan questioned whether there was a way to calculate the loss to LBHF of court cases being delayed and whether the loss could be recovered. Andy Hyatt told Members that there were routes such as a Civil Recovery, but that the most important action for the fraud team was to recover the property for proper

usage. He added that he would check with LBHF's legal team to seek the best route for recovering losses from delayed court cases.

RESOLVED:
That Members noted the report.

7. CYBER SECURITY UPDATE

Exclusion of the public and press

The Committee resolved, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the exempt presentation, on the grounds that they contained the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighed the public interest in disclosing the information.

The Committee held further discussions in private session

RESOLVED:
That Members noted the Exempt Report and Appendix 1.

8. DATE OF NEXT MEETING

The Committee noted the date of the next meeting:

- 22 September 2025

9. EXCLUSION OF THE PUBLIC AND PRESS (IF REQUIRED)

Please see item 7.

Meeting started: 19.00
Meeting ended: 20.27

Chair .....

Contact officer Liam Oliff
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Agenda Item 4

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 27th October 2025

Subject: Statement of Accounts 2024/25, including Pension Fund Accounts and Annual Governance Statement.

Report Author: James Newman – Assistant Director, Finance

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 2024/25 Statement of Accounts, including the Pension Fund Accounts and Annual Governance Statement for approval.

RECOMMENDATIONS

1. To approve the 2024/25 Annual Governance Statement which is included in the Statement of Accounts (Appendix 1).

2. To approve the Statement of Accounts for 2024/25, 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 2024/25 management representation letters (Appendices 4 and 5).

5. To approve the Pension Fund Annual Report 2024/25 (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) 1st October 2025

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Background Papers Used in Preparing This Report

None

Statement of Accounts 2024/25

1. The 2024/25 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 2024/25.

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:

- The auditor notes that work in respect of the 2024/25 financial year has broadly been completed during July to September 2025 as planned.

- 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, the external auditor is not aware of any issues or matters that would lead to a modified opinion.

- A number of findings and adjustments have been made regarding borrowing and debtor classifications as well as several disclosure changes. 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 and five low 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 2024/25 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 draft Pension Fund Annual Report has been approved by the Pension Fund Committee on 9th September 2025 with approval of the final version delegated to the Director of Treasury and Pensions in consultation with the Chair.

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 2024/25 (including Pension Fund) (pages 15 – 163)

Appendix 2 – Grant Thornton UK LLP Audit Findings Report (ISA260) (Main Financial Statements 2024/25) (pages 164 – 230)

Appendix 3 – Grant Thornton UK LLP Audit Findings Report (ISA260) (LBHF Pension Fund 2024/25) (pages 231 – 293)

Appendix 4 – Draft Letter of Representation 2024/25 – LBHF Main Accounts (pages 294 – 299)

Appendix 5 – Draft Letter of Representation 2024/25 – Pension Fund (pages 300 – 303)

Appendix 6 – Pension Fund Annual Report 2024/25 (pages 304 – 420)

STATEMENT OF ACCOUNTS
2024/25

Unaudited Draft

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 2024/25 accounts.

CERTIFICATION BY CHAIR OF THE AUDIT COMMITTEE

Certificate to follow further to Audit Committee approval of final 2024/25 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.

2024/25 was characterised by the ongoing impact of the 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 £200m given the current strategic operating environment. Capital investment for the financial year was £235m.

Looking ahead to 2025/26, 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, continuing additional demands on public services, outcomes from the Spending Review 2025 and the expected adverse impact from the planned local government finance reforms from 2026/27. 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 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 2024/25 financial year was as follows:

Chief Executive	Sharon Lea
Executive Director -Place	Bram Kainth
Executive Director -People	Jacqui McShannon
Executive Director – Finance & Corporate Services	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 2,538 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	Place (including Housing Solutions)	People	Finance & Corporate Services
<20	0.0%	0.1%	0.3%
20-29	9.5%	12.3%	9.8%
30-39	14.3%	21.4%	19.8%
40-49	26.0%	24.2%	23.8%
50-59	28.5%	24.7%	26.3%
60-69	19.8%	16.7%	19.5%
Over 70	1.9%	0.6%	0.5%

Disability

Disability	Place (including Housing Solutions)	People	Finance & Corporate Services
Declared Disability	55	68	94

Gender

Department	Female Employees	Female Employees	Male Employees	Male Employees
Place (including Housing Solutions)	320	12.6%	461	18.2%
People	562	22.1%	152	6.0%
Finance & Corporate Services	526	20.7%	517	20.4%
Grand Total	1,408	55.4%	1,130	44.6%

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	Place (including Housing Solutions)	People	Finance & Corporate Services
Black, Asian & Multiple Ethnicity	42.5%	44.0%	47.2%
No data provided	4.1%	10.4%	7.6%
Prefer not to say	7.6%	2.0%	2.5%
White	45.8%	43.6%	42.7%

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. To mitigate these risks, an improvement plan is in place and being monitored by SLT Assurance, along with weekly SLT Board meetings chaired by the Chief Executive to track progress on delivering the improvement plan. Monthly reports are provided to the Social Housing Regulator to demonstrate how our complaints, repairs and tenant satisfaction meets consumer standards. A Complaints and Disputes Resolution team has been established which is resolving historic cases and significantly reducing open complaints.
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. Separate reports are provided to SLT and the Audit Committee on a regular basis. Plans are reviewed, updated and tested on a regular basis.

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 pressures, the spending review in June 2025, local demographic changes, service pressures on homelessness/social care, regeneration programmes and the planned local government finance reforms from 2026/27). 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. The Council mitigates these risks through a well-developed and established medium term financial planning process (for revenue, capital, and treasury management). The 2025/26 General Fund and HRA budgets have been balanced and were approved in February 2025. Work is now ongoing to deliver the MTFS from 2026/27.
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. Other mitigations include Category Management (shared with Strategic Leadership Team (SLT)), Sourcing Strategy agreed at Cabinet, refresher training on procurement/evaluation of social value and progressing the operational delivery plans.
Failure to identify and address internal and external fraud.	The impact of a failure in this arena could lead to an increase in fraud and financial loss. To mitigate this risk anti-fraud policies are reviewed bi-annually at SLT Assurance and the Audit Committee, including the Fraud Response Plan, Anti-Money Laundering and Bribery Policies. The Anti-Fraud and Corruption Strategy contains an action plan to provide SLT with a tool to ensure progress and transparency regarding counter-fraud activities. Performance is reported to both the Audit Committee and SLT to demonstrate how counter fraud work aligns with the Strategy and contributes to the Council's overall fraud resilience. Planned mitigations include the development of an internal data warehouse to provide reporting and dynamic checking capabilities for enforcement/investigation staff and front-line staff carrying out checks for eligibility to services for new applicants.
Delivering the Civic Campus Programme in a timely manner.	This is a significant regeneration programme that will deliver 200 new homes commercial business space and a new Civic Centre. The project is on schedule to be completed in the financial year 2025/26 and is being monitored by the Client Management Team (CMT).
The safety of the Hammersmith Bridge to pedestrians, road, and river traffic.	The stabilisation work on the Bridge is now complete and available for the safe use by pedestrians and cyclists. The long-term plans and funding continue to be discussed with Department for Transport.

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 Council's Upstream Strategy (formerly referred to as our Industrial Strategy) 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. This is mission-led strategy to achieve growth and is focused on the three pillars of Partnership, Place and Pathways. More detail on Upstream London can be found here:

Upstream London | London Borough of Hammersmith & Fulham

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:

- Our new Air Quality Action Plan was approved, setting out our five-year plan to help protect residents' health and fight climate change in Hammersmith & Fulham.
- The Council continues to increase the number of electric car charging stations, encouraging residents to make the switch to EVs. H&F is now home to more than 2,300 lamppost column charging points.
- The Tiny Forest initiative was expanded in 2024/25 with new forests planted in Wormholt Park and Shepherds Bush Green. The scheme has now introduced more than 3,000 new trees to the borough since 2021.
- The second and third phases of the H&F Green Investment were launched. This gives investors the opportunity to fund climate and ecological schemes within the borough. These range from cycling infrastructure and greening measures to flood risk installations and solar power.

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 and changes to funding allocations.

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 2024/25 budgets included:

- 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.

This resulted in a gross budget of £677.8m (and net revenue budget requirement of £141.3m) funded from council tax and the local share of business rates.

General government grant funding increased by £3.6m from 2023/24 to 2024/25. Although a small increase on 23/24 funding levels, this continued to be below the increase in the Council's costs due to inflation, demographic pressures and wider economic challenges.

The Council's 2024/25 budget was set with an emphasis on 6 clear objectives, aligned to the Council's overall vision and Business Plan:

- Protect the delivery of our core statutory services.
- Continue to deliver services valued by residents/businesses/visitors.
- Ensure the safety of our residents/businesses/visitors.
- Promote the prosperity of the borough.
- Embed an agile, modern and innovative approach within the Council.
- Maintain strong financial governance and resilience across the Council

The 2024/25 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 2024/25 were £22.0m.

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 2024-28 capital programme, approved in February 2024, totalled £576.4m and key elements included:

The programme included:

- A housing and regeneration programme of £432.9m
- 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 2024/25 shows a year end underspend of £0.4m after adjustments to and from reserves across a range of services and considering 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 £22.0m and earmarked reserves were £200m for both the General Fund and the HRA.

The Statement of Accounts for 2024/25 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
People	143.7	146.7	3.0
Place (including Parking)	11.2	23.1	11.9
Housing Solutions	20.7	26.9	6.2
Finance and Corporate Services	12.8	11.8	(1.0)
Centrally Managed Budgets (including unallocated contingency)	10.7	(4.1)	(14.8)
Gross Operating Expenditure	**199.1**	**204.4**	**5.3**
Technical and Financial Accounting Adjustments	(9.6)	(9.6)	-
Non-Ring-fenced Revenue Grants	(59.2)	(60.7)	(1.5)
Prior-Year Collection Fund Surplus	(5.0)	(7.3)	(2.3)
Net Contribution to/(from) Earmarked Reserves	16.0	16.0	-
Total Net Expenditure	**141.3**	**142.8**	**1.5**

Funded by:			
Localised Business Rates	(62.5)	(64.4)	(1.9)
Council Tax	(78.8)	(78.8)	-
Total Funding	**(141.3)**	**(143.2)**	**(1.9)**
Final Position	**0**	**(0.4)**	**(0.4)**

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 will be held in an unusable reserve for the duration of the statutory determination period (currently to 2026). 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 £5.8m with associated Earmarked Reserves of £10.5m. 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 2024/25 are set out in the HRA Statement of Accounts.

The Council's **Balance Sheet** as at 31 March 2025 is summarised below.

Summary Balance Sheet	31-Mar-25 £m	31-Mar-24 £m
Long Term Assets	2,167	2,153
Current Assets	118	233
Current Liabilities	(223)	(242)
Net Pension Liabilities	(37)	(39)
Other Long-Term Liabilities	(335)	(294)
Net Assets	**1,690**	**1,811**
Represented by:		
Usable Reserves	(335)	(321)
Unusable reserves	(1,355)	(1,490)
Total Reserves	**(1,690)**	**(1,811)**

The breakdown of the usable reserves is set out below:

Summary Usable Reserves	31-Mar-25 £m	31-Mar-24 £m
General Fund Balance	(22)	(22)
General Fund Earmarked Reserves	(190)	(174)
HRA Balance and Earmarked Reserves	(16)	(15)
Schools Reserves	(4)	(5)
Capital Reserves (Receipts and Grants)	(103)	(105)
Total	**(335)**	**(321)**

Capital

In 2024/25, the actual capital expenditure (outturn) totalled £235.1m and the table below summarises capital expenditure by service area:

Department	**2024/25 £m**	**2023/24 £m**
People	4.0	3.6
Place – General Fund	82.7	41.8
Finance and Corporate Services	1.7	0.8
Housing Solutions	2.0	4.9
Housing Revenue Account	144.7	133.7
Total	**235.1**	**184.8**

The 2024/25 capital programme was financed as follows:

Capital Financing	**2024/25 £m**	**2023/24 £m**
Capital Receipts	6.8	3.3
Increase in Capital Finance Requirement (CFR)	169.4	120.7
Capital Grants and Contributions	39.9	41.7
Major Repairs Reserve (MRR)	16.2	17.2
Council and School Reserves	1.7	0.7
Revenue Contributions to Capital	1.1	1.2
Total	**235.1**	**184.8**

The capital additions during the year included:

- £84.7m investment in the Council's social housing stock and fire safety measures
- £42.2m on the Civic Campus development
- £62.0m on affordable housing schemes
- £30.6m on the borough's highways and infrastructure schemes, including Hammersmith Bridge pre-restoration works

Financial Outlook

The Council's 2025/26 budget proposals were approved in February 2025 to protect the delivery of core services, fight crime and anti-social behaviour, fund targeted preventative measures whilst ensuring the safety of residents, visitors and businesses. Local government continues to operate in a difficult and uncertain financial environment for the short and medium term. Although inflation and interest rates have continued to fall, price rises since the Covid pandemic continue to impact the Council's budgetary position and increase the cost of living for its residents and businesses. The 2025/26 budget was set with the need to strengthen the Council's financial resilience as mitigation against this increased financial risk.

General government grant funding has increased by an estimated £7.9m from 2024/25 to 2025/26. Although an increase on 24/25 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 2025/26 revenue budget is as follows:

- Investment of £12.3m was provided to meet the costs of statutory obligations, demographic, service and demand pressures and key resident priorities.
- Savings of £5.1m were put forward to balance the budget.
- Overall, this produced a net revenue budget requirement of £220.6m funded from council tax, the local share of business rates and general grants 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.

Following its Spending Review in June 2025, the Government released the "Fair Funding 2.0" consultation, which outlined plans to comprehensively overhaul the local government finance system from April 2026. The consultation included proposals to simplify funding streams and implement three-year funding settlements. The proposals as outlined also indicate a likely redistribution of central funding away from inner London and as such represent a risk to H&F Council. This process is being monitored closely, with adjustments being factored into

updates of the Councils Medium Term Financial Strategy through 2025/26, ahead of setting the 2026/27 budget.

Capital Investment Outlook

The 2025-29 capital programme was also approved in February 2025. The programme for this period totals £532.3m. The gross anticipated spend for 2025/26 is £213.6m, comprising the General Fund (GF) Programme of £77.7m and the Housing Revenue Account (HRA) Programme of £135.9m.

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

The Civic Campus is a major regeneration scheme and 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 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 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 using cutting-edge green technology.

The project is on schedule to be completed in the financial year 2025/26 and is being monitored by the Client Management Team (CMT).

Hammersmith Bridge

The Council has invested £32m towards the stabilisation works and the continued safe operation of the Bridge. A further £16m has been incurred towards ensuring the continued safe operation of the Bridge including gas mains works from the Bridge, geotechnical works, hanger restoration. Some financial contributions have been provided by DfT/TfL, but the significant majority has been funded by the Council (and additional potential contributions from DfT are under discussion).

The long-term plans and funding continue to be under discussion with the Department for Transport.

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 2025-29 HRA capital programme includes spend of £307.3m 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 2024/25 and its Balance Sheet as at 31 March 2025. 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 2024/25, 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 2025. 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 2025 (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 2024/25 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 managing 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 2024/25 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 2024/25 (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 2023/24 with the exception of Leases as set-out below.

International Financial Reporting Standard 16 (IFRS 16) - Leases

The Council adopted IFRS 16 with effect from 1 April 2024 and affects the Council's Leases accounting. IFRS 16 will be applied retrospectively, but with the cumulative effect recognised on 1 April 2024. This means that right-of-use assets and lease liabilities will have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. Lease-in charges for Operating leases were previously accounted for as expenditure on the Comprehensive Income and Expenditure Statement (CIES) and had no effect on the Balance Sheet. However, from 1 April 2024 these Operating Leases will be treated as Finance Leases and implies the recognition of a Lease Liability and corresponding Right-Of-Use asset on the Balance Sheet as well as Finance Costs and Depreciation charges on the CIES.

Service concession arrangements i.e. Private Finance Initiatives are also covered under the scope of IFRS 16. Under IFRS16, the lease liability requires to be remeasured if indexation affects the future service concession payments.

As result of implementing IFRS 16, the Council increased the Balance Sheet's Leases Liabilities and the corresponding Right-Of-Use assets with £30.028m on transition date 1 April 2024.

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 2024/25 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 2025 and income and expenditure for the financial year 2024/25.

Sukvinder Kalsi
Executive Director of Finance & Corporate Services
Date:

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 or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the 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	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2023		**(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)**
Movement in Reserves during 2024/25												
Total Comprehensive Income and Expenditure		(17,211)	-	1,421	110,868	-	-	-	-	95,078	25,560	120,638
Adjustments between accounting basis & funding basis under regulations	3	1,161	-	-	(112,058)	-	3,977	-	(1,994)	(108,914)	108,914	-
Transfer to/(from) Earmarked Reserves		15,629	(15,629)	-	715	(715)	-	-	-	-	-	-
(Increase)/Decrease in 2024/25		**(421)**	**(15,629)**	**1,421**	**(475)**	**(715)**	**3,977**	**-**	**(1,994)**	**(13,836)**	**134,474**	**120,638**
Balance at 31 March 2025		**(22,067)**	**(189,939)**	**(4,014)**	**(5,848)**	**(10,514)**	**(68,875)**	**-**	**(33,705)**	**(334,962)**	**(1,355,115)**	**(1,690,077)**

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 2023	(182,510)	(21,045)	(203,555)
Balance as at 31 March 2024	(201,391)	(15,172)	(216,563)
Balance as at 31 March 2025	(216,020)	(16,362)	(232,382)

* 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 2025			Year Ended 31 March 2024 (restated)*		
	Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
People		336,464	(210,096)	126,368	312,170	(195,494)	116,676
Place		147,081	(125,162)	21,919	149,708	(104,653)	45,055
Housing Solutions (GF)		56,556	(29,784)	26,772	41,586	(26,316)	15,270
Local Authority Housing (HRA)		90,996	(105,368)	(14,372)	94,066	(98,230)	(4,164)
Local Authority Housing (HRA) - Dwelling Revaluation	5	137,098	-	137,098	103,279	-	103,279
Finance and Corporate Services		51,550	(12,761)	38,789	54,344	(10,976)	43,368
Centrally Managed Budgets		103,748	(101,412)	2,336	114,078	(100,838)	13,240
Cost of Services		**923,493**	**(584,583)**	**338,910**	**869,231**	**(536,507)**	**332,724**
Other Operating Expenditure	6	5,439	-	5,439	2,806	(6,330)	(3,524)
Financing and investment income and expenditure	7	13,493	(23,293)	(9,800)	14,800	(29,826)	(15,026)
Taxation and non-specific grant income and expenditure	8	13,659	(253,130)	(239,471)	14,364	(248,737)	(234,373)
(Surplus) or Deficit on Provision of Services				**95,078**			**79,801**
(Surplus) or deficit on revaluation of non-current assets				23,840			56,603
(Surplus) or deficit on revaluation of available for sale financial assets				-			-
Remeasurements of the net defined benefit liability	27			1,720			(53,982)
Other Comprehensive Income and Expenditure				**25,560**			**2,621**
Total Comprehensive Income and Expenditure				**120,638**			**82,422**

* Please note the Council's reporting structure was amended in 2024/25 which is now reflected in above CIES. Refer to Note 1 for reconciliation of values from previous to current structure. The total Cost of Services remain the same amount.

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 2025 £000	31 March 2024 £000
Property, Plant and Equipment	9	1,969,451	1,958,364
Heritage Assets	11	8,023	8,023
Investment Property	10	118,936	94,547
Intangible Assets		1,709	1,555
Investments in Associates and Joint Ventures	21	25,195	30,018
Long Term Debtors	16	1,315	60,508
Long Term Assets		**2,124,629**	**2,153,015**
Assets Held for Sale	12	-	-
Short Term Investments	21	10,198	118,716
Short Term Debtors	16	111,627	68,478
Inventories		89	50
Cash and Cash Equivalents	17	38,428	45,330
Current Assets		**160,342**	**232,574**
Bank overdraft	17	(3,938)	(7,477)
Short Term Borrowing	21	(9,088)	(18,337)
Short Term Creditors	18	(183,807)	(184,642)
Provisions	20	(15,334)	(16,453)
Grants and Contributions Receipts in Advance	30	(10,929)	(15,046)
Current Liabilities		**(223,096)**	**(241,955)**
Long Term Borrowing	21	(282,091)	(253,053)
Long Term Creditors	21	(100)	(100)
Provisions	20	-	(1,747)
Other Long Term Liabilities	19	(57,109)	(50,154)
Grants and Contributions Receipts in Advance	30	(32,498)	(27,865)
Long Term Liabilities		**(371,798)**	**(332,919)**
NET ASSETS		**1,690,077**	**1,810,715**
Usable Reserves	3b	(334,962)	(321,126)
Unusable Reserves	3c	(1,355,115)	(1,489,589)
TOTAL RESERVES		**(1,690,077)**	**(1,810,715)**

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	**2024/25 £000**	**2023/24 £000**
Net surplus or (deficit) on the provision of services		(95,078)	(79,801)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	22a	129,650	43,378
Adjust for items in the net deficit on the provision of services that are investing or financing activities		(39,584)	(17,471)
Net cash flows from Operating Activities		**(5,012)**	**(53,894)**
Investing Activities			
Purchase of Property, plant and equipment, investment property and intangible assets		(239,966)	(138,102)
Proceeds from sale of property, plant and equipment, investment property and intangible assets and items treated as capital receipts under statute		39,584	17,472
Net proceeds/payments from short-term and long-term investments		111,823	5,004
Other receipts from investing activities		68,201	63,323
Net cash flows from Investing Activities		**(20,358)**	**(52,303)**
Financing Activities			
Net Cash receipts/payments of short and long term borrowing		19,823	(3,584)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(10,783)	(1,468)
Other proceeds/payments for financing activities		12,967	(2,423)
Net cash flows from Financing Activities		**22,007**	**(7,475)**
Net increase or (decrease) in cash and cash equivalents		**(3,363)**	**(113,672)**
Cash and cash equivalents at the beginning of the reporting period		37,853	151,525
Cash and cash equivalents at the end of the reporting period	17	**34,490**	**37,853**

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 are presented more fully in the Comprehensive Income and Expenditure Statement.

2024/25	**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**
People	146,693	(23,249)	123,444	2,924	126,368
Place	23,141	(24,222)	(1,081)	23,000	21,919
Housing Solutions (GF)	26,949	(4,690)	22,259	4,513	26,772
Local Authority Housing (HRA)	-	(13,276)	(13,276)	136,002	122,726
Finance and Corporate Services	11,752	26,852	38,604	185	38,789
Centrally Managed Budgets	(4,089)	20,974	16,885	(14,549)	2,336
	204,446	**(17,611)**	**186,835**	**152,075**	**338,910**
Other income and expenditure not charged to services	(61,636)	(141,018)	(202,654)	(41,178)	(243,832)
(Surplus) or Deficit on Provision of Services before planned use of Earmarked Reserves	**142,810**	**(158,629)**	**(15,819)**	**110,897**	**95,078**
Opening Balance of General Fund/ HRA Balances (including Earmarked Reserves)			(216,563)		
add: (Surplus) or Deficit on Provision of Services			(15,819)		
Closing Balance of General Fund/ HRA Balances (including Earmarked Reserves)			(232,382)		

1. Expenditure and Funding Analysis (cont'd)

Restructuring of Services:

Please note the Council's reporting structure was amended in 2024/25 which is now reflected in CIES and above EFA. Comparatives for 2023/24 have been re-aligned to reflect this structure. The total Gross Expenditure and Gross Income of Services remains the same.

The schedule below illustrates the movement between the previous and current structure for 2024/25 values.

	2023/24 Services Structure								
	Children's Services £000	Social Care £000	Economy £000	Local Authority Housing (HRA) £000	Environment £000	Finance £000	Resources £000	Centrally Managed Budgets £000	**Grand Total £000**
2024/25 Services Structure									
People	63,446	62,922							**126,368**
Place			(20,652)		42,571				**21,919**
Housing Solutions			26,217		555				**26,772**
Local Authority Housing (HRA)				122,726					**122,726**
Finance and Corporate Services		3,454				11,401	23,934		**38,789**
Centrally Managed Budgets								2,336	**2,336**
Grand Total	**63,446**	**66,376**	**5,565**	**122,726**	**43,126**	**11,401**	**23,934**	**2,336**	**338,910**

1. Expenditure and Funding Analysis (cont'd)

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
People	133,280	(20,535)	112,745	3,931	116,676
Place	37,748	(33,284)	4,464	40,591	45,055
Housing Solutions (GF)	15,686	(434)	15,252	18	15,270
Local Authority Housing (HRA)	-	(21,423)	(21,423)	120,538	99,115
Finance and Corporate Services	21,399	21,148	42,547	821	43,368
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)		

1. Expenditure and Funding Analysis (cont'd)

Restructuring of Services:

Please note the Council's reporting structure was amended in 2024/25 which is now reflected in CIES and above EFA. Comparatives for 2023/24 have been re-aligned to reflect this structure. The total Gross Expenditure and Gross Income of Services remains the same.

The schedule below illustrates the movement between the previous and current structure for 2023/24 values.

	2023/24 Services Structure								
	Children's Services £000	Social Care £000	Economy £000	Local Authority Housing (HRA) £000	Environment £000	Finance £000	Resources £000	Centrally Managed Budgets £000	**Grand Total £000**
2024/25 Services Structure									
People	60,793	55,883							**116,676**
Place			15,794		29,262				**45,055**
Housing Solutions			14,741		529				**15,270**
Local Authority Housing (HRA)				99,115					**99,115**
Finance and Corporate Services		3,445				10,086	29,837		**43,368**
Centrally Managed Budgets								13,243	**13,240**
Grand Total	**60,793**	**59,328**	**30,534**	**99,115**	**29,791**	**10,086**	**29,837**	**13,243**	**332,724**

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 the 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 out below:

	2024/25				2023/24			
	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**
People	(3,688)	764	-	**(2,924)**	(3,729)	(202)	-	**(3,931)**
Place	(23,477)	477	-	**(23,000)**	(40,459)	(132)	-	**(40,591)**
Housing Solutions (GF)	(4,571)	58	-	**(4,513)**	-	(18)	-	**(18)**
Local Authority Housing (HRA)	(136,934)	932	-	**(136,002)**	(120,549)	11	-	**(120,538)**
Finance and Corporate Services	(536)	351	-	**(185)**	(729)	(92)	-	**(821)**
Centrally Managed Budgets	13,086	1,422	41	**14,549**	950	1,014	(27)	**1,937**
Net Cost of Services	**(156,120)**	**4,004**	**41**	**(152,075)**	**(164,516)**	**581**	**(27)**	**(163,962)**
Other income and expenditure not charged to services - General Fund	15,207	(586)	2,614	**17,235**	30,472	(2,849)	6,100	**33,723**
Other income and expenditure not charged to services - HRA	21,769	(106)	2,280	**23,943**	34,501	(488)	3,417	**37,430**
(Surplus) or Deficit on Provision of Services	**(119,144)**	**3,312**	**4,935**	**(110,897)**	**(99,543)**	**(2,756)**	**9,490**	**(92,809)**

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.

	2024/25 £000	2023/24 £000
Expenditure		
Employee Benefits	234,638	225,721
Other Services Expenses	497,318	473,300
Capital Charges & Revaluations	191,831	171,013
Interest Payments	12,149	11,147
Levies	3,498	2,403
Business rates tariff	12,590	14,344
Payments to the Government Housing Capital Receipts Pool	-	427
Net interest on the net defined benefit liability (asset)	692	3,337
Schools converted to Academy Status	359	-
Total Expenditure	**953,075**	**901,692**
Income		
Fees, Charges and other Service Income	(276,850)	(253,139)
Grants and Contributions	(413,623)	(397,447)
Income from Council Tax and NDR	(154,420)	(142,476)
Interest and Investment Income	(16,112)	(22,816)
(Gains)/losses on the disposal of non-current assets	3,008	(6,013)
Total Income	**(857,997)**	**(821,891)**
(Surplus) or Deficit on the Provision of Services	**95,078**	**79,801**

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 2024/25 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)

2024/25	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)	2,486	-	-	-	826	-	-	-	**3,312**
Financial instruments (transferred to the Financial Instruments Adjustments Account)	74	-	-	-	-	-	-	-	**74**
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	1,871	-	-	-	-	-	-	-	**1,871**
Holiday pay (transferred to the Accumulated Absences Reserve)	43	-	-	-	-	-	-	-	**43**
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)	(48,524)	-	-	-	(156,355)	-	-	-	**(204,879)**
Transfer in-year Dedicated Schools Grant deficit/(surplus) (to DSG Adjustment Account)	-	-	-	-	-	-	-	-	**-**
Total Adjustments to Revenue Resources	**(44,050)**	**-**	**-**	**-**	**(155,529)**	**-**	**-**	**-**	**(199,579)**
Adjustments between Revenue and Capital Resources									
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	18	-	-	-	8,680	-	(8,699)	-	**(1)**
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(3)	-	-	-	(94)	-	97	-	**-**
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	-	-	-	-	-	-	-	**-**
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	-	16,164	(16,164)	-	-	**-**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	13,763	-	-	-	-	-	30,982	-	**44,745**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	13,531	-	-	-	-	-	-	-	**13,531**
Total Adjustments between Revenue and Capital Resources	**27,309**	**-**	**-**	**-**	**24,750**	**(16,164)**	**22,380**	**-**	**58,275**
Adjustments to Capital Resources									
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-	-	-	6,776	-	**6,776**
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	-	-	16,164	-	-	**16,164**
Application of capital grants to finance capital expenditure	12,426	-	-	6,923	9,890	-	-	-	**29,239**
Transfers of capital grants from revenue to Capital Grants Unapplied	666	-	-	(2,946)	2,280	-	-	-	**-**
Movements in the market value of investment properties	2,198	-	-	-	6,434	-	-	-	**8,632**
Adjustments in relation to deferred capital receipts	1,015	-	-	-	-	-	(31,150)	-	**(30,135)**
Movement in the Donated/Bartered Assets credited to the Comprehensive Income and Expenditure Statement	1,597	-	-	-	117	-	-	-	**1,714**
Total Adjustments to Capital Resources	**17,902**	**-**	**-**	**3,977**	**18,721**	**16,164**	**(24,374)**	**-**	**32,390**
Total Adjustments	**1,161**	**-**	**-**	**3,977**	**(112,058)**	**-**	**(1,994)**	**-**	**(108,914)**

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

2023/24	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)	(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)**

3b. Usable Reserves

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

3c Unusable Reserves

	31 March 2025 £000	31 March 2024 £000
Revaluation Reserve	(233,113)	(263,203)
Capital Adjustment Account	(1,162,115)	(1,271,053)
Deferred Capital Receipts Reserve	(973)	-
Pensions Reserve	37,143	38,735
Financial Instruments Adjustment Account	607	681
Available for Sale Financial Instruments Reserve	-	-
Collection Fund Adjustment Account	(14,456)	(12,585)
Accumulated Absences Account	3,287	3,331
Dedicated Schools Grant Adjustment Account	14,505	14,505
Total Unusable Reserves	**(1,355,115)**	**(1,489,589)**

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.

	2024/25 £000	2023/24 £000
Balance at 1 April	(263,202)	(323,043)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	23,840	56,603
Difference between fair value depreciation and historical cost depreciation	2,517	3,051
Accumulated gains on assets sold or scrapped	3,732	186
Amount written off to the Capital Adjustment Account	6,249	3,237
Balance at 31 March	**(233,113)**	**(263,203)**

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.

	2024/25 £000	2023/24 £000
Balance at 1 April	(1,271,053)	(1,365,656)
Opening balance adjustments arising from IFRS 16 implementation:	-	-
Adjustments between Capital Adjustment Account and Deferred Capital Receipts Reserve (recognistion of IFRS 16 sub-lease debtor)	1,015	-
Movement in the Donated Assets (IFRS 16) credited to the Comprehensive Income and Expenditure Statement	(1,713)	-
Revised Opening Balance as at 1 April	**(1,271,751)**	**(1,365,656)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation non-current assets	31,092	22,849
• Revaluation losses on property, plant and equipment	141,148	121,741
• Amortisation of intangible assets	249	220
• Revenue expenditure funded from capital under statute	3,179	9,028
• Reversal of Major Repairs Allowance credited to the HRA	16,164	17,176
• 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	13,048	15,339
	204,880	186,353
Adjusting amounts written out of the Revaluation Reserve	(6,249)	(3,237)
Net written out amount of the cost of non-current assets consumed in the year	**198,631**	**183,116**
Capital financing applied in the year:		
• Use of the Capital Receipts Reserve to finance new capital expenditure	(6,776)	(3,345)
• Use of the Major Repairs Reserve to finance new capital expenditure	(16,164)	(17,176)
• Capital grants and contributions applied	(29,238)	(41,978)
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances (including finance lease adjustments)	(13,763)	(3,561)
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances (including loan repayments)	(30,982)	(9,454)
• Capital expenditure charged against the General Fund and HRA balances	(13,531)	(1,666)
	(110,454)	**(77,180)**
Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(8,633)	(8,932)
Adjustments between Capital Adjustment Account and Capital Receipts Reserve (Deferred Cost and Loan Repayments)	30,092	9,454
Movement in the Donated/Bartered Assets credited to the Comprehensive Income and Expenditure Statement	-	(11,855)
Balance at 31 March	**(1,162,115)**	**(1,271,053)**

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.

	2024/25 £000	2023/24 £000
Balance at 1 April	38,735	89,961
Remeasurements of the net defined benefit liability/(asset)	1,720	(53,982)
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	24,398	28,518
Employer's pensions contributions and direct payments to pensioners payable in the year	(27,710)	(25,762)
Balance at 31 March	**37,143**	**38,735**

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.

	2024/25 £000	2023/24 £000
Balance at 1 April	(12,585)	(12,132)
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	(1,871)	(453)
Balance at 31 March	**(14,456)**	**(12,585)**

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.

	2024/25 £000	2023/24 £000
Balance at 1 April	3,332	3,304
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	(45)	27
Balance at 31 March	**3,287**	**3,331**

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.

	2024/25 £000	2023/24 £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 2024/25.

		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	Transfers In 2024/25 £000	Transfers Out 2024/25 £000	Movement Between 2024/25 £000	Balance at 31 March 2025 £000
	General Fund									
1	Insurance Fund	(4,475)	-	-	-	(4,475)	-	-	-	(4,475)
2	Controlled Parking Fund	(2,786)	(521)	447	-	(2,860)	-	1,771	-	(1,089)
3	Efficiency Projects Reserve	(2,731)	(1,100)	467	-	(3,364)	(750)	900	-	(3,214)
4	Corporate Demand Pressures	(37,352)	(242)	3,048	5,329	(29,217)	(2,663)	2,708	4,457	(24,715)
5	Collection Fund Smoothing Reserve	(3,409)	(6,628)	-	-	(10,037)	-	224	-	(9,813)
6	Civic Campus	(1,353)	(2,500)	3,182	(7,700)	(8,371)	-	1,385	(4,457)	(11,443)
7	Managed Services	(1,260)	-	-	-	(1,260)	-	-	-	(1,260)
8	Corporate People Reserve	(1,550)	-	-	-	(1,550)	-	1,433	-	(117)
9	Corporate Technology & IT	(5,881)	(2,743)	1,968	-	(6,656)	(800)	775	-	(6,681)
10	Planning Reserve	(1,723)	-	59	(59)	(1,723)	-	185	-	(1,538)
11	Corporate Property Reserve	(679)	(850)	231	-	(1,298)	(167)	349	-	(1,116)
12	Pandemic Response Support	(2,056)	-	558	-	(1,498)	(94)	1,592	-	-
13a	Dedicated Schools Grant Support Reserve	(4,749)	-	-	2,371	(2,378)	(286)	-	-	(2,664)
13b	Dedicated Schools Grant High Needs Block	(9,756)	(2,371)	-	-	(12,127)	-	419	-	(11,708)
13c	Dedicated Schools Grant - Schools & Early years Block	(889)	(134)	889	-	(134)	-	-	-	(134)
14	Pre-Development Costs Reserve	(5,000)	-	-	-	(5,000)	-	-	-	(5,000)
15	Inflation Risk Reserve	(4,800)	-	-	-	(4,800)	-	-	-	(4,800)
16	Other Funds (General Fund)	(8,783)	(1,007)	3,373	59	(6,358)	(1,266)	3,906	-	(3,718)
17	Corporate Financial Resilience Reserve	-	-	-	-	-	(4,400)	-	-	(4,400)
	General Fund Reserves	**(99,232)**	**(18,096)**	**14,222**	**-**	**(103,106)**	**(10,426)**	**15,647**	**-**	**(97,885)**
	General Fund Revenue Grants & Other Contributions									
18	S106 - Revenue Schemes	(37,927)	(6,001)	1,390	-	(42,538)	(28,175)	3,820	-	(66,893)
19	Community Infrastructure Levy Reserve	(18,036)	(4,932)	-	-	(22,968)	(6,736)	10,502	-	(19,202)
20	Other Revenue Grants and Contributions	1,667	(7,432)	351	-	(5,414)	(343)	83	-	(5,674)
	Revenue Grants Sub-Total	**(54,296)**	**(18,365)**	**1,741**	**-**	**(70,920)**	**(35,254)**	**14,405**	**-**	**(91,769)**
	General Fund Total	**(153,528)**	**(36,461)**	**15,963**	**-**	**(174,026)**	**(45,680)**	**30,052**	**-**	**(189,654)**
	HRA Reserves									
21	HRA Non-dwellings Impairment Reserve	(3,513)	(383)	-	-	(3,896)	-	-	-	(3,896)
22	HRA Strategic Regeneration and Housing Development	(3,596)	-	-	-	(3,596)	-	-	-	(3,596)
23	HRA Utilities Reserve	(1,962)	-	-	-	(1,962)	-	-	1,962	-
24	Disrepairs Compensation and Legal costs	(808)	-	808	-	-	-	-	-	-
25	Other Funds (HRA)	(1,430)	(240)	1,041	-	(629)	(732)	16	-	(1,345)
26	HRA Pressures&Demand	-	-	-	-	-	-	-	(1,962)	(1,962)
	HRA Sub-Total	**(11,309)**	**(623)**	**1,849**	**-**	**(10,083)**	**(732)**	**16**	**-**	**(10,799)**
	Grand Total	**(164,837)**	**(37,084)**	**17,812**	**-**	**(184,109)**	**(46,412)**	**30,068**	**-**	**(200,453)**

Nb. Prior year comparatives have been subject to reclassification to align with the 2024/25 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	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.
6	Civic Campus	This is held to fund the costs of implementing the Civic Campus redevelopment.
7	Managed Services	This reserve is used to fund the cost of supporting the Managed Services project and for the development of the IBC system.
8	Corporate People Reserve	This is the consolidation of various Human Resource related reserves.
9	Corporate Technology & IT	This reserve is used to finance IT projects.
10	Planning Reserve	This reserve is to support funding of CIL and regeneration related projects.
11	Corporate Property Reserve	This is to be used to cover the one-off costs related to LBHF property management.
12	Pandemic Response Support	This represents the residual balances from grants provided to local authorities and internal provisions and will be applied to deal with ongoing pandemic and post-pandemic related support.
13	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.
14	Pre-Development Costs Reserve	This reserve is to provide for the risk associated with the council's general fund capital strategy and initiatives.
15	Inflation Risk Reserve	This reserve is to provide for risks associated with inflationary pressures.
16	Other Funds (General Fund)	This comprises a number of smaller reserves, existing to fund various projects and potential future commitments.
17	Corporate Financial Resilience Reserve	This reserve is to mitigate the impact of changes because of funding reforms and balance any budgetary gaps as identified in the medium-term financial strategy, until agreed efficiencies are delivered.

18	S106 - Revenue Schemes	These reserves exist to fund various projects and potential future commitments in line with the requirements of the agreements.
19	Community Infrastructure Levy	This reserve sets aside Community Infrastructure Levy receipts
20	Other Revenue Grants and Contributions	This comprises a number of smaller grants and contributions, existing to fund various projects and potential future commitments.
21	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.
22	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.
23	HRA Utilities Reserve	This reserve provides support for the payment of commission refunds to tenants.
24	Disrepairs Compensation and Legal costs	This is a reserve to provide for potential disrepairs compensation and associated costs
25	Other Funds (HRA)	This reserve is to fund various smaller projects specific to the HRA.
26	HRA Pressures and Demands Reserve	This reserve is to meet unbudgeted demands and pressures in the HRA.

5. Material Items of Income and Expense

Transactions in 2024/25

HRA Dwellings have been revalued downwards in-year. The downward revaluation is approximately 6.8%. The size of the asset base means that this revaluation is a material amount. The gross revaluation decrease recognised in CIES is £137m.

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.

6. Other Operating Income and Expenditure

	2024/25 £000	2023/24 £000
Levies	2,430	2,383
Payments to the Government Housing Capital Receipts Pool	-	427
(Gains)/losses on the disposal of non-current assets	3,008	(6,013)
Other Operating Income and Expenditure	1	(321)
Total	**5,439**	**(3,524)**

7. Financing and Investment Income and Expenditure

	2024/25 £000	2023/24 £000
Interest payable and similar charges	12,149	11,147
Net interest on the net defined benefit liability (asset)	692	3,337
Interest receivable and similar income	(7,479)	(13,502)
Income and expenditure in relation to investment properties	(6,888)	(6,694)
Net (gains)/losses from fair value adjustments on investment properties	(8,633)	(9,314)
Schools converted to Academy status	359	-
Total	**(9,800)**	**(15,026)**

8. Taxation and non-specific grant income and expenditure

	2024/25 £000	2023/24 £000
Non-domestic rates income	(74,900)	(68,926)
NDR Levy	1,068	20
Business rates tariff	12,590	14,344
Non-domestic rates income and expenditure	**(61,242)**	**(54,562)**
Council Tax Income	(79,519)	(73,550)
Non-ringfenced government grants	(72,291)	(66,079)
Capital grants and contributions	(26,419)	(40,182)
Total	**(239,471)**	**(234,373)**

9. Property, Plant and Equipment

(i) Movements on Balances

Movements in 2024/25	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 2024	1,358,108	341,189	23,899	30,271	26,050	113,990	**1,893,507**	27,176
Adjustment as at 1 April 2024 on transition to IFRS 16	-	18,445	299	-	-	-	**18,744**	-
Revised opening balance as at 1 April 2024	**1,358,108**	**359,634**	**24,198**	**30,271**	**26,050**	**113,990**	**1,912,251**	**27,176**
Additions	87,785	10,988	7,498	1,476	-	85,931	**193,678**	197
Additions - Right of Use assets recognised in-year	-	13,259	1,948	-	-	-	**15,207**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(37,403)	2,250	-	-	3,254	-	**(31,899)**	43
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(147,497)	(5,062)	-	-	1	-	**(152,558)**	-
Derecognition – disposals	(2,944)	(9,488)	-	-	-	-	**(12,432)**	-
Derecognition- Right of Use assets disposed in-year	-	(1,123)	(5,041)	-	-		**(6,164)**	-
Assets reclassified (to)/from PPE	(524)	(2,450)	-	46	2,928	-	**-**	-
Assets reclassified (to)/from Investment Properties	-	(10,785)	-	-	256	-	**(10,529)**	-
Assets reclassified (to)/from AUC	8,845	(413)	-	-	-	(8,432)	**-**	-
At 31 March 2025	**1,266,370**	**356,810**	**28,603**	**31,793**	**32,489**	**191,489**	**1,907,554**	**27,416**
Accumulated Depreciation and Impairment								
At 1 April 2024	-	(422)	(7,799)	(23,252)	-	-	**(31,473)**	-
Depreciation charge	(15,728)	(10,089)	(3,812)	(1,189)	(48)	-	**(30,866)**	(398)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,941	3,048	-	-	71	-	**8,060**	398
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	10,747	660	-	-	3	-	**11,410**	-
Derecognition – disposals	34	61	-	-	-	-	**95**	-
Derecognition – other	6	-	-	-	-	-	**6**	-
Derecognition- Right of Use assets disposed in-year	-	58	1,257	-	-	-	**1,315**	-
Other movements in depreciation and impairment	-	233	-	-	(26)	-	**207**	-
At 31 March 2025	**-**	**(6,451)**	**(10,354)**	**(24,441)**	**-**	**-**	**(41,246)**	**-**
Net Book Value								
At 31 March 2025	**1,266,370**	**350,359**	**18,249**	**7,352**	**32,489**	**191,489**	**1,866,308**	**27,416**

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

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)**	543
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**	**27,176**
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**	**27,176**

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

Infrastructure Assets	2024/25 £000	2023/24 £000
Net book value (modified historical cost) at 1st April	96,329	87,938
Additions	23,011	22,919
Depreciation	(16,198)	(14,528)
Net book value at 31st March	**103,143**	**96,329**

	2024/25 £000	2023/24 £000
Infrastructure Assets	103,143	96,329
Other PPE Assets	1,866,308	1,862,035
Total PPE Assets	**1,969,451**	**1,958,364**

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

The Council as Lessee

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. Right-of-use assets are initially measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded. The ROU assets are depreciated over the shorter of the lease term or the asset's useful life.

The table below shows 2024/25 Right of Use asset movements and their NBV at 31 March 2025:

	Land and Buildings	Vehicles, Plant & Equipment	Total
	£000	£000	£000
Opening balance at 1 April 2024	**35,575**	**7,702**	**43,277**
Adjustment as at 1 April 2024 on transition to IFRS 16	18,446	299	18,745
Revised opening balance at 1 April 2024	**54,021**	**8,001**	**62,002**
Additions	13,259	1,948	15,207
Revaluations	1,953	-	1,953
Depreciation	(6,440)	(1,747)	(8,187)
Disposals	(1,066)	(3,784)	(4,850)
Balance at 31 March 2025	**61,727**	**4,418**	**66,145**

The Council as Lessor

The council has leased out a number of its properties and land under operating leases, these properties and land are used by the lessees for the provision of community services, such as sports facilities, day centres, offices and community centres. The term of these leases is typically five to 60 years.

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

The value of these assets is included in Other Land and Buildings. The below attached table shows in-year movements in the value of these assets.

	Other Land and Buildings (subject to operating leases)
	£000
Cost or Valuation	
At 1 April 2024	**9,899**
Adjustment as at 1 April 2024 on transition to IFRS 16	1,431
Revised opening balance as at 1 April 2024	**11,330**
Additions	236
Revaluation increases/(decreases) recognised in the Revaluation Reserve	776
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(644)
At 31 March 2025	**11,698**
Accumulated Depreciation and Impairment	
At 1 April 2024	**(22)**
Depreciation charge	(155)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	106
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	37
At 31 March 2025	**(34)**
Net Book Value at 31 March 2025	**11,664**

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

(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 2025.

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
Carried at Historical Cost	-	-	103,143	18,249	7,352	-	191,489	**320,233**
Right of Use Assets recognised as a result of IFRS 16 implementation	-	22,719	-	-	-	-	-	**22,719**
Valued at current value as at:								
31 March 2025	1,266,370	300,523	-	-	-	32,233	-	**1,599,126**
31 March 2024	-	14,331	-	-	-	256	-	**14,587**
31 March 2023	-	10,548	-	-	-	-	-	**10,548**
31 March 2022	-	1,465	-	-	-	-	-	**1,465**
31 March 2021	-	773	-	-	-	-	-	**773**
	1,266,370	**350,359**	**103,143**	**18,249**	**7,352**	**32,489**	**191,489**	**1,969,451**

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

(iv) Revaluation and Impairments (cont'd)

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 2025 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 2025/26.

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 2024/25 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 2025 £000**	**31 March 2024 £000**
Housing Revenue Account	11,620	24,210
Regeneration and Community Projects	41,918	34,386
Affordable Housing Schemes	67,350	85,340
Environment	-	7,346
Corporate Property Maintenance Programme	8,175	-
	129,063	**151,282**

Additionally, as at 31 March 2025, the Council is committed to a capital barter transaction. The residual value of this barter commitment is £13.545m as at 31 March 2025.

10. Investment Properties

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

	2024/25 £000	**2023/24 £000**
Rental income from investment property	(7,183)	(7,010)
Direct operating expenses (including repairs and maintenance) arising from investment properties	295	316
Net (gain)/loss	**(6,888)**	**(6,694)**

10. Investment Properties (cont'd)

(i) Revaluation

In 2024/25 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 2025. 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 2025	31 March 2024
	£000	£000
Balance at start of the year	94,547	85,478
Adjustment as at 1 April 2024 on transition to IFRS 16	98	-
Revised opening balance as at 1 April 2024	**94,645**	**85,478**
Additions:		
• Subsequent expenditure	320	109
Derecognition	-	(534)
Net gains/(losses) from fair value adjustments	8,633	9,314
Transfers:		
• (to)/from Property, Plant and Equipment	15,338	180
Balance at end of the year	**118,936**	**94,547**

The 2024/25 restated opening balance contains £97.7k of Right of Use assets recognised as a result of IFRS 16 implementation.

(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 2024/25.

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 2024	7,688	131	118	86	8,023
Movement on balance	-	-	-	-	-
At 31 March 2025	**7,688**	**131**	**118**	**86**	**8,023**

There have been no movements on Heritage Assets in 2024/25.

12. Assets Held for Sale

There were no Assets Held for Sale in 2024/25 or 2023/24.

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.

	2024/25 £000	2023/24 £000
Opening Capital Financing Requirement	**614,003**	**503,530**
Adjustment as at 1 April 2024 on transition to IFRS 16	18,843	-
Revised Opening Capital Financing Statement	**632,846**	**503,530**
Capital Investment		
Property, Plant and Equipment	216,958	137,618
Investment Properties	320	109
Intangible Assets	595	1,074
Revenue Expenditure Funded from Capital under Statute	3,179	9,028
Capital Funding of third-party capital loans	14,080	43,243
Additions to Right of Use assets recognised in year	14,937	-
Sources of Finance		
Capital receipts – used to fund Capital Expenditure	(6,776)	(3,345)
Government grants and other contributions	(30,952)	(41,978)
Contributions from Major Repairs Reserve	(16,164)	(17,176)
Sums set aside from revenue:		
Direct revenue contributions	(13,531)	(1,666)
MRP/loans fund principal	(13,763)	(3,561)
Voluntary and technical application of Capital Receipts and Grants to repay debt	(30,982)	(9,454)
Finance lease disposal/repayment	(4,136)	(3,419)
Closing Capital Financing Requirement	**766,611**	**614,003**
Explanation of movements in year		
Increase in underlying need to borrow	149,872	113,749
(Decrease) in underlying need to borrow	(63)	(63)
Voluntary and technical application of Capital Receipts and Grants to repay debt	(30,982)	(9,454)
Assets acquired under finance leases	33,780	6,241
Increase/(decrease) in Capital Financing Requirement	**152,607**	**110,473**

14. Leases (Finance and Operating)

A) Council as Lessee

The Council has adopted IFRS 16 from 1 April 2024 and therefore no consolidation adjustments have been made in the current financial year.

At transition date to IFRS 16, LBHF applied the practical expedient which means LBHF will not reassess whether the existing contracts are or contains leases at the date of initial application. LBHF will also not restate previous year figures. The weighted average Incremental Borrowing rate used at transition date to value opening balance liabilities was 5.06%.

Operating Leases at 31 March 2024 reconciled to Finance Leases on 31 March 2024

	Properties – TF £000	Properties – PSL £000	Vehicles – Fleetmaster £000	Printers – Ricoh £000	Total £000
Operating Lease Commitments at 31 March 2024	**(13,494)**	**(11,223)**	**(325)**	**(91)**	**(25,133)**
Less:					
Short Term Leases	-	2,009	65	-	2,074
Low Value Leases	-	16	-	91	107
HRA Tenancies	928	-	-	-	928
Not Active	3	-	-	-	3
Add:					
Commitments due to IFRS16 review of rent periods/payments	(1,374)	(45)	(59)	-	(1,478)
Revised operating lease commitments at 31 March 2024 under IFRS 16	**(13,937)**	**(9,243)**	**(319)**	**-**	**(23,499)**
Effect of discounting future expected cash flow for above revised leases	6,710	412	20	-	7,142
Finance Lease liability at 31 March 2024	**(7,227)**	**(8,831)**	**(299)**	**-**	**(16,357)**
Add leases not included in above Leases:					
Leases included as a result of IFRS 16 review	(772)	-	-	-	(772)
Finance Leases at 31 March 2024	**(7,999)**	**(8,831)**	**(299)**	**-**	**(17,129)**

PFI and Veolia vehicles leases have been excluded from above reconciliation because both have been accounted for as Finance leases before implementation of IFRS 16 and thus never formed part of the Operating Leases balance at 31 March 2024. Please refer to Note 9 and 10 for additional information of the impact of IFRS 16 implementation on fixed assets values.

The Council is engaged in various leases to acquire the use of buildings, vehicles and office equipment. The Lessee figures under Finance Leases heading below include data for Private Finance Initiative (PFI) leases. Please refer to Note 15 for the PFI note.

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

(i) Finance Leases

Lease liabilities - Maturity Analysis

	31 March 2025 £000	31 March 2024 £000
Not later than one year	9,801	889
Two to five years	13,908	3,825
More than five years	6,079	2,558
Total liabilities at 31 March	**29,788**	**7,272**

Amounts recognised in Comprehensive Income and Expenditure Statement

	31 March 2025 £000	31 March 2024 £000
Interest expense on lease liabilities	2,170	197
Interest income from sub-leasing Right-of-use assets	(37)	-

(ii) *Operating Leases*

Leases-In deemed to be short term or low-valued are exempt from being capitalised on the Balance Sheet but still needs to be disclosed as Operating Leases.

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

	31 March 2025 £000	31 March 2024 £000
Not later than one year	379	8,151
Two to five years	40	7,606
More than five years	-	9,377
	419	**25,134**

Amounts recognised in Comprehensive Income and Expenditure Statement

	31 March 2025 £000	31 March 2024 £000
Short term and Low-value lease payments	835	11,331

The Council has sub-let six properties held under leases-in.

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

(B) Council as Lessor

The Council leases out property 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 total value of the Property, Plant and Equipment assets subject to Operating Leases-Out is listed in Note 9.

(i) Finance Leases

The Council is not engaged into any direct finance leases out. However, the Council sublets certain properties which need to be assessed according to the accounting policy to determine if the lease equates to a finance lease out.

Lease assets - Maturity Analysis

	31 March 2025 £000	31 March 2024 £000
Not later than one year	32	-
Two to five years	142	-
More than five years	798	-
Total assets at 31 March	**972**	**-**

Amounts recognised in Comprehensive Income and Expenditure Statement

	31 March 2025 £000	31 March 2024 £000
Finance income on Lease assets (i.e. Long Term Debtor)	37	-
(Gain)/Loss on derecognition of assets*	-	-

* Zero gain/loss because Lease Debtor valuation equates to same value written out of Fixed Assets Register.

(ii) Operating Leases

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

	31 March 2025 £000	31 March 2024 £000
Not later than one year	7,414	5,124
Two to five years	16,800	12,248
More than five years	10,567	12,808
	34,781	**30,180**

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

2024/25 was the 20th 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.

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 2025 (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 2025/26	6,475	700	766	7,941
Payable within two to five years	25,898	3,957	1,906	31,761
Payable within six to ten years	2,270	555	93	2,918
	34,643	5,212	2,765	42,620

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:

	2024/25	2023/24
	£000	£000
Balance outstanding at start of year	5,627	6,146
IFRS 16 Liability revaluation	197	-
Payments during the year	(613)	(519)
Capital expenditure incurred in the year	-	-
Balance outstanding at year-end	**5,211**	**5,627**

16. Debtors

(i) Short term debtors

	31 March 2025 £000	31 March 2024 £000
Council Tax Receivable from Taxpayers	27,125	25,234
Non Domestic Rates Receivable from Taxpayers	19,333	23,556
Business Rates Supplement Debtor	317	-
Trade Debtors	27,062	29,488
Other Debtors	34,194	40,315
Acquisition of commercial units (Civic Campus)	40,925	-
VAT Debtors	9,471	11,646
Prepayments and Accrued Income	24,868	19,170
Impairment Allowance for Doubtful Debts	(71,668)	(80,931)
Total	**111,627**	**68,478**

(ii) Long term debtors

	31 March 2025 £000	31 March 2024 £000
Acquisition of commercial units (Civic Campus)	-	36,268
Education City loan	-	22,060
Other Long Term Debtors	1,315	2,180
Total	**1,315**	**60,508**

17. Cash and Cash Equivalents

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

	31 March 2025 £000	31 March 2024 £000
Cash held by the Council	74	74
Bank current accounts	-	-
School bank accounts	4,154	5,436
Short-term deposits	34,200	39,820
Cash and Cash Equivalents	**38,428**	**45,330**
Bank overdraft*	**(3,938)**	**(7,477)**
Cash Management	**34,490**	**37,853**

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

18. Creditors

	31 March 2025 £000	31 March 2024 £000
Council Tax Creditor	(3,782)	(2,647)
NDR Retained Income Creditor	(68,021)	(82,424)
Business Rate Supplement Creditor	(308)	(231)
NDR Taxpayers Receipts not yet Paid to Government	-	(41)
Council Tax Refundable to Taxpayers	(8,391)	(7,595)
Non Domestic Rates Refundable to Taxpayers	(14,447)	(18,604)
Other Tax and Social Security Payable	(3,502)	(4,551)
Trade Creditors	(2,623)	(1,034)
Other Creditors	(72,932)	(66,034)
Short Term PFI Lease Liability	(700)	(592)
Short Term Finance Lease Lease Liability	(9,101)	(889)
Total	**(183,807)**	**(184,642)**

19. Other Long-Term Liabilities

	31 March 2025 £000	31 March 2024 £000
Net Pensions Liability	(37,143)	(38,735)
Finance Lease Liability	(15,454)	(6,384)
Private Finance Initiative (PFI) Liability	(4,512)	(5,035)
Total	**(57,109)**	**(50,154)**

20. Provisions

	Insurance £000	NDR - Losses on Appeals £000	Other Provisions £000	Total £000
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)**
Additional provisions	-	(4,075)	-	(4,075)
Amounts used	-	4,956	388	5,344
Unused amounts reversed	121	-	1,476	1,597
Balance at 31 March 2025	**(3,611)**	**(6,897)**	**(4,826)**	**(15,334)**
Of which:				
Next twelve months	(3,611)	(6,897)	(4,826)	(15,334)
Over twelve months	-	-	-	-
Balance at 31 March 2025	**(3,611)**	**(6,897)**	**(4,826)**	**(15,334)**

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 March 2021. 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.

20. Provisions (cont'd)

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 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 2025 £000	31 March 2024 £000	31 March 2025 £000	31 March 2024 £000
Financial assets at amortised cost				
Investments	195	195	10,198	118,716
Investment in Joint Venture held at cost	25,000	29,823		
Cash and Cash Equivalents	-	-	38,428	47,810
Long Term Debtors	1,315	23,314	-	-
Trade Debtors	-	-	27,062	30,341
Total	**26,510**	**53,332**	**75,688**	**196,867**
Financial liabilities at amortised cost				
Borrowings	(282,091)	(253,053)	(9,077)	(18,337)
Bank overdraft	-	-	(3,938)	(9,957)
Long Term Creditors	(100)	(100)	-	-
Trade Creditors	-	-	(82,067)	(65,217)
Total	**(282,191)**	**(253,153)**	**(95,082)**	**(93,511)**
Other Liabilities:				
PFI & Finance Lease liabilities	**(19,987)**	**(11,418)**	**(9,801)**	**(1,481)**

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 2024/25 or previous years.

21. Financial Instruments (cont'd)

(iii) Income, Expense, Gains and Losses

	2024/25			2023/24		
	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	12,155	-	12,155	11,147	-	11,147
Total expense in Surplus or Deficit on the Provision of Services	**12,155**	**-**	**12,155**	**11,147**	**-**	**11,147**
Interest income	-	(7,567)	(7,567)	-	(13,398)	(13,398)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(7,567)**	**(7,567)**	**-**	**(13,398)**	**(13,398)**
Net gain/(loss) for the year	**12,155**	**(7,567)**	**4,588**	**11,147**	**(13,398)**	**(2,251)**

(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 2025.
- 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 2025 (£0.1m at 31 March 2024) 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 2025		31 March 2024	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities				
Borrowings				
PWLB Debt	(289,662)	(210,203)	(270,390)	(206,302)
Total	**(289,662)**	**(210,203)**	**(270,390)**	**(206,302)**

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 £210.203m as at 31 March 2025.

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 2025, 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 2025 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 73% provided for. In total, the ECL for trade and other debtors at 31 March 2025 was £34.1m (£39.5m at 31 March 2024).

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 £15.75 million at 31 March 2025 (£18.80 million at 31 March 2024). 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 2025 £000	31 March 2024 £000
Less than three months	8,050	11,484
Three to six months	1,898	1,162
Six months to one year	2,333	1,765
More than one year	14,408	13,451
	26,689	**27,862**

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 2025 £000	31 March 2024 £000
Less than one year	(6,474)	(15,689)
Between one and two years	(12,195)	-
Between two and five years	(34,946)	(22,395)
Between five and ten years	(47,075)	(42,789)
More than ten years	(187,580)	(187,580)
Total	**(288,270)**	**(268,453)**

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

	31 March 2025 £000	31 March 2024 £000
Less than one year	10,000	117,000
Between one and two years	25,195	30,018
Between two and three years	-	**-**
More than three years	-	22,060
Total	**35,195**	**169,078**

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

	2024/25 £000	2023/24 £000
Adjustment for items included elsewhere in the Cash Flow Statement:		
Capital Grants	(68,201)	(63,323)
Adjustment for 'non-cash' items included in the Income and Expenditure Statement:		
Depreciation and Amortisation of non-current assets	47,505	40,245
Impairments and revaluations	132,515	112,427
Value of non-current assets derecognised on disposal	17,179	18,758
Value of 'Assets Held for Sale' derecognised on disposal	-	-
Other derecognitions of non-current assets	-	-
Assets transferred to/(from) Assets Held for Sale	-	-
Net adjustment made in respect of IAS 19 (Pensions)	(3,312)	2,756
Non-cash fixed asset acquisitions (incl. finance leases)	(24,346)	(14,677)
Revaluations of Available for Sale Financial Assets	-	-
Amortisation of Premia and Discounts	6	6
Impairment of Financial Instruments	-	-
Movement in non-cash assets and liabilities:		
(Increase)/decrease in short-term Debtors*	524	(6,879)
add/less: (Increase)/decrease in Capital Debtors	1,595	1,190
(Increase)/decrease in Long-term Debtors	17,038	(37,511)
Increase/(decrease) in short-term Creditors*	(13,843)	4,033
add/less: Increase/(decrease) in Capital Creditors	6,048	807
Assets transferred to 'Assets Held for Sale'	-	-
Increase/(decrease) in Long-Term Finance Leases	19,331	1,968
(Increase)/decrease in Inventories	(39)	8
Increase/(decrease) in Provisions	(2,865)	(3,921)
Increase/(decrease) in Grants and Contributions Receipts in Advance	515	(12,509)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**129,650**	**43,378**

*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:

	2024/25 £000	2023/24 £000
Interest Received	8,997	13,811
Interest Paid	(12,189)	(11,071)

22c. Reconciliation of Liabilities Arising from Financing Activities

2024/25	Long-Term Borrowing £000	Short-Term Borrowing £000	Bonds £000	Finance Lease Liabilities £000	PFI £000	Total £000
Opening Balance	**(252,053)**	**(18,337)**	**(1,000)**	**(7,272)**	**(5,627)**	**(284,289)**
Adoption of IFRS 16	-	-	-	(17,129)	(197)	(17,326)
Revised Opening Balance	**(252,053)**	**(18,337)**	**(1,000)**	**(24,401)**	**(5,824)**	**(301,615)**
Cash (Inflow)/Outflow	**(35,000)**	**15,689**	**(492)**	**10,450**	**613**	**(8,740)**
- Repayments	-	15,689	249	10,450	613	27,001
- Proceeds	(35,000)	-	(741)	-	-	(35,741)
Non-cash:	**6,137**	**(6,109)**	**(14)**	**(10,605)**	**-**	**(10,591)**
- Fair value	-	-	-	(892)	-	(892)
- Additions to right-of-use assets in exchange for increased lease liabilities	-	-	-	(13,835)	-	(13,835)
- Transfers between ST and LT	6,149	(6,149)	-	-	-	-
- Other Non-Cash changes	(12)	40	(14)	4,123	-	4,137
End Balance	**(280,916)**	**(8,757)**	**(1,506)**	**(24,555)**	**(5,211)**	**(320,945)**

2023/24	Long-Term Borrowing £000	Short-Term Borrowing £000	Bonds £000	Finance Lease Liabilities £000	PFI £000	Total £000
Opening Balance	**(267,732)**	**(6,847)**	**-**	**(5,991)**	**(6,146)**	**(286,716)**
Adoption of IFRS 16	-	-	-	-	-	-
Revised Opening Balance	**(267,732)**	**(6,847)**	**-**	**(5,991)**	**(6,146)**	**(286,716)**
Cash (Inflow)/Outflow	**-**	**4,279**	**(982)**	**686**	**519**	**4,502**
- Repayments	-	4,279	-	686	519	5,484
- Proceeds	-	-	(982)	-	-	(982)
Non-cash:	**15,679**	**(15,769)**	**(18)**	**(1,967)**	**-**	**(2,075)**
- Fair value	-	-	-	-	-	-
- Additions to right-of-use assets in exchange for increased lease liabilities	-	-	-	(6,241)	-	(6,241)
- Transfers between ST and LT	15,689	(15,689)	-	-	-	-
- Other Non-Cash changes	(10)	(80)	(18)	4,274	-	4,166
End Balance	**(252,053)**	**(18,337)**	**(1,000)**	**(7,272)**	**(5,627)**	**(284,289)**

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 Business Improvement Districts and Transport for London.

24. Members' Allowances

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

	2024/25 £000	2023/24 £000
Members' Allowances	1,188	1,042

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	Non-consolidated payments	Expenses allowances	Compensation for loss of office	Pension Contribution	Total
			£	£	£	£	£	£
Chief Executive - S Lea	a	**2024/25**	**217,794**	**-**	**-**	**-**	**44,866**	**262,660**
		2023/24	212,481	-	-	-	33,198	245,679
Executive Director - People - J McShannon	1, a	**2024/25**	**182,126**	**-**	**-**	**-**	**37,518**	**219,644**
		2023/24	167,595	-	-	-	34,525	202,120
Executive Director - Place - B Kainth	1, b	**2024/25**	**180,286**	**-**	**-**	**-**	**37,139**	**217,425**
		2023/24	152,070	-	-	-	31,326	183,396
Executive Director - Finance & Corporate Services - S Kalsi (S151 Officer)	1, a	**2024/25**	**179,899**	**-**	**-**	**-**	**37,059**	**216,958**
		2023/24	148,800	-	-	-	30,653	179,453
Director - Corporate Services - N Ellis	2, c	**2024/25**	**152,520**	**-**	**-**	**-**	**31,419**	**183,939**
		2023/24	124,800	-	-	-	28,065	152,865
Director - Procurement & Digital - J McCormick	3, c	**2024/25**	**152,520**	-	-	-	**31,419**	**183,939**
		2023/24	113,547	-	-	-	23,391	136,938
Director of Legal Services (Monitoring Officer)	4, a	**2024/25**	**130,392**	**-**	**-**	**-**	**26,861**	**157,253**
		2023/24	19,919	-	-	-	4,103	24,022
Strategic Director - Independent Living	5, a	**2024/25**	**25,875**	**-**	**157**	**-**	**5,330**	**31,362**
		2023/24	142,312	-	191	-	26,803	169,306
Director - Adult Social Care	6, a	**2024/25**	**78,840**	**-**	**-**	**-**	**16,241**	**95,081**
Strategic Director of Economy	7, b	**2024/25**	**43,479**	**-**	**-**	**53,383**	**10,699**	**107,561**
		2023/24	148,624	-	-	-	30,708	179,332
Director of Public Health	8, a	**2024/25**	**133,407**	**-**	**-**	**-**	**27,482**	**160,889**
		2023/24 (Restated)	130,152	-	110	-	26,811	157,073

Key to the inclusion of officers
a - Statutory Chief Officer
b - Non-statutory Chief Officer, being defined as a direct report of the Chief Executive and/or a member of the Senior Leadership Team
c - Other officers for inclusion where salary is over £150,000

25. Officers' Remuneration (cont'd)

Notes
1. The posts of Executive Directors for People, Place and Finance & Corporate Services were established in May 2024; The Executive Director for People previously served as the Strategic Director of Children's Services; The Executive Director for Place previously served as the Strategic Director of Environment; The Executive Director - Finance & Corporate Services previously served as the Director of Finance.
2. The Director - Corporate Services - commenced in post in May 2024 on an acting basis the incumbent officer having previously served as the Interim Strategic Director - Chief Operating Officer
3. The Director - Procurement & Digital - commenced in post in May 2024 on an acting basis
4. 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 in Note 31).
5. The Strategic Director - Independent Living (previously Strategic Director - Social Care) left the Council in May 2024.
6. The Director - Adult Social Care commenced in post in September 2024; prior to this the role was occupied on an external interim basis (see further details in Note 31).
7. The Strategic Director of Economy left the Council in April 2024
8. The Director of Public Health remuneration has been restated for the prior year. This was accidentally omitted from the prior year accounts as it was not known at the time that the post qualifies as a statutory chief officer post, and therefore, should have been disclosed.

25. Officers' Remuneration (cont'd)

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	2024/25 Number of Employees	2023/24 (restated)* Number of Employees
£170,000 - £174,999	1	1
£145,000 - £149,999	1	0
£135,000 - £139,999	3	1
£130,000 - £134,999	4	3
£125,000 - £129,999	1	2
£120,000 - £124,999	2	5
£115,000 - £119,999	2	2
£110,000 - £114,999	10	6
£105,000 - £109,999	16	11
£100,000 - £104,999	8	10
£95,000 - £99,999	15	13
£90,000 - £94,999	20	23
£85,000 - £89,999	20	11
£80,000 - £84,999	26	22
£75,000 - £79,999	38	41
£70,000 - £74,999	49	39
£65,000 - £69,999	124	94
£60,000 - £64,999	180	166
£55,000 - £59,999	304	224
£50,000 - £54,999	311	314
Total	**1135**	**988**

*The prior year total has been restated (previously 990) as 2 posts have now been added to the Senior Officer table (Director of Public Health and Director - Procurement & Digital) and therefore removed from this table.

Of the 1,135 employees listed above in 2024/25, 211 (19%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2023/24 was 203 (21%). Remuneration bands where there are nil employees in both years are excluded from the above table (e.g. £140,000 - £144,999).

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 (£)	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
£0 - £20,000	11	7	3	22	14	29	144,194	228,923
£20,001 - £40,000	10	2	2	3	12	5	327,048	131,007
£40,001 - £60,000	2	-	1	2	3	2	153,467	95,900
£60,001 - £80,000	1	2	-	-	1	2	61,549	143,295
£80,001 - £100,000	1	-	1	2	2	2	179,611	174,585
£150,001 - £200,000	1	-	-	-	1	-	161,227	-
£200,001 - £250,000	-	1	-	-	-	1	-	210,927
£250,001 - £300,000	-	1	-	-	-	1	-	262,409
Total	**26**	**13**	**7**	**29**	**33**	**42**	**1,027,096**	**1,247,046**

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 2024/25, the Council paid £6.79 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 28.68% of pensionable pay. The figures for 2023/24 were £5.58 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 2024/25 the costs arising from additional benefits amounted to £297.6k (2023/24: £351.8k).

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**	
	2024/25	**2023/24 (restated)**	**2024/25**	**2023/24**
	£000	**£000**	**£000**	**£000**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service costs	25,642	26,274	59	59
• past service costs including curtailments	225	654	-	-
• (gain)/ loss from settlements	(403)	(348)	-	-
• administration expenses	-	-	16	15
• unfunded pension payments	(1,819)	(1,459)	(14)	(14)
Financing and Investment Income and Expenditure:				
• net interest expense / (income)	1,787	4,253	(1,095)	(916)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**25,432**	**29,374**	**(1,034)**	**(856)**
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)	13,224	(37,864)	911	(2,280)
• Actuarial gains and losses arising on changes in demographic assumptions	(2,250)	(6,682)	(76)	(424)
• Actuarial gains and losses arising on changes in financial assumptions	(190,834)	(55,965)	(2,266)	(20)
• Experience (gain)/loss on defined benefit obligation	(10,330)	40,046	(89)	103
• Other actuarial (gains)/losses	-	-	-	-
• Impact of asset ceiling	190,870	5,542	2,560	3,562
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**680**	**(54,923)**	**1,040**	**941**
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	(25,432)	(29,374)	1,034	856
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	27,683	25,730	27	32

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	
	2024/25 £000	2023/24 £000 (restated)	2024/25 £000	2023/24 £000 (restated)
Opening balance 1 April	**1,290,750**	**1,264,689**	**53,761**	**51,305**
Current service cost	25,642	26,274	59	59
Interest cost	61,163	59,657	1,450	1,495
Remeasurement (gains) and losses:				
- Change in financial assumptions	(190,834)	(55,965)	(2,266)	(20)
- Change in demographic assumptions	(2,250)	(6,682)	(76)	(424)
- Experience	(10,330)	40,046	(89)	103
Effect of settlements	(1,481)	(1,164)	-	-
Estimated benefits paid net of transfers in	(52,107)	(49,536)	(2,616)	(2,325)
Past service costs, including curtailments	225	654	-	-
Contributions by Scheme participants	9,159	8,694	18	20
Unfunded pension payments	(1,819)	(1,459)	(14)	(14)
Effect of the asset ceiling	191,136	5,542	2,560	3,562
Closing balance at 31 March	**1,319,254**	**1,290,750**	**52,787**	**53,761**

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

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
Opening balance 1 April	**1,252,025**	**1,174,685**	**53,751**	**51,348**
Interest on assets	59,642	55,404	2,545	2,411
Remeasurement gain/ (loss):				
- Return on assets less interest	(13,224)	37,864	(911)	2,280
Other actuarial gains/(losses)	-	-	-	-
Administration expenses	-	-	(16)	(15)
Contributions by employer including unfunded	29,502	27,189	41	46
Contributions by scheme participants	9,159	8,694	18	20
Estimated benefits paid plus unfunded net of transfers in	(53,926)	(50,995)	(2,630)	(2,339)
Effect of settlements	(1,078)	(816)	-	-
Closing balance at 31 March	**1,282,100**	**1,252,025**	**52,798**	**53,751**

Pension Assets and Liabilities Recognised in the Balance Sheet

	31 March 2025 £000	31 March 2024 £000
Present Value of Liabilities		
LBHF Local Government Pension Scheme (Funded)	1,106,752	1,270,153
LBHF Local Government Pension Scheme (Unfunded)	15,824	15,055
LPFA Local Government Pension Scheme (Funded)	27,639	31,160
LPFA Local Government Pension Scheme (Unfunded)	24	37
Fair Value of Assets		
LBHF Local Government Pension Scheme	(1,282,100)	(1,252,025)
LPFA Local Government Pension Scheme	(52,798)	(53,751)
Impact of Asset Ceiling		
LBHF Local Government Pension Scheme	196,678	5,542
LPFA Local Government Pension Scheme	25,124	22,564
Net liability arising from defined benefit obligation		
LBHF Local Government Pension Scheme	37,154	38,725
LPFA Local Government Pension Scheme	(11)	10
Total	**37,143**	**38,735**

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 £37.1m has a material 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 deficit on the LBHF local government scheme 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 2025 is estimated to be 3.7% for LBHF Local Government Pension Scheme and 3.11% 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 2025		31 March 2024	
	£000	%	£000	%
Equities	128,896	10.1	125,872	10.1
Investment Funds and Unit Trusts	1,078,590	84.1	1,053,289	84.1
Cash	5,543	0.4	5,413	0.4
Property	69,071	5.4	67,451	5.4
Total	**1,282,100**	**100**	**1,252,025**	**100**

	LPFA Local Government Pensions Scheme			
	31 March 2025		31 March 2024	
	£000	%	£000	%
Equities	31,140	59.0	32,544	60.5
Target Return Portfolio	9,589	18.2	9,273	17.3
Infrastructure	6,022	11.4	6,175	11.5
Property	4,812	9.1	4,917	9.1
Cash	1,235	2.3	842	1.6
Total	**52,798**	**100**	**53,751**	**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 LLP 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	
	2024/25	2023/24	2024/25	2023/24
Mortality Assumptions				
Life expectancy from age 65 - retiring today				
Men	21.6	21.6	20.2	20.2
Women	24.3	24.3	23.4	23.4
Life expectancy from age 65 - retiring in 20 years				
Men	22.5	22.6	21.0	21.0
Women	25.5	25.6	25.9	25.9
Financial Assumptions				
Rate of Inflation - CPI	2.80%	2.80%	2.90%	2.95%
Rate of Increase in Salaries	3.80%	3.80%	3.90%	3.95%
Rate of Increase in Pensions*	2.80%	2.80%	2.90%	2.95%
Discount Rate	5.80%	4.80%	5.65%	4.85%

*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 2025.

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 2025/26 are £18.8m (LBHF) and £0.050m (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%)		17,723		249
Long term salary increase (+/-0.1%)	645		3	
Pension increases & deferred revaluation* (+/-0.1%)	17,564		252	
Mortality age rating assumption (+/- 1 year)	44,903		1,553	

*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 sets 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 2026 are £27.683m 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 9 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:

	2024/25	2023/24
	£000	£000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year	478	463
Fees payable to External Audit for the certification of grant claims and returns for the year	58	57
Non-Audit Services	13	13
Total	**549**	**533**

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

Grant Thornton UK LLP also acts as the statutory auditor of the Hammersmith and Fulham Pension Fund which the Council is the administering authority of. For the Fees payable to the external auditor for the certification of grant claims, the figures are estimated based on prior year fees and current fee discussions with Grant Thornton. These are anticipated fees based on current proposals for these services, which we have not formally engaged GT to be the auditor for yet.

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 2024/25 are as follows:

	Central expenditure	Individual schools budget	Total
	£000	£000	£000
Final DSG for 2024/25 before academy and high needs recoupment			177,655
Academy and high needs figure recouped for 2024/25			(86,475)
Total DSG after academy and high needs recoupment for 2024/25			91,180
Plus: Brought forward from 2023/24			12,262
Less: Carry-forward to 2025/26 agreed in advance			(12,262)
Agreed initial budgeted distribution in 2024/25	34,064	57,116	91,180
In-year adjustments	960	(399)	561
Final budget distribution for 2024/25	35,024	56,717	91,741
Less: Actual central expenditure	(37,369)		(37,369)
Less: Actual ISB deployed to schools		(56,201)	(56,201)
Plus: Local authority contribution for 2024/25	1,410		1,410
In-year carry-forward to 2025/26	(935)	516	(419)
Plus: Carry-forward to 2025/26 agreed in advance			12,262
Carry-forward to 2025/26			11,843
DSG unusable reserve at the end of 2023/24			(14,505)
Addition to DSG unusable reserve at the end of 2024/25			-
Total of DSG unusable reserve at the end of 2024/25			(14,505)
Net DSG position at the end of 2024/25			(2,662)

29. Dedicated Schools Grant (cont'd)

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

	Central expenditure £000	Individual schools budget £000	Total £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)

The DSG has a cumulative deficit of £2.7 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:

	2024/25 £000	2023/24 £000
Credited to Taxation and Non Specific Grant Income		
S31 Grant - Business Rates Retention Scheme Relief	(23,164)	(21,895)
Social Care Support Grant	(22,500)	(17,280)
Revenue Support Grant	(21,536)	(20,198)
New Homes Bonus Grant	(1,596)	(1,193)
Other Non-ringfenced grants	(3,495)	(5,512)
Capital grants - Developer Contributions (inc Section 106)	(6,413)	(22,103)
Capital grants - Right to Buy Ringfence Agreement (Ed City+Farm Lane)	(4,520)	(3,242)
Capital grants - Refugees Housing Grant	(3,480)	(720)
Capital grants - Hammersmith Bridge Grant	(2,455)	-
Capital Grants - Right to Buy Ringfence Agreement (Hartopp & Lannoy)	(1,738)	(7,289)
Capital Grants - Donated Assets	(1,713)	-
Capital grants - Public Sector Decarbonisation Scheme Grant	(1,376)	-
Capital grants - Single Homelessness Accommodation Grant	(1,307)	-
Capital grants - Other	(3,417)	(6,828)
Total	**(98,710)**	**(106,260)**
Credited to Services		
Housing & Council Tax Benefit Subsidy	(94,136)	(94,829)
Dedicated Schools Grant	(91,596)	(86,841)
Developer Contributions (inc Section 106)	(35,267)	(21,310)
Public Health Grant	(25,129)	(23,801)
Improved Better Care Fund	(10,027)	(11,227)
Post 16 (EFA 16-19) Grant	(5,632)	(5,211)
Homelessness Prevention-Flexible Homelessness Support Grant	(5,457)	(4,941)
Market sustainability and improvement fund	(4,018)	(3,574)
Pupil Premium Grant	(3,324)	(3,392)
Adult Learning	(3,231)	(3,343)
Household Support Fund Grant	(2,829)	(3,033)
Social Care Discharge Fund Grant	(2,343)	(1,406)
Unaccompanied Asylum Seeking Children (U18)	(1,873)	(1,696)
GLA Universal Free Schools Meal Programme	(1,726)	(1,250)
Teachers Pension Employer Contribution Grant	(1,600)	(169)
Disabled Facilities Grant	(1,573)	(1,271)
Unaccompanied Asylum Seeking Children Leaving Care	(1,500)	(1,491)
Core Schools Budget Grant	(1,456)	-
PFI Grants	(1,429)	(1,429)
Rough Sleeping Initiatives Grant	(1,108)	(1,210)
Substance Misuse Treatment & Recovery Grant	(1,062)	(659)
Other grants and contributions	(18,597)	(19,118)
Total	**(314,913)**	**(291,201)**

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:

	2024/25 £000	2023/24 £000
Grants and Contributions Receipts in Advance (Current)		
Homes for Ukraine Tariff Grant	(3,505)	(4,367)
Public Health Grant	(1,394)	(1,808)
Adult & Community Learning	(1,388)	(1,177)
Afghan Wrap Around Support Fund Grant	(1,091)	(1,091)
Other revenue grants	(3,551)	(6,603)
Total	**(10,929)**	**(15,046)**

	2024/25 £000	2023/24 £000
Grants and Contributions Receipts in Advance (Non-Current)		
High Needs Provision Grant	(9,629)	(9,252)
Hammersmith Bridge Grant	(5,145)	-
Right to Buy Ringfence Agreement (White City)	(4,312)	(4,312)
Affordable Homes White City Grant	(2,938)	-
Right to Buy Ringfence Agreement (Mund Street)	(1,778)	(1,778)
Developer contributions (inc. section 106)	(1,678)	(1,326)
Transport for London Grant	(1,478)	(1,193)
Public Sector Decarbonisation Scheme Grant	(1,204)	-
Other capital grants	(4,336)	(10,004)
Total	**(32,498)**	**(27,865)**

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 2024/25 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 2024/25 are set out below.

31. Related Parties (cont'd)

Name of body	2024/25				
	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	-	354	-	-	-
Citizens Advice Hammersmith and Fulham	-	711	(19)	-	-
Hammersmith and Fulham Volunteer Centre	-	106	-	-	-
Hammersmith United Charities	-	-	(11)	-	-
Lyric Theatre Hammersmith Limited	-	439	(40)	-	-
Sands End Arts and Community Centre	-	29	(28)	-	-
Urban Partnership Group	-	920	(8)	7	-
Western Riverside Waste Authority	-	9,799	-	-	-
West King Street Renewal LLP	25,000	103	(1,183)	40,925	-
Total	**25,000**	**12,461**	**(1,289)**	**40,932**	-

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	-	-	-
Citizens Advice Hammersmith and Fulham	-	686	(26)	-	-
Hammersmith and Fulham Volunteer Centre	-	125	-	-	-
Lyric Theatre Hammersmith Limited	-	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)**

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.

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 are 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, 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 Director – Adult Social Care, the cost was £109k in 2024/25 (nil in 2023/24). For the post of Monitoring Officer, the cost was nil in 2024/25 (£64k in 2023/24).

32. Better Care Fund Pooled Budget

The Authority has entered into a pooled budget arrangement with The 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 (LA) 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 2024/25, the overall level of the Better Care Pooled Fund contribution has increased by £3.73m. This was primarily due to additional hospital discharge funds to the ICB and the LA which total £1.66m, inflationary increases across the board but particularly against the ICB minimum of £0.561m, increased ICB & LA investment and additional DFG funding of £1.51m.

The following table summarises the position for 2024/25:

	2024/25	2023/24
	£000's	£000's
Contributions to the Pooled Budget:		
London Borough of Hammersmith & Fulham (LBHF)	(21,520)	(19,631)
North West London Integrated Care Board (NWL ICB)	(24,141)	(22,302)
Total Contributions	**(45,661)**	**(41,933)**
Expenditure Met by the Pooled Budget:		
Costs relating to the reablement of residents	5,585	5,500
Costs relating to care provided in residential settings or in community settings	37,500	34,100
Support Services and programme management relating to the BCF	2,249	1,911
Total Expenditure	**45,334**	**41,511**
Net (surplus)/deficit arising on the pooled budget in the year	(327)	(422)
Net (surplus)/deficit split by:		
Share of the net (surplus)/deficit due to LBHF (includes capital resources)	(376)	(237)
Share of the net (surplus)/deficit due to NWL ICB	49	(185)

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 £269.3k in 2023/24. The latest audited accounts available, those relating to 2023/24, show net assets of £8,786k (£9,291k in 2022/23) and net loss on its activities in that year of £505k (net loss of £979k in

33. Interest in Companies (cont'd)

2022/23). 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 2023/24 show loss for the period amounted to £195k (loss of £174k in 2022/23).

(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) 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).

(v) 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 2025, the Council has £25m invested in the company as an equity investment. The outstanding loan balance of £4.8m (as at 31 March 2024) was fully repaid in 2024/25. In addition, the Council has a long-term debtor with the LLP of £40.9m 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 2023/24 financial year can be found below:

WKSR LLP Full accounts to 31 March 2024 (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 2025, 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.

The Council is aware of the Virgin Media case and will continue to assess the potential impact on the Local Government Pension Scheme (LGPS). Please see Note 5 of the Pension Fund accounts for further details.

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 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 2025/26 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 £1.27 billion) would result in a reduction of £127 million (Revaluation Reserve of £18 million and a £109 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 £1.77 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 2025 is £37.1m.	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 £18m • 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 £18m • A one-year increase in life expectancy would increase the liability by approximately £45m
Financial Instruments	The Code requires the fair value of each class of financial asset and liability to be disclosed in the Notes to the Statement of Accounts to enable it to be compared to its carrying amount in the Balance Sheet. At present, only PWLB loans are valued at fair value on an annual basis. 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.	A 1% change in interest rates on the reporting date with all other variables held constant would result in a rise/fall in the fair value of the PWLB loans of £18.95 million.

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:

	2024/25 £000	2023/24 £000
Balance at 1st April	**(7,133)**	**(6,458)**
Income	(1,543)	(1,497)
Sub total	**(8,676)**	**(7,955)**
Less:		
Expenditure and Transfers	829	822
Balance at 31 March	**(7,847)**	**(7,133)**

37. Events after the Reporting Period

The Statement of Accounts have been prepared up to 31 March 2025 and were authorised for issue by the Executive Director of Finance & Corporate Services on 30 June 2025. 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 2024/25 (the Code) supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025.

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

The Council has adopted IFRS 16 -Leases accounting standard for the financial year 2024/25.

The Council as Lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. This includes arrangements with nil consideration, peppercorn or nominal payments.

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options. The lease liabilities are initially measured at the present value of lease payments, discounted using the interest rate implicit in the lease or, if this cannot be determined, by applying the Council's incremental borrowing rate.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

As permitted by the Code, the Council excludes leases:

• for low-value items that cost less than £15,000 when new, provided they are not highly dependent on or integrated with other items, and
• with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

• assets held under non-commercial leases
• leases where rent reviews do not necessarily reflect market conditions
• leases with terms of more than five years that do not have any provision for rent reviews
• leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The liability is remeasured when:

• there is a change in future lease payments arising from a change in index or rate
• there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee

38. Statement of Accounting Policies (cont'd)

• the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
• there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets 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.

The Council as Lessor

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

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.

38. Statement of Accounting Policies (cont'd)

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
- 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.

38. Statement of Accounting Policies (cont'd)

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.

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.

38. Statement of Accounting Policies (cont'd)

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.

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 People 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.

38. Statement of Accounting Policies (cont'd)

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.

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.

38. Statement of Accounting Policies (cont'd)

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.

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 2024/25. 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

38. Statement of Accounting Policies (cont'd)

- 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.

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 rest 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. This also applies to Right-Of-Use assets identified under IFRS 16.

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.

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.

- The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) (Amendments to IAS 21)
- IFRS 17 Insurance Contracts which replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

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 2025/26 Code also proposes changes to the measurement of non-investment assets as adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These changes include:

- setting out three revaluation processes for operational property, plant and equipment,
- requiring indexation for tangible non-investment assets and
- a requirement to value intangible assets using the historical cost approach.

The proposed changes are not expected to have a material impact on the amounts to be reported in the financial statements.

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.

	2024/25			2023/24			
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total	
	£000	£000	£000	£000	£000	£000	Notes
Income							
Council Tax	-	(120,923)	(120,923)	-	(111,884)	(111,884)	1
Council Tax Hardship Fund/S13A Funding	-	(803)	(803)	-	(753)	(753)	
Business Rates	(236,260)	-	(236,260)	(219,922)	-	(219,922)	2
Business Rate Supplement	(7,183)	-	(7,183)	(7,005)	-	(7,005)	
Transitional Protection Payment	(2,668)	-	(2,668)	(10,007)	-	(10,007)	
Total Income	**(246,111)**	**(121,726)**	**(367,837)**	**(236,934)**	**(112,637)**	**(349,571)**	
Expenditure							
Precepts and Demands:							
Central Government (CLG)	73,075	-	73,075	69,133	-	69,133	
LB Hammersmith & Fulham	66,432	78,825	145,257	62,848	73,180	136,028	
Greater London Authority	81,933	40,594	122,527	77,513	36,440	113,953	
Business Rate Supplement							
Payment to the Greater London Authority	7,170	-	7,170	6,992	-	6,992	2
Cost of collection	13	-	13	13	-	13	
Charges to Collection Fund							
Interest	599	-	599	-	-	-	
Write-offs of uncollectable amounts	7,245	371	7,616	120	381	501	
Increase/(Decrease) in Allowance for Doubtful Debts	(16,218)	910	(15,308)	10,053	1,564	11,617	
Increase/(Decrease) in Provision for Appeals	(2,933)	-	(2,933)	(10,569)	-	(10,569)	
Distribution/(Recovery) of prior year surplus/(deficit)	29,271	(2,258)	27,013	25,776	(1,983)	23,793	
Cost of collection	568	-	568	571	-	571	
Total Expenditure	**247,155**	**118,442**	**365,597**	**242,450**	**109,582**	**352,032**	
Movement on Fund balance	**1,044**	**(3,284)**	**(2,241)**	**5,516**	**(3,055)**	**2,461**	
(Surplus)/Deficit as at 1 April	(40,366)	(746)	(41,112)	(45,882)	2,309	(43,573)	
(Surplus)/Deficit as at 31 March	**(39,322)**	**(4,030)**	**(43,352)**	**(40,366)**	**(746)**	**(41,112)**	3

N.B. The Write-offs of uncollectable amounts and Increase/(Decrease) in Provision for Appeals are 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 2024/25 it was calculated as follows:

	Number of Dwellings 2024/25	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 2024/25	Band D equivalents 2023/24
Band								
A	4,148	3,079	6/9	2,053	(23)	(484)	1,546	1,318
B	6,662	5,050	7/9	3,928	(81)	(1,044)	2,803	2,504
C	14,432	12,598	8/9	11,198	(142)	(2,322)	8,735	8,339
D	25,824	23,255	1	23,255	(260)	(3,146)	19,849	19,822
E	17,134	15,736	11/9	19,233	39	(1,959)	17,313	17,118
F	11,013	10,189	13/9	14,717	183	(907)	13,993	13,796
G	12,070	11,428	15/9	19,047	313	(504)	18,856	18,071
H	2,894	2,856	18/9	5,712	(10)	(19)	5,683	5,564
Total	**94,177**	**84,191**		**99,143**	**18**	**(10,385)**	**88,776**	**86,532**

The 2024/25 Council Tax Base after allowing for adjustments for non-collection was 86,113 (83,936 in 2023/24).

The Council set a 2024/25 Band D charge of £915.37 (£871.86 in 2023/24), inclusive of the Adult Social Care Precept set at 3%. The GLA's Band D charge for 2024/25 was £471.40 (£434.14 in 2023/24) making a total Band D Council Tax charge for 2024/25 of £1,386.77 (£1,306.00 in 2023/24).

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 2025 was £566.1m (£562.3m as at 31 March 2024). The standard NNDR multiplier for 2024/25 was 54.6 pence (51.2 pence in 2023/24). The Small Business Rate Relief multiplier for 2024/25 was 49.9 pence (49.9 pence in 2023/24).

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.

	2024/25			2023/24		
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
	£000	£000	£000	£000	£000	£000
LB Hammersmith and Fulham	(11,797)	(2,660)	**(14,457)**	(12,110)	(475)	(12,585)
Greater London Authority	(14,549)	(1,370)	**(15,919)**	(14,935)	(271)	(15,206)
Central Government (MHCLG)	(12,976)	-	**(12,976)**	(13,321)	-	(13,321)
Total	**(39,322)**	**(4,030)**	**(43,352)**	**(40,366)**	**(746)**	**(41,112)**

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	2024/25 £000	2023/24 £000
Income			
Dwelling Rents		(82,368)	(75,561)
Non-dwelling rents		(37)	-
Charges for services and facilities		(22,628)	(22,571)
Contributions towards expenditure		(1,618)	(751)
		(106,651)	**(98,883)**
Expenditure			
Repairs and maintenance and management			
Repairs and maintenance		20,009	22,089
Supervision and management		53,487	53,863
Rents, rates, taxes and other charges		1,024	1,004
Depreciation and impairment of non-current assets	6	16,164	17,176
Depreciation and impairment of non-current assets - dwelling revaluation	6	137,098	103,279
Debt management costs		148	139
Movement in the allowance for bad debts		1,787	324
		229,717	**197,874**
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		**123,066**	**98,991**
HRA services' share of Non Distributed Costs		(340)	124
Net (Income)/Cost for HRA Services		**122,726**	**99,115**
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		(6,101)	(5,114)
Net (gains)/losses from fair value adjustments on investment properties		(6,434)	(383)
Income and expenditure in relation to investment properties		(3,326)	(3,214)
Interest payable and similar charges		15,747	13,239
Interest and investment income		(1,844)	(2,246)
Net interest on the net defined benefit liability (asset)		106	487
Capital grants and contributions		(10,006)	(12,996)
(Surplus)/deficit for the year on HRA services		**110,868**	**88,888**
Movement on the HRA Statement			
Balance on the HRA at the end of the previous year		**(5,373)**	**(10,020)**
(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		110,868	88,888
Adjustments between accounting basis and funding basis under statute	1	(112,058)	(83,015)
Net (increase)/decrease before transfers to/(from) reserves		(1,190)	5,873
Transfers to/(from) reserves			
Earmarked Reserves*		715	(1,226)
(Increase)/decrease in year on the HRA		**(475)**	**4,647**
Balance on the HRA at the end of the current year		**(5,848)**	**(5,373)**

* 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

	2024/25 £000	2023/24* £000
Charges for depreciation of non-dwellings	(244)	(239)
Charges for depreciation of dwellings	(15,728)	(16,893)
Charges for amortisation	(193)	(44)
Reversal of Major Repairs Allowance credited to the HRA	16,164	17,176
Impairment/Revaluation gains, losses (charged to the I&E)	(137,098)	(103,279)
Revenue expenditure funded from capital under statute (REFCUS)	(183)	(93)
Movements in the market value of investment properties	6,434	-
Capital Funding	12,170	16,413
Gain or loss on sale of HRA non-current assets	5,677	4,422
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	117	-
HRA share of contributions (to)/from the Pensions Reserve	826	(478)
	(112,058)	**(83,015)**

*A new line was added for amortisation to improve the transparency of this note. As a result, the previous year figure is affected but the bottom-line total remains the same.

2. Housing Stock

The Council has overall responsibility for managing the housing stock. The average number of dwellings during 2024/25 was 11,941. 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 2024	11,941	67	11	12,019
Adjustment to opening balance	-	-	-	-
Additions	37	-	-	37
Transfers	(5)	-	-	(5)
Disposals	(33)	-	-	(33)
Number at 31 March 2025	**11,940**	**67**	**11**	**12,018**

3. Stock Valuation

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

	2024/25 £000	2023/24 £000
Operational Assets		
Housing Dwellings	1,266,370	1,358,108
Other Land and Buildings	7,381	8,766
Vehicles, Plant, Equipment	39	35
Intangible Assets	1,122	915
Non-Operational Assets		
Surplus Assets	8,113	7,600
Assets Under Construction	96,914	-
Investment Properties	58,354	51,789
	1,438,293	**1,427,213**

The open market, vacant possession fair value of houses and flats within the HRA as at 31 March 2025 was £5 billion. This compares to the balance sheet value of £1.27 billion for the Council's dwelling stock and hostels as at 31 March 2025. This is an indication of the economic and social cost of providing Council housing at less than full market rents.

4. Capital Expenditure Financing

	2024/25 £000	2023/24 £000
Borrowing	110,452	46,288
Major Repairs Reserve	16,164	17,176
Other Grants and Contributions	13,017	16,634
Capital Receipts	5,342	2,689
Total	**144,975**	**82,787**

5. Capital Receipts

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

	2024/25 £000	2023/24 £000
Dwelling & Hostels	(7,365)	(7,525)
Non-Dwellings	(1,315)	(468)
Total	**(8,680)**	**(7,993)**

6. Depreciation and Impairment

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

	2024/25 £000	2023/24 £000
Operational Assets		
Depreciation		
Dwellings	15,728	16,893
Other Land and Buildings	128	160
Vehicles, Plant, Equipment and Intangible Assets	308	123
Sub-total depreciation and impairment of non-current assets	**16,164**	**17,176**
Revaluation (Gain) / Loss - dwellings	137,098	103,279
Total	**153,262**	**120,455**

7. Rent Arrears and Allowance for Doubtful Debts

Gross rent arrears were as follows:

	2024/25 £000	2023/24 £000
Main Council Stock	7,599	6,548
Hostels	91	224
Total	**7,690**	**6,772**

Allowances for Doubtful Debts at 31 March were:

	2024/25 £000	2023/24 £000
Main Council Stock	(6,546)	(5,958)
Hostels	(94)	(223)
Total	**(6,640)**	**(6,181)**

Pension Fund Accounts

Fund Account

Net Assets Statement

Notes to the Pension Fund

FUND ACCOUNT

	Notes	2024/25 £000	2024/25 £000	2023/24 £000	2023/24 £000
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	7	33,255		31,323	
From Members	7	10,768	44,023	10,303	41,626
Transfers In from other Pension Funds			8,123		8,299
Benefits					
Pensions	8	(48,851)		(44,317)	
Commutation & Lump Sum Retirement Benefits	8	(9,768)		(8,966)	
Payment in respect of tax		(45)	(58,664)	(473)	(53,756)
Payments to and on account of leavers					
Transfers Out to other Pension Funds			(6,370)		(6,980)
Refunds to members leaving service			(81)		(109)
Net Additions (Withdrawals) from dealings with members			**(12,969)**		**(10,920)**
Management expenses	9		**(8,260)**		**(10,857)**
Returns on Investments					
Investment Income	10		21,140		19,531
Other Income	10		286		-
Profit and losses on disposal of investments and changes in value of investments	12		35,670		89,367
Net Return on Investments			**57,096**		**108,898**
Net Increase (Decrease) in the net assets available for benefits during the year			**35,867**		**87,121**
Opening Net Assets of the Scheme			**1,377,564**		**1,290,443**
Closing Net Assets of the Scheme			**1,413,431**		**1,377,564**

NET ASSETS STATEMENT

	Notes	31 March 2025 £000	31 March 2024 £000
Investment Assets			
Equities	12	150	150
Pooled Property Vehicles	12	77,505	73,256
Pooled Investment Vehicles	12	1,212,013	1,183,983
Private Equity / Infrastructure	12	91,187	96,035
Cash Deposits	12	27,459	7,456
Other Investment Balances			
Investment Income Due	12	92	18
Net Investment Assets	12	**1,408,406**	**1,360,898**
Current Assets	19	4,002	3,929
Current Liabilities	20	(2,219)	(2,905)
Cash Balances (held directly by Fund)		3,242	15,642
Net assets of the Fund available to fund benefits at the period end		**1,413,431**	**1,377,564**

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 2025. 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 905 undecided leavers, who are no longer paying contributions or in receipt of benefits.

	31 March 2025	31 March 2024
Number of Active Employers	50	51
Contributing employees	4,921	5,016
Pensioners receiving benefit	6,367	6,046
Deferred members	6,335	6,243
Total members	**17,623**	**17,305**

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 2024/25 and its position at year end as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (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 from active members are accounted for on an accruals basis in accordance with the rates specified under the Local Government Pension Scheme (LGPS) Regulations for the relevant pay period. Employer contributions are also accounted for on an accruals basis and are set in line with the rates determined by the actuary as part of the Fund's triennial actuarial funding valuation. Employer deficit funding contributions are accounted for on the due dates set out in the schedule of contributions, or on receipt if earlier

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) 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.

j) 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.

k) 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.

l) 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) 26 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).

m) 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.

n) 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. There were no such critical judgements made during 2024/25

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 LLP 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 £19m • 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 £18m • A one-year increase in life expectancy would increase the liability by approximately £47m

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 2025, the assets invested with Partners Group were valued at £37.6m (£39.7m in 2023/24).

The same applies to the Quinbrook Infrastructure investment, as at 31 March 2025, the value of the investment was £56.3m (£47.6m in 2023/24). 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 2025, these assets and their values are Darwin Alternatives (£22m), Alpha Real Capital (£74m), Man Group (£26m) and Abrdn Multi-Sector Private Credit (£52m). 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.

c) Virgin Media Case

The Fund is aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case and considers that there is potential for the outcome of this case to have an impact on the Pension Fund. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case, the

judge ruled that alterations to the scheme rules were void and ineffective due to the absence of this written actuarial confirmation. The case was taken to the Court of Appeal, and the original ruling was upheld in July 2024.

As a result, there may be a further liability to the Employer's share of the Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid. The Government Actuary's Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes (LGPS). Their most recent bulletin in November 2024 states that HM Treasury does not believe the Virgin Media case expressly addresses whether confirmation is required for public service pension schemes. Their view is that the relevant amendments in the LGPS would have been made by legislation and therefore would remain valid until revoked or repealed by subsequent legislation or declared void by a court. At this point, it is therefore not possible to estimate the potential impact, if any, on Pension Fund.

On 2nd September 2025, the Government published amendments to the Pension Schemes Bill to allow the retrospective validation of amendments which may have otherwise been invalid, this followed the Court of Appeal's decision in the Virgin Media case.

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	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
	£000	£000	£000	£000	£000	£000
Administering Authority	26,471	24,609	1,212	1,121	9,159	8,694
Scheduled Bodies	4,590	4,163	-	-	1,336	1,232
Admitted Bodies	984	1,449	(2)	(19)	273	377
Total	**32,045**	**30,221**	**1,210**	**1,102**	**10,768**	**10,303**
Total Contributions			**33,255**	**31,323**	**10,768**	**10,303**

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	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
	£000	£000	£000	£000	£000	£000
Administering Authority	(43,996)	(40,186)	(6,396)	(5,915)	(923)	(909)
Scheduled Bodies	(867)	(771)	(336)	(238)	(145)	(451)
Admitted Bodies	(3,988)	(3,360)	(1,849)	(1,328)	(119)	(125)
Total	**(48,851)**	**(44,317)**	**(8,581)**	**(7,481)**	**(1,187)**	**(1,485)**
Total Lump Sum Benefits					**(9,768)**	**(8,966)**

NOTE 9. MANAGEMENT EXPENSES

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

	2024/25	2023/24
	£000	£000
Administrative costs	(1,137)	(1,329)
Investment management expenses	(6,739)	(9,184)
Oversight and governance costs	(384)	(344)
	(8,260)	**(10,857)**

The table below provides a breakdown of the Investment Management Expenses. The fund transitioned assets between managers in the previous year which resulted in increased transaction costs in 2023/24, and these have reduced for the current year.

	2024/25	2023/24
	£000	£000
Management fees	(5,569)	(5,580)
Performance fees	(65)	(672)
Transaction costs	(1,033)	(2,864)
Custody fees	(72)	(68)
	(6,739)	**(9,184)**

The table below is new for the 2024/24 financial accounts and shows the investment management fees broken down by manager this table excludes custodian fees. Please be aware that fees are grossed up – a process that adjusts reported figures so that all management fees are reflected consistently and transparently, regardless of how they are charged or reported by managers.

Investment Manager	2024/25	2023/24
	£000	£000
Legal and General	(489)	(372)
Ruffer	(1,376)	(3,149)
Morgan Stanley	(945)	(1,137)
Insight	(140)	(26)
Allspring Global	(236)	(251)
Oak Hill Advisers	(876)	(836)
Alpha Real Capital	(524)	(692)
Quinbrook	(692)	(322)
Abrdn	(403)	(439)
Partners Group	(635)	(1,181)
Man Group	(168)	(171)
Darwin Alternatives	(184)	(228)
Aviva		(157)
PIMCO		(156)
	(6,666)	**(9,116)**

NOTE 10. INVESTMENT INCOME

The table below shows a breakdown of investment income. To ensure consistency with the Code of Practice and alignment with the investment classifications presented in Note 12, the disclosure of investment income in Note 10 has been reorganised. The revised categories — Pooled Investment Vehicles, Pooled Property Vehicles, Private Equity/Infrastructure, Interest on Cash Deposits, and Other Investment Income (HMRC Refunds) —

provide clearer linkage to the underlying investment types and enhance comparability across the financial statements.

	2024/25 £000	2023/24 £000
Pooled Investment Vehicles	14,068	8,214
Pooled Property Vehicles	3,040	2,718
Private Equity/ Infrastructure	3,123	7,832
Interest on Cash Deposits	909	766
Other Investment Income (HMRC Refunds)	286	-
Total	**21,426**	**19,531**

NOTE 11. INVESTMENT STRATEGY

During 2024/25 the Fund's investment strategy had the following developments:

- In November 2024, the Pension Fund committee agreed a top up of 2.5% (£35m) into Quinbrook Renewable Infrastructure Fund II. The first drawdown to this commitment was made in January 2025.
- In March 2025, the Pension Fund Committee agreed to a 2% (£30m) top up into the Alpha Real Capital Income Linked Index Fund (Commercial Ground Rents). This commitment was fully funded in April 2025.
- In order to fund the new investments, the Fund received its redemption from Aviva Infrastructure in September 2024 and made a partial redemption from the LCIV Ruffer – Absolute Return Fund.

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2025 €8.3m (£6.9m) 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 2025, the Fund had £846m invested with the London CIV, which accounts for 60.1% of the fund's total assets.

The market value and proportion of investments managed by each fund manager at 31 March 2025 was as follows:

	31 March 2025		31 March 2024	
	Market Value £000	Total %	Market Value £000	Total %
Investments manager by the London CIV asset pool				
LGIM - MSCI Low Carbon (Passive)	438,128	31.1%	412,468	30.3%
Morgan Stanley - Global Equity Quality Fund	189,598	13.5%	179,216	13.2%
Ruffer - Absolute Return (Active)	154,813	11.0%	151,199	11.1%
Insight - Buy and Maintain (Short Duration)	33,056	2.3%	33,056	2.4%
Insight - Buy and Maintain (Long Duration)	30,557	2.2%	33,508	2.5%
	846,152	**60.1%**	**809,447**	**59.5%**
Investments managed outside of the London CIV asset pool				
Allspring Global - Buy and Maintain Bonds	138,146	9.8%	135,290	9.9%
Oak Hill Advisers - Secured Income (Active)	77,780	5.5%	73,581	5.4%
Alpha Real Capital - Ground Rents	73,877	5.2%	78,962	5.8%
Quinbrook - UK Renewable Infrastructure	56,269	4.0%	47,633	3.5%
Abrdn - Long Lease Property	51,808	3.7%	49,613	3.6%
Abrdn MSPC	51,734	3.7%	51,221	3.8%
Partners Group - Infrastructure	34,918	2.5%	33,163	2.4%
Inhouse Cash - Cash	27,551	2.0%	7,474	0.5%
Man Group - Affordable Housing	25,697	1.8%	23,643	1.7%
Darwin Alternatives - Leisure Fund	21,654	1.5%	28,995	2.1%
Partners Group - Multi Asset Private Credit	2,670	0.2%	6,487	0.5%
London CIV Ltd	150	0.0%	150	0.0%
Aviva - Private Infrastructure	-	0.0%	15,209	1.1%
Unigestion - Private Equity	-	0.0%	30	0.0%
	562,254	**39.9%**	**551,451**	**40.5%**
	1,408,406	**100.0%**	**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 2025		31 March 2024	
	Market Value £000	Total %	Market Value £000	Total %
LGIM - MSCI Low Carbon (Passive)	438,128	31.1%	412,468	30.3%
Ruffer - Absolute Return (Active)	154,813	11.0%	151,199	11.1%
Allspring Global - Buy and Maintain Bonds	138,146	9.8%	135,290	9.9%
Oak Hill Advisers - Secured Income (Active)	77,780	5.5%	73,581	5.4%
Alpha Real Capital - Ground Rents	73,877	5.2%	78,962	5.8%
Morgan Stanley - Global Equity Quality Fund	189,598	13.5%	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 2024/25:

Fund Manager	Value at 1 April 2024 £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 2025 £000
Equities	150	-	-	-	**150**
Pooled Investment Vehicles	-		-	-	**-**
Pooled Investment Vehicles - Equities	591,684	-	-	36,042	**627,726**
Pooled Investment Vehicles- Bonds	275,435	7,399	-	(3,295)	**279,539**
Pooled Investment Vehicles - Other	316,864	-	(11,539)	(3,103)	**304,748**
Pooled Property Vehicles	73,256	2,444	168	1,637	**77,505**
Private Equity / Infrastructure	96,035	13,892	(20,613)	4,399	**91,187**
Sub-total	**1,353,424**	**23,735**	**(31,984)**	**35,680**	**1,380,855**
Cash Deposits	7,456			(10)	**27,459**
Investment income due	18			-	**92**
Spot FX contracts	-			-	**-**
Totals	**1,360,898**	**23,735**	**(31,984)**	**35,670**	**1,408,406**

Pooled property vehicles includes long-lease property and affordable housing
Pooled Equity / Infrastructure includes infrastructure and renewable infrastructure.

The equivalent analysis for 2023/24 is provided below:

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					
Pooled Investment Vehicles - Equities	585,682		(104,379)	110,381	**591,684**
Pooled Investment Vehicles- Bonds	155,257	195,617	(86,775)	11,336	**275,435**
Pooled Investment Vehicles - Other	377,199	37,000	(76,000)	(21,335)	**316,864**
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**

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.

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
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
Infrastructure funds	Partners Group – 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

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 2025			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 £000	Level 2 £000	Level 3 £000	Level 1 £000	Level 2 £000	Level 3 £000
Financial Assets						
Pooled Investments - Equity funds UK and Overseas Managed Funds		782,539	-		742,883	-
Unquoted bonds and unit trusts		279,539	-		275,435	-
Pooled Long Lease Property Fund		51,808	-		49,613	-
Infrastructure funds			34,918		-	80,796
Illiquid Alternatives		-	232,051		-	204,697
Designated at fair value through profit and loss	-	-	-	0	-	-
Total Financial Assets	**-**	**1,113,886**	**266,969**	**0**	**1,067,931**	**285,493**
Financial Liabilities						
Designated at fair value through profit and loss	-	-	-	0	-	-
Total Financial Liabilities	**-**	**-**	**-**	0	-	-
Net Financial Assets	**-**	**1,113,886**	**266,969**	**-**	**1,067,931**	**285,493**
			1,380,855			**1,353,424**

NOTE 14b. TRANSFERS BETWEEN LEVELS 1 AND 2

In 2024/25 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 31/03/2024	Transfers in/out of Level 3	Purchases	Sales	Unrealised gains / (losses)	Realised gains / (losses)	Market Value as at 31/03/2025
Overseas Infrastructure	33,193	-	3	(724)	4,403	(1,957)	34,918
UK Infrastructure	62,843	-	13,889	(19,888)	7,476	(8,049)	56,271
UK Venture Capital	109,092	-	2,418	(2,526)	(6,739)	-	102,245
London LGPS CIV	150	-	-	-	-	-	150
Private Credit Funds	51,221	-	-	(2,275)	2,785	-	51,731
UK Equity Funds	28,995	-	-	-	(7,341)	-	21,654
Total	**285,494**	**-**	**16,310**	**(25,413)**	**584**	**(10,006)**	**266,969**

The equivalent analysis for 2023/24 is provided below:

	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 Infrastructure	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 2025 has been estimated to be accurate within the following ranges:

Description of assets	Assessed Valuation Range (+)	Assessed Valuation Range (-)	Value at 31 March 2025	Value on increase	Value on decrease
			£000	£000	£000
Partners Group - Infrastructure	12.00%	12.00%	34,918	39,108	30,728
Partners Group - Multi Asset Private Cre	8.00%	8.00%	2,670	2,884	2,456
Darwin Alternatives - Leisure Fund	8.00%	7.10%	21,654	23,386	20,117
Abrdn MSPC	2.01%	2.14%	51,734	52,774	50,627
Alpha Real Capital - Ground Rents	6.30%	5.60%	73,877	78,531	69,740
Quinbrook - UK Renewable Infrastructure	15.53%	13.30%	56,269	65,008	48,785
Man Group - Affordable Housing	9.50%	9.00%	25,697	28,138	23,384
Total			**266,819**	**289,829**	**245,837**

*An asset (totalling £0.150m) has been excluded from this note due to immateriality.

The equivalent analysis for 2023/24 is provided below:

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	16,258	14,038
Partners Group - Infrastructure	6.60%	7.75%	33,163	35,352	30,593
Partners Group - Multi Asset Private Cre	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.

The distinction between a UK asset and an overseas asset is made on the basis of the currency the investment is held in for the purposes of this note.

The table below reflects two adjustments to the prior year. First, contributions receivable and benefits payable were removed from the debtors and creditors lines, respectively, as they are not financial instruments and should not have been recognised in this note. Second, 'Alpha Real Capital – Ground Rents' (£73.9m in 2025, £79.0m in 2024) was reclassified from a UK Infrastructure Fund to a UK Property Fund. These changes have been applied retrospectively to the 31 March 2024 figures shown, ensuring consistency and comparability within the table. We have decided to reclassify our investment "Alpha Real Capital – Commercial Ground Rents" from Infrastructure to Property to better reflect the underlying characteristics of the asset. While the fund provides long-term, inflation-linked income similar to infrastructure, the core exposure is to ground rents secured against commercial real estate. Given that performance is fundamentally driven by property market dynamics and tenant lease structures rather than infrastructure-related risks or cashflows, it is more appropriate to categorise this holding within the Property allocation.

	31 March 2025			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						
Index Linked Securities						
Pooled Investment Vehicles:						
UK equity funds	782,539	-	-	742,883	-	-
UK fixed income fund	256,163	-	-	259,562	-	-
UK property fund	173,036	-	-	181,213	-	-
UK infrastructure	56,269	-	-	62,843	-	-
Overseas fixed income fund	77,780	-	-	73,581	-	-
Overseas infrastructure	34,918	-	-	33,163	-	-
Overseas venture capital	-	-	-	30	-	-
London LGPS CIV	150	-	-	150	-	-
Investment income due	-	92	-	-	19	-
Cash deposits with managers	-	27,459	-	-	7,455	-
Debtors	-	876	-	-	1,033	-
Cash balances (held by fund)	-	3,242	-	-	15,642	-
	1,380,855	31,669	-	1,353,424	24,149	-
FINANCIAL LIABILITIES						
Creditors	-	-	(1,373)	-	-	(2,186)
	-	-	(1,373)	-	-	(2,186)
GRAND TOTALS	**1,380,855**	**31,669**	**(1,373)**	**1,353,424**	**24,149**	**(2,186)**
			1,411,151			**1,375,387**

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 2025	31 March 2024
	£000	£000
Financial Assets		
Fair value through profit and loss	35,680	89,410
Loans and receivables		-
Financial Liabilities		
Fair value through profit and loss	(10)	(43)
	35,670	**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.

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 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 8.9% higher or 8.9% lower.

Assets exposed to price risk

	Value	Price Risk	Positive increase	Negative increase
	£000		£000	£000
At 31st March 2025	1,380,705	8.98%	1,504,733	1,256,677
At 31st March 2024	1,353,274	8.50%	1,468,800	1,237,748

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 2025 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 2025	419,090	402,613	436,908
At 31st March 2024	428,565	410,599	453,104

d) Currency Risk

Currency risk represents the risk that the fair value or 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

denominated in currencies other than pounds sterling. A strengthening or weakening of sterling against the currencies in which the Fund holds investments would increase or decrease the net assets available to pay benefits.

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

The table below presents the sensitivity of the Fund's investments to changes in foreign exchange rates. At 31 March 2025, the Fund had a significant exposure to the US Dollar, with net assets of £466.5m (2024: £425.2m). Exposures to other currencies at the reporting date are not individually significant and are therefore included only within the aggregated sensitivity analysis shown in the table.

Assets exposed to currency risk

	Value £000	Currency Risk	Positive increase £000	Negative increase £000
At 31 March 2025				
US Dollar	466,541	8.35%	505,469	427,613
Other currencies	188,429	4.81%	197,534	179,403
Total	**654,970**	**7.33%**	**703,003**	**606,937**
At 31 March 2024				
US Dollar	425,168	8.26%	460,342	390,049
Other currencies	165,189	5.04%	173,436	156,887
Total	**590,357**	**7.36%**	**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 19.23% of the Fund's Net Assets at 31 March 2025 (19.7% at 31 March 2024). The remaining assets can all be liquidated within days.

Manager	Portfolio	31 March 2025 £000	31 March 2024 £000
Standard Life	Property	51,808	49,613
Partners Group	Infrastructure	34,918	33,163
Partners Group	Multi Asset Credit	2,670	6,487
Unigestion	Private Equity	-	30
Darwin Alternatives	Illiquid Alternatives	21,654	28,995
Alpha Real Capital	Ground Rents	77,780	78,962
Quinbrook	Infrastructure	56,269	47,633
Man Group	Property	25,697	23,643
		270,796	**268,526**

NOTE 17. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

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

	31 March 2025 £000	31 March 2024 £000
Quinbrook - UK Renewable Infrastructure	30,956	3,155
Man Group - Affordable Housing	3,772	6,189
Alpha Real Capital - Ground Rents	30,000	-
Partners Group Direct -Infrastructure Fund 2015	6,963	7,103
	71,691	**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 LLP, 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 2025. The figures have been prepared by Hymans Robertson LLP, 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 2025 £m	31 March 2024 £m
Present Value of Promised Retirement Benefits*	(1,178)	(1,355)
Fair Value of Scheme Assets (bid value)	1,413	1,378
Net Asset/(Liability)	**235**	**23**

The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022.

The assumptions applied by the actuary are set out below:

Financial Assumptions	**31 March 2025**	**31 March 2024**
Salary increases	3.80%	3.80%
Pension increases	2.80%	2.80%
Discount Rate	5.80%	4.80%

Demographic Assumptions

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

Life Expectancy from age 65		**31 March 2025**	**31 March 2024**
Retiring today	Males	21.5	21.6
	Females	24.3	24.3
Retiring in 20 years	Males	22.5	22.6
	Females	25.5	25.6

NOTE 19. CURRENT ASSETS

Debtors	31 March 2025 **£000**	31 March 2024 **£000**
Contributions due - employers	2,351	2,153
Contributions due - employees	776	743
London Borough of Hammersmith and Fulham	49	47
Sundry Debtors	826	986
	4,002	**3,929**

Analysis of debtors	31 March 2025 £000	31 March 2024 £000
Local authorities	49	47
Other entities and individuals	3,740	3,791
Central Government	213	91
	4,002	**3,929**

NOTE 20. CURRENT LIABILITIES

Creditors	31 March 2025 £000	31 March 2024 £000
Unpaid Benefits	(846)	(719)
Management Expenses	(1,096)	(1,278)
Sundry Creditors	(277)	(908)
	(2,219)	**(2,905)**

Analysis of Creditors	31 March 2025 £000	31 March 2024 £000
Other entities and individuals	(2,219)	(2,905)
	(2,219)	**(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.

Scottish Widows Workplace Savings	31 March 2025 £000	31 March 2024 £000
Market Value at 31st March	820	848
Contributions during the year	(31)	(60)
Utmost Life and Pensions		
Market Value at 31st March	152	152

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 £0.921m in 2024/25 (£1.1m in 2023/24) in relation to the administration of the Fund and were

reimbursed by the Fund for the expenses. The Council made £26.5m of contributions in year (£24.6m in 2023/24).

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 £0.207m in 2024/25 (£0.206m in 2023/24) in relation to the accounting and governance of the Fund and were reimbursed for the expense.

NOTE 22A. KEY MANAGEMENT PERSONNEL

The key management personnel of the Fund are the Executive Director - Finance & Corporate Services and the Tri-Borough Director of Treasury and Pensions. Total remuneration payable to key management personnel in respect of the pension fund is set out below:

	31 March 2025 £000	31 March 2024 £000
Short-term benefits	35	33
Post-employment Benefits	(28)	20
	7	**53**

NOTE 23. EXTERNAL AUDIT COSTS

The external audit fee payable to Fund's external auditors, Grant Thornton LLP, was £97,945 (£94,724 in 2023/24).

Draft Annual Governance Statement 2024/25

1.0 Introduction

Hammersmith & Fulham Council has continued to work in 2024/25 to build a stronger, safer and kinder borough. The H&F Plan (2023-26) outlines the Council's vision for the borough, and the aims and ambitions on behalf of residents, local businesses, visitors and partners.

Our vision is underpinned by six values, which inform how we operate:

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

In all of the services we provide, we are looking to advance our values and support those residents who need it most.

In November 2024, we launched the second phase of our inclusive economic growth strategy – Upstream London – to bring residents some of the best new jobs and business start-up opportunities anywhere in the world, right on their doorstep. This built on the economic strategy first launched in 2017, which sought to establish our borough as a global economic hotspot in science, technology, engineering, maths, medicines and media (STEM³) industries.

Keeping residents' safe is of paramount priority, with continued investment in groundbreaking approaches to fight local crime. This includes investing £5.4million to create London's most comprehensive CCTV network of 2,000 cameras and the Law Enforcement Team (LET), which has helped make H&F one of London's safest boroughs.

In 2024/25, we continued to place priority on supporting residents and local businesses that have faced hardship from the significant rise in everyday costs. We have brought people and organisations together through the Cost-of-Living (COL) Alliance. We have ensured immediate support is available to residents who need it through hardship and financial payments, with additional funding to prevent homelessness, reduce housing costs, tackle food poverty, and address fuel poverty.

Our response has extended the Council's long-standing 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.

As we have done in previous years, we will keep listening and working with residents to respond to local, national and international challenges which affect us all.

We want all our services to be of the highest standard, inclusive and accessible to all, whilst ensuring that our resources are used effectively, compliantly with our responsibilities, and supported by good governance.

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.

External assessment of our finances has shown that our RFE value ensures we manage our finances responsibly and compassionately, but also effectively. We have a fantastic record of keeping Council tax and charges to our residents' low.

In 2024/25, we have continued to face some highly challenging financial circumstances. Funding from central government has reduced by 54% in real terms (19% in cash terms) from £164m in 2010/11, to £132m in 2025/26. The economic impact of recent years has put further pressure on our 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 2025/26, 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.

Our organisational strategy is set in the context of major national macro-economic considerations:

- Pressures on government funding and an increase in our costs due to the effects of inflation, high interest rates, and unfunded additional burdens
- More local authorities than ever before requiring Exceptional Financial Support
- The continuing impact of the international economic trading agreements
- Climate change, global warming, and extreme weather events
- The impact of the international conflicts that are affecting world markets
- Significant increases in recent years of fuel, food, and energy costs.

We have faced pressures, like many local authorities, from additional burdens being placed on us by previous governments, 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 processes and controls that are timely, inclusive, open, honest and accountable. This includes ensuring we conduct our business in accordance with the law and that public money is properly accounted for and used effectively.

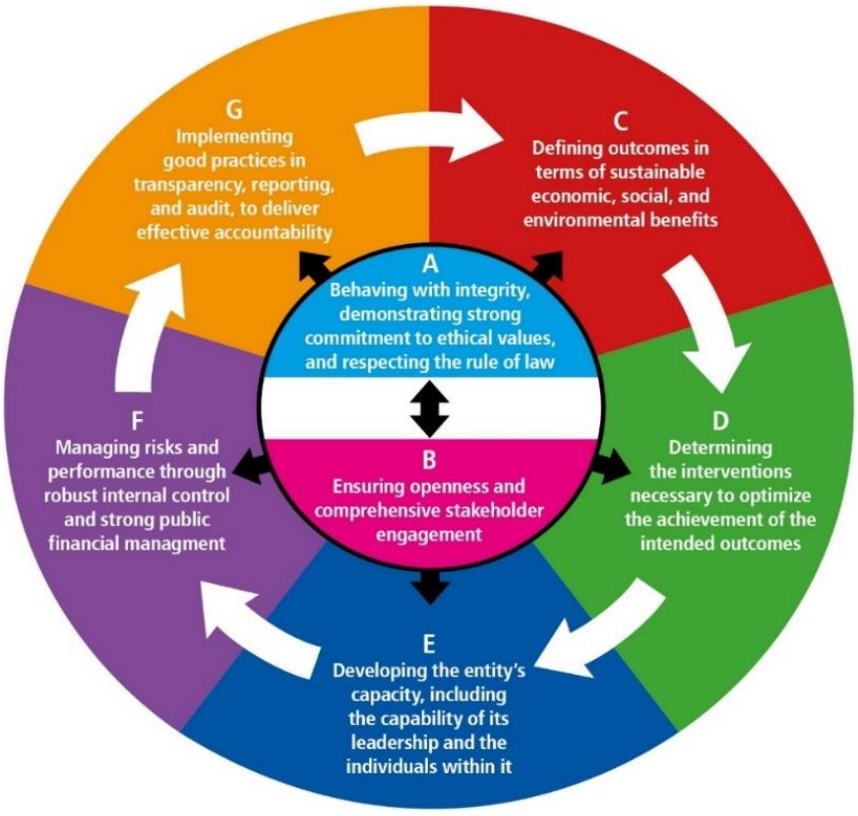
The AGS has been prepared in accordance with guidance and principles produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE), the 'Delivering Good Governance in Local Government Framework'. We welcome the recently produced addendum to the framework, which sets out recommendations and guidance on the form and function of AGSs from 2025/26 onwards. H&F is already working towards this, and intends to be fully compliant, as required, from the 2025/26 AGS.

The AGS for 2024/25 also embraces the elements of internal control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom' and the CIPFA Financial Management Code (FM Code). 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 we have, for the year ended 31 March 2025, complied with our Governance Code and the requirements of the Accounts and Audit Regulations 2015. It also describes how the effectiveness of governance arrangements has been monitored and evaluated during the year and sets out any changes planned for 2025/26.

The following diagram provides a summary of 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** – The Constitution describes how H&F operates, how decisions are made, our local code of corporate governance and the rules, protocols and codes of practice followed. 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, update the Constitution for agreement at Full Council.

- **Codes of Conduct** – H&F has clear policies to define standards of behaviour for Members and staff. The Member Code of Conduct was updated on 7 May 2024 and brought in line with the Local Government Association (LGA) Member Code of Conduct. H&F has a Code of Conduct for employees and a whistleblowing policy. 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 code of conduct.

- **Scrutiny and public engagement** – H&F's overview and scrutiny function consists of six Policy and Accountability Committees (PACs), covering all major service areas, and is overseen by a Policy and Oversight Board (POB), 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. Our annual budget and Medium-Term Financial Strategy (MTFS) were robustly developed through a series of officer and Councillor challenge events, including public scrutiny and review by the POB and PACs.

H&F has comprehensive arrangements for identifying and prioritising residents' needs. We aspire to be the country's leading borough for co-production, expanding co-production across Council services so that residents are fully involved from the earliest stage in shaping their services. The Co-production Matters resident group, chaired by a Cabinet Member, oversees co-production work and is complemented by scrutiny of co-production by PACs. This has included co-producing a new draft digital inclusion strategy.

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.

- **Risk management framework** – This is fundamental to H&F's system of internal control. 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. In March 2025 the Audit Committee approved the Risk Management Strategy for 2025-2028, which included a risk appetite statement. 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. A refreshed corporate risk register was reported to the Audit Committee in March 2025 with a view to focussing more on planned mitigations.

The Strategic Leadership Team (SLT) has a regular focus on corporate risks and reviews departmental risks. Thematic or programme risk registers are maintained in respect of emerging risk areas. Global geo-political and economic events have 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. Additionally, the external auditor reviews the arrangements in place for securing economy, efficiency and effectiveness in H&F's use of resources (typically known as the Value for Money, or VFM, review). Recommendations arising from the External Auditor's reviews are reported to the Audit Committee and regularly monitored by SLT, to assess the effectiveness of the process to secure improvements.

- **Internal audit** - The internal audit service provides assurance and reviews the adequacy of the Council's 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. Internal Audit's Strategy (2025-28), Charter and Mandate were approved by the Audit Committee in March 2025 and align with the Global Internal Audit Standards that came into force on 1 April 2025.

- **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. The Audit Committee undertook a review of their effectiveness, in line with CIPFA guidance, in April 2025 which is due to be reported in June 2025.

- **External inspection** - Council services are subject to statutory external inspections, through various regulatory bodies including Ofsted, the Housing Regulator, Care Quality Commission (CQC)[1], and national government. During 2024/25, the Council's adult social care services were subject to a CQC local authority assessment. This is an important part of the Council's assurance framework.

- **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), three Executive Directors and the Monitoring Officer. SLT are responsible 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. This has been done through management boards and weekly SLT meetings focussed on either business, assurance, or finance matters. SLT Assurance meetings have continued to be chaired by the Shared Services 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 department Heads of Finance.

- **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 Contract Standing Orders were updated in February 2025 to incorporate the new procurement regulations.

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 2024/25 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 the Executive and Cabinet 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. There are also monthly briefings held between the heads of finance and the Cabinet Member for Finance and Reform to ensure sufficient member oversight of key issues.
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, our RFE value is helping to drive efficiency in our services, whilst maintaining our commitment to the most vulnerable and being a compassionate and inclusive Council.

Our RFE approach looks at all areas of our work, considering different ways of delivering services and working more effectively. The Medium-Term Financial Strategy (MTFS) process sets out a strategic approach to addressing the financial challenges we face over a four-year timeline. The Finance function is guardian of the MTFS model that provides a forecast of our General Fund revenue position. This is regularly updated and presented to both officers and members, incorporating known budget pressures (including forecasts of our demand-led pressures), allowances for pay and prices inflation, and estimates of income (across central government grants and locally generated income – the major elements being Council Tax and Business Rates). As is now inevitable in local government, budget need outstrips modelled income, and addressing the budget gap is an all-year round SLT led process.

Over the 2024/25 financial year the MTFS round for 2025/26 has taken shape and culminated in a balanced General Fund revenue budget (without use of general reserves) being presented within the annual budget report to full Council in February. However, the revised MTFS for 2026/27 onwards shows a growing financial challenge, with a £30m budget gap for 2026/27. The impact of Comprehensive Spending Review and central government-driven sector funding reform could potentially compound this challenge.

We similarly presented a balanced 2025/26 Housing Revenue Account (HRA) budget to Cabinet in February 2025. The HRA has financial challenges of its own, as is highlighted later in this document, under Significant Issues. These challenges are also acutely affecting many local authorities nationally. Our Capital Strategy outlines how the Council will invest in its assets to deliver outcomes for residents, visitors, and the wider public across General Fund and HRA.

[1] CQC are the independent regulator of health and ASC in England.

The External Auditor issued an unqualified opinion on the 2023/24 accounts in November 2024, and the audit was certified as complete in December 2024. The External Auditor also issued the 2023/24 Annual Audit Report in November 2024, concluding the VFM review for that year.

Commissioning, procurement and commercial arrangements

H&F's Sourcing Strategy 2022/23 – 2026/27 defines our approach to securing resident outcomes and value for money through the commissioning and procurement of goods and services. It also details how we will secure added value through our spending power.

H&F is now operating under three procurement regimes:

- Public Contract Regulations 2015; for any framework arrangements and extensions still operating under these
- The Provider Selection Regime; for health-related contracts
- The Procurement Act 2023; for all new procurement started after 24 February 2025.

The Council has a forward plan for procurement, identifies key performance indicators to include under the performance requirements of the regulations, has enhanced conflict of interest arrangements, and revised business processes. The grip on value for money has been enhanced with a 70% reduction in the number of waivers from competition, compared to 2023/2024.[2]

H&F ensures effective overview of Council-owned companies through reporting of progress of companies to executives who hold the shareholder function. Business plans are in place where the company delivers significant activity. There is also dedicated focus on any joint venture arrangements.

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.

Business planning and performance management

The H&F Plan for 2023-26, *A Stronger, Safer, Kinder Borough for Everyone*, describes our strategy to deliver our Vision, setting out what we want to achieve for our residents. The plan has comprehensive and cross-cutting ambitions, identifying key outcomes in terms of sustainable economic, social and environmental benefits. It restates our commitment to work with residents, businesses, partners, and our staff, to tackle the biggest challenges facing our communities.

The Council has established arrangements for the management of its objectives and optimising the achievement of intended outcomes. The H&F Plan is implemented through a wider programme of statutory delivery, policy development, business planning and change and transformation activities. 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.

To support monitoring of progress against strategic objectives, a corporate performance framework has been in place throughout 2024/25, along with departmental, service and thematic performance frameworks. Together with associated management arrangements, these enable the Council to review data on delivery progress against agreed performance objectives and intended outcomes. Areas of focus in 2025/26 include learnings from resident complaints, securing significant improvements in processing housing benefits for residents, securing improvements in housing repairs for tenants, and a focus on service areas facing demand pressures such as homelessness prevention, temporary accommodation, and adult social care services.

SLT and Cabinet Members have continued to have 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 reported to the Audit Committee in July 2024. The internal audit service achieved the top rating available against the Public Sector Internal Audit Standards.

Based upon the programme of work for 2024/25, 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

[2] A waiver from competition allows the award of a contract directly to a supplier without a procurement. The council standing orders require procurement, as a matter of course, to ensure value for money.

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.

The Internal Audit service operate 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 Executive 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. 2024/25 saw the development of an internal Business Intelligence search engine to aid fraud investigations through quicker access to administration data held by the Council.

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 2024/25 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 Executive Director of Finance and Corporate Services is responsible for the proper administration of H&F's financial affairs, as required by Section 151 of the Local Government Act (1972). They are responsible for ensuring 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 Executive Director of Finance and Corporate Services chairs the monthly dedicated finance board of the SLT.

The Director of Legal Services is the Monitoring Officer. They maintain and advise on compliance with the Constitution and ensures that decision making is lawful, and in line with the budget and policy framework. The Monitoring Officer also oversees the receiving and registering of Members' interests.

The Monitoring Officer is 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 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.

Effectiveness of department arrangements

Finance and Corporate Services

In 2024/25 the Finance and Corporate Services departments merged into one department. The department includes services overseeing Finance management, Procurement, Digital, Commercial, Business Intelligence, Housing Business Development, Policy and Programme Management Office, Chief Executive's Office, Legal Services, Democratic Services, People and Talent (Human Resources), Communications and Resident Services.

The Department Management Team (DMT) ensures compliance in a number of areas, including the management of our financial, digital, data, information management, human resources, project and programme management and legal, democratic and electoral strategies and processes.

In addition, the department has continued to drive improvement in our Housing Services, providing corporate oversight and guidance to ensure compliance with the Housing Ombudsman's revised Complaint Handling Code. Successful delivery of the Housing Ombudsman recommendations has been recognised by the Housing Ombudsman for good practice on complaint-handling, wherein H&F now delivers a high percentage rate of in-timescale responsiveness. Our Repairs Service has seen significant improvement and has therefore been removed from the corporate risk register. The department has worked with all other 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 leads the H&F Plan, performance management arrangements and the Council's cost-of-living response, managing 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, ensuring that our workforce can deliver excellent services to our residents whilst at the same time offering best value for money. The workforce is one of our greatest assets and the strategy sets out a clear commitment to create an inclusive, confident, capable, compliant and creative workforce. 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 Democratic 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, with co-production a continued focus.

We are proud of our successes, evidenced through our ability to win awards on the back of our apprenticeship initiatives, and learning and development programmes. To ensure a capable and creative workforce, the H&F Academy aims to develop inclusive employment pathways for our residents and care experienced leavers, alongside our internal workforce development and progression offer. The H&F Academy consists of multiple strands including our graduate programme, apprenticeships, supported internships, work experience opportunities, and our Get Ahead Programme, promoting internal staff progression and development opportunities.

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 charters and partner organisations which support our inclusive recruitment and retention strategies. We are accredited with Timewise (demonstrating that we are a fair and flexible employer) and we've pledged our commitment to be an Age Friendly Employer, recognising the value of older workers. Most recently we have submitted our application to progress to become a Disability Confident Leader (Level 3), in line with industry best practice. All of these demonstrate our continued commitment to removing barriers to recruitment. We are delighted to be partnering with Inclusion London as we continue to embed Disability, Equity and Co-production training.

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 of the future. 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'.

In 2024/25, H&F has maintained a focus on workforce planning, effectiveness, wellbeing and resilience. Workforce resilience remains strong despite the turbulence of the marketplace, and we continue to closely monitor our position. Supporting the health and wellbeing of our workforce supports retention, reduces sickness, and promotes a positive workplace that is healthier, more engaged, and productive. Our employee benefits and assistance platforms play a crucial role in supporting our workforce by enhancing overall well-being and job satisfaction, by offering a range of services, including high street and supermarket vouchers, mental health support, and financial counselling, which help employees manage personal and professional challenges.

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.

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 Key Decisions.

The Senior Information Risk Owner (also the Chief Digital Officer) is accountable for the assurance of information security. 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 2024/25. 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' forms part of 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 accessing 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 by the Council. This further increases H&F's resilience around cyber security threats by providing 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) in place to support joined-up working through the lawful sharing of personal data.

Due to the advancement and proliferation of Artificial Intelligence (AI) technologies, H&F has adopted an AI governance framework that supports the responsible and risk-based adoption of these technologies. This framework ensures that the adoption of AI within the Council is subjected to a rigorous and consistent risk assessment that aligns to current governance processes, mitigating the risks of non-compliance with data protection laws, and security and ethical standards.

H&F implemented additional technical controls and cyber security solutions in 2024/25 to further protect 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.

Business Continuity plans are in place for all services and are refreshed periodically including to consider new threats. Cyber security is mandatory for all staff, with guidance and advice available.

H&F participated in an LGA Cyber 360 peer assessment in April 2024. This provided expert guidance and feedback on the Council's cyber security preparedness, ensuring the Council is better equipped to defend against cyber threats. All recommendations from the LGA review have been implemented.

H&F procured a supplier risk management platform in 2024/25. This tool allows H&F to review the security compliance of suppliers in real-time, allowing the Council to monitor and address any degradation in compliance. Enhanced security clauses have been added to all new H&F contracts, to ensure the Council's data is protected and that appropriate security arrangements are in place across our supply chains.

In October 2024 H&F's suite of resilience documents, including Digital Services' Major Incident Plan, Cyber Security Incident Response Plan, and Disaster Recovery Plan, were audited. These were all found to offer satisfactory assurance with minor recommendations to be taken forward in 2025/26.

Housing

The Council is committed to delivering high quality housing services and achieving positive outcomes for our residents. We have made significant advancements in addressing historical issues and are embedding the improvements into day-to-day operations. The Chief Executive chairs a Housing Taskforce which has representatives from across the Council to oversee priority improvement areas.

In 2023/24, H&F was subject to an investigation by the Housing Ombudsman. They opened their wider investigation into H&F in May 2023, producing the report in February 2024. The service had already been working to make improvements in advance of the Ombudsman's findings and were able to show compliance with all their recommendations and monitoring to end in October 2024. We have embraced the Ombudsman's findings and recommendations, demonstrating our dedication to continuous improvement. The Ombudsman has now highlighted H&F as an example of best practice in terms of both responsiveness, and complaint handling.

In response to the Social Housing (Regulation) Act 2023, the service has focused on aligning its policies and procedures with the new consumer standards. This proactive approach ensures that we comply with regulatory requirements, deliver a great service, and meaningfully engage with our residents. The service has consistently delivered 100%, or close to 100%, compliance in the big six compliance areas for the past three years (Gas, Asbestos, Fire, Electrical, Water Hygiene, and Lifts) which form part of regulatory consumer standards. These compliance areas are also regularly checked by internal auditors who have reported the service with satisfactory assurance. The table below demonstrates how we keep our residents safe:

Table: Maintaining the 6 key building safety compliance areas

Safety requirement		Apr-23 (%)	Q1 23/24 (%)	Q2 23/24 (%)	Q3 23/24 (%)	Q4 23/24 (%)	Q1 24/25 (%)	Q2 24/25 (%)	Q3 24/25 (%)	Q4 24/25 (%)
Gas Safety Checks	Actual	99.9	99.9→	99.9→	99.9 →	99.9→	99.9→	99.9 →	99.9 →	100 ↑
	Target	100	100	100	100	100	100	100	100	100
Fire Safety Checks	Actual	98	98 →	98 →	98 →	98 →	98 →	99.3 ↑	99.9 ↑	99.9 →
	Target	100	100	100	100	100	100	100	100	100
Asbestos Safety Checks	Actual	100	100 →	100 →	91 ↓	95 ↑	97 ↑	99 ↑	99→	99 →
	Target	100	100	100	100	100	100	100	100	100
Water Safety Checks	Actual	100	100 →	100 →	100 →	100 →	100 →	100 →	100 →	100 →
	Target	100	100	100	100	100	100	100	100	100
Lift Safety Checks	Actual	100	100 →	100 →	100 →	100 →	100 →	100 →	100 →	100 →
	Target	100	100	100	100	100	100	100	100	100
Electric Safety Checks*	Actual	86.9	89.0↑	90.2 ↑	91.1 ↑	91.4 ↑	94.4 ↑	96.6 ↑	97.2 ↑	97.5 ↑
	Target	100	100	100	100	100	100	100	100	100

*** Electrical safety is 100% in line with historic standards of 10-year certification, this lower figure represents moving to industry best practice & Social Housing Act 5-year certification.**

Major improvements have been secured in our Repairs Service, achieving high volumes of repairs to the quality and timeliness standards residents expect. There continues to be a focus on strengthening the performance of repairs contractors, including securing a new contractor, Wates, in 2024/25. Service performance is closely monitored through the monthly Housing Performance Board. The tables below highlight how we have been improving the timeliness and performance of our repairs service

We have, and continue to be, on a significant improvement journey. The snapshot data below demonstrates our progress on reducing works in progress, damp and mould cases, and the timeliness of our responses:

Measure	2023 Date	Number	2025 Date	Number	% change
WIP (works in progress)	01/06/2023	5,053	10/04/2025	2,540	50% reduction
WIP over 12 weeks old	01/06/2023	4,143	10/04/2025	1	99% reduction
Damp and mould cases	01/06/2023	916	10/04/2025	290	68% reduction

Baseline (June 2023)	4h Emergency	24hr Emergency	7 w/days	20 w/days
< 6 months	9	192	26	4,000
6-12 months	0	0	5	832
12-18 months	0	0	0	176
18-24 months	0	0	0	45
Total	**9**	**192**	**31**	**5,053**

10 April 2025	4h Emergency	24hr Emergency	7 w/days	20 w/days
< 3 months	16	21	115	2,387
3-6 months	0	0	0	1
6-12 months	0	0	0	0
12-18 months	0	0	0	0
18-24 months	0	0	0	0
Total	**16**	**21**	**115**	**2,388**

The Housing Service has made advancements in complaint-handling, with a more resident-focused approach and the majority of complaints responded to on time. Despite these improvements, the volume of complaints remains too high. To reduce the quantity of complaints, a complaints improvement plan has been implemented, overseen by a Complaints Improvement Board.

The past financial year has seen continued increases nationally, and across London, in the number of families facing homelessness and the number of households needing temporary accommodation (TA). H&F has faced these challenges head-on in 2024/25. We identified that we need to improve our TA service, both from a service user and financial perspective. We have established a temporary accommodation 10-Point action plan which aims to secure improvements in the service provided to residents. Progress is overseen by the Housing Taskforce.

The improvements realised across housing services are reflected in resident feedback captured in the latest Tenant Satisfaction Measures (TSM) scores. The provisional figures for 2024/25 show a 14%-point improvement in overall satisfaction and significant improvements in almost all areas. The turnaround in housing services has also been recognised by the External Auditor.

Despite these improvements, we acknowledge that there is still work required to improve our offer in the Neighbourhoods Management and Estate Services. For residents this will mean they will have a more visible presence from housing colleagues on their estates, with better delivery of caretaking and grounds maintenance contracts. Our work so far sets the foundation for further improvements, and we will continue to ensure that future work delivers great outcomes for residents.

People

In May 2024, Children's Services, Adult Social Care (ASC) and Public Health joined together to form the People's Department, under the leadership of the Executive Director of People's Services (also the DCS) and the People Leadership Team (PLT). The new leadership had provided stability, a renewed focus, and the opportunity to ensure residents have access to the support they need, to live well and age well in H&F.

The Commissioning, Transformation and Partnership functions have been brought together under a newly created Director post. The team is central to formulating savings, reforming services, and keeping costs down. They have continued to drive dynamic partnerships and secure third-party investment, with the latter including additional income for a Fostering Recruitment Hub, our Family Hubs, and the Safety Valve agreement with the Department for Education. There is now central oversight of contracts and procurement activity to ensure compliance with the Contract Standing Orders and Procurement Act. The department's Register of Authorities, setting out delegation of specific decisions and functions to authorised officers in the department, was approved at Full Council in February 2025.

New People department governance structures have been established across scrutiny, accountability and oversight, alongside strengthening joint working with the Integrated Care Board and health providers. The department and Corporate Risk Registers are reviewed by the PLT on a quarterly basis. Major change projects and programmes are developed and delivered in accordance with corporate standards.

Finance and HR continue to form part of the PLT. All department key decisions and policy changes are discussed at SLT or Contracts Assurance Board - in line with the Council's governance processes - and are also sighted at the appropriate Cabinet Member's Policy Boards. There is forward planning at each level of governance.

Children's Services

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, including commissioned services to support young people to achieve independence and a programme of holiday activities which provide inclusive events for children of all abilities to be visible in their communities. We have multi-agency work in Family Hubs, including Multi-Disciplinary Teams and Family Navigators.

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. In May 2024 Children's social care was rated 'Outstanding' by Ofsted in the inspection of local authority children's services (ILACS) inspection. Our Youth Justice Service was also graded Outstanding in 2022. We have since 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 well embedded and has strengthened its membership, through the employment of an independent scrutineer. In addition, there is now representation from Education at the Partnership. This is a well engaged multi-agency partnership who ensure our children and young people are safeguarded and have focussed on responding to National Reviews and ensure that services are rigorously challenged.

Children and young people are at the heart of H&F's 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. Following the introduction of our SEND Strategy (2023-2028), and co-produced outcomes framework, we are delivering on these outcomes in partnership with community stakeholders, and providers. This is reported through the multi-agency SEND Delivery Group and Children's Health, Education and Social Care Board (CHESC). There continues to be funding pressures in relation to the High Needs Block of the Dedicated Schools Grant, which is a national challenge in the context of increasing need. Similarly, some schools are experiencing financial sustainability challenges in the context of falling rolls and are being supported by colleagues across Finance and the Education service.

Children's Services continues to deliver excellent services in the context of rising and increasingly complex need, market fragility, the cost-of-living, and the national economic position. These challenges will continue to pose risks to meeting the needs of children, young people and their families within the financial constraints. We have continued to respond dynamically to these risks and have well developed systems to monitor and manage them.

Adult Social Care and Public Health

In 2024, ASC services were inspected by the Care Quality Commission (CQC). The CQC judgement was that the services require improvement in how well they are meeting their duties under Part 1 of the Care Act 2014. Ahead of, and in parallel with, the CQC inspection, the new leadership of ASC has undertaken a robust professional assessment of services. The findings identified the need for focus in relation to performance insight, resident outcomes, strategic commissioning, and operational backlogs. The Executive Director of People's Services has established a new Transformation and Assurance Board, responsible for overseeing a major transformation programme. The Board includes representation from across the Council, with joint corporate workstream sponsorship. The priorities and subsequent workstreams are aligned to fulfil the Council's statutory duties and drive high-performing and quality-focused services in support of good outcomes for residents.

The ASC Performance and Learning Board has been reestablished, overseeing operational system performance, and quality assurance, including establishing programmes of audits and thematic reviews to support continuous improvement. This is being supported by advancements in reporting and insight from business intelligence data. The new ASC leadership have made improvements to safeguarding processes and the Local Safeguarding Partnership continues to have strong partner membership.

Co-production is at the heart of ASC, with a significant amount of engagement and consultation undertaken with stakeholders. The new Director of ASC and the new Director of Commissioning, Transformation and Partnerships have

focused on re-brokering and reestablishing these relationships, to ensure appropriate strategic oversight that drives delivery and improvements in services for our residents.

Our partnerships with the Integrated Care Board (ICB) and health providers continues to be dynamic and evolving in the context of significant changes within the ICB. The introduction of a new Managing Director of H&F Place Partnerships has supported the development of shared priorities, including access to health and care services and mental health, and a review and refinement of governance arrangements, strengthening our collaboration with Health partners.

The Social Care MTFS is subject to review and challenge by PLT and the Cabinet Member, with monthly budget meetings to provide oversight of all savings targets and spend. There continue to be funding pressures in the context of increasing acuity of need which is reflective of the national picture. We continue to proactively request NHS Continuing Healthcare (CHC) assessments for those residents with complex health needs, where health funding packages of care and support – or joint funded packages – are appropriate.

The Director of Public Health (DPH) is a member of the PLT. The DPH is a member of the North-West London DPH group, which meets weekly, and the Association of DPH London group which convenes every two weeks. The DPH is responsible for all statutory public health functions, including the publication of a health and wellbeing strategy (published in 2024) and the Joint Strategic Needs Assessment (JSNA), and plays an active role on Council boards and committees including the Safeguarding Adults Board, Local Safeguarding Children's Partnership and Community Safety Partnership. The DPH is also the Senior Responsible Officer (SRO) and Chair of the LBHF Combating Drugs partnership. The DPH is externally appraised by the Department of Health and was revalidated by the General Medical Council in 2024.

The Public Health team under the leadership of the DPH is responsible for health protection, health promotion, healthcare public health, mental health promotion, suicide prevention, public health services and provision of expert advice to the NHS. The team undergoes professional development e.g. for nurse members, as well as Master's training to ensure that our work is done by appropriately qualified individuals.

The team are fully aligned with the new Procurement Act and have a rigorous workplan, risk management approach, and contract monitoring schedule, meeting with clinicians and providers frequently in order to identify any issues and act on them.

Place

The new Place Department was formed during 2024/25, bringing together services relating to Planning, economy, the corporate landlord, property development, waste, parks, highways, public protection, transport, climate change, and parking. The Place Department also has four new areas of focus: our Public Realm division, our Climate Transport & Parking division, our Planning & Property division, and Economic Development & Regeneration.

The Place Department has embedded strong governance through establishing boards, including 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 commitment to continued ruthless financial efficiency.

Performance monitoring is reported at the Department Leadership Team (DLT), Finance, and Performance monthly meetings, including updates against 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.

Public Realm

Public Realm continues to work strategically to reduce crime and anti-social behaviour across the borough by actively managing various areas including Violence Against Women and Girls (VAWG), Modern Slavery, Hate Crime, and the development of Public Space Protection Orders (PSPO). The team collaborates with partners including the Metropolitan Police, British Transport Police, and the London Fire Brigade to provide crime prevention advice, victim support, and manage crime hotspots. Colleagues regularly engage with residents to address local concerns, and to provide reassurance to the community after serious incidents.

The Council operates one of the largest CCTV networks in the country. 2024/25 also saw H&F providing CCTV services to Westminster City Council. Our Law Enforcement Team (LET) has now been established for four years and continues to provide a reassuring on-street presence, in addition to enforcement of offences such as fly tipping, and breach of PSPO, to provide a safer and more pleasant public realm.

Public Realm plays a vital part in assisting economic growth by ensuring the borough's streets and open spaces are well maintained and strategically improved. To support this, we secured funding from Transport for London and the Department for Transport for road improvements that enabled resurfacing of Shepherds Bush Green and Fulham Road. Flood risk management schemes continue to be implemented to reduce the impact of future flooding events. The annual Parks Satisfaction Survey found a significant improvement in resident satisfaction due to better management (cleanliness, maintenance, and overall quality), as H&F's 21 Green Flag Awards were retained.

As part of the Council's objective to actively enhance the borough's cultural landscape, numerous events were delivered, including the Askew Road Arts Festival (September 2024), which celebrated local history through the creativity of local artists. The strategy to develop H&F's culture was encapsulated in a co-produced Cultural Strategy (launched in late 2023) which resulted in the borough hosting its first-ever H&F Cultural Forum in October 2024, bringing together cultural organisations and residents to shape the delivery of our Cultural Strategy.

Climate Change, Transport & Parking

Significant challenges remain in the ambition for the borough to be net zero by 2030, with our corporate assets the main priority. Climate adaptation is a growing concern as we need to build the required infrastructure to deal with the changing climate.

Reducing fuel poverty for residents and enabling cheaper, greener ways of warming and lighting homes has seen considerable uptake in 2024/25. We have engaged and met with hundreds of H&F residents who are struggling to pay fuel bills. In doing so, we have delivered energy efficient materials, to be fitted at home, to increase insulation and reduce bills.

We aim to embed co-production across all services, having achieved notable success with ongoing work on the King Street Public Realm scheme – representing a collaborative achievement across multiple services. In 2024/25, H&F launched the second tranche of 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.

Reimaging the public realm is a key driver for projects with neighbourhood improvements, cycle lanes, and safety schemes all featuring high on our capital works agenda. Extensive consultation was carried out to ensure co-production - with great success - in area neighbourhood improvement schemes such as the South Fulham Clean Air Neighbourhoods, Cycle safety projects in Rivercourt Road and Weltje Road, the College Park neighbourhood improvement, Wormholt traffic reduction scheme, whilst School Street Plus measures have now been launched with some of our schools. The C34 Cycle way is also due for construction in 2025/26, along Wood Lane, to bring safer cycling to that route.

Changes in parking behaviours and an increase in fraud saw parking income fall significantly in 2024/25. This put significant strain on other parts of the budget, with a focus on mitigating these risks for 2025/26.

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.

Significant issues for 2024/25

Table 1: Progress against significant issues 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
The bridge stabilisation works were completed in March 2025, removing the immediate threat of collapse, and opened to pedestrians and cyclists on 17th April 2025. The bridge remains sub-standard however, and it is managed under assessment to ensure safe conditions of operation. Further works are required to fully strengthen key elements of the bridge to secure its long-term use. The Outline Business Case for full strengthening works was submitted to Department for Transport (DfT) under the previous Government but it was not considered by its investment board. The new Government has chosen to take a fresh look at the challenge to repair the bridge and is considering all options. This may include a phased repair over this Parliament, rather than funding a full refurbishment, which would safeguard it for use by pedestrians and cyclists.
Securing assurance for residents on the quality and value for money of housing repairs
The Housing Service has been on an improvement journey to drastically improve its repairs service, ensuring high quality repairs are delivered first time to residents. The Repairs Team now consistently delivers a high-quality service to residents, completing high volumes of repairs, both emergency and routine, within quality and timeliness standards. This high-quality performance, alongside embedding a new repairs contractor, has been actively monitored through performance reporting and at the Chief Executive-led Housing Taskforce. The Housing Service is committed to sustaining the improvements in the year ahead.

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. The construction contract was revised in December 2024 and now provides high programme and cost certainty, as well as an improved relationship with the contractor. Three of the four new-build blocks are complete with the last block due at the end of August 2025. 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. 2024/25 saw the recommencement of the Member Oversight Board, to inform and involve Members, and the Assurance Board, chaired by the Shared Services Director of Audit, Fraud, Risk and Insurance. A Commercial Board has been established to drive site activation and lettings. Clear governance arrangements remain 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
The final Safety Valve payment was received in Q3 2024/25, reflecting full receipt of the £20.5m of Safety Valve Funding following satisfactory delivery of the Phase 3 transformation programme. The High Needs Block remains under pressure from placement demand, increased complexity of need, and cost inflation. Transformation workstreams have been identified as part of the Safety Valve arrangements to move High Needs expenditure to a sustainable position once again, with further scoping work for potential opportunities and benefits in Q1, 2025/26.
Housing Revenue Account – Financial Sustainability
The HRA continues to face a challenging operating environment with ongoing national, economic, and regulatory pressures. However, the management action and effective financial management in place has ensured that the forecast pressures for 2024/25 have been fully mitigated through the use of contingencies and earmarked reserves. Further, the focus on performance improvement and financial management has enabled the setting of a balanced budget with no deficit for 2025/26. 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 continue to 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.

Table 2: Significant issues identified for 2025/26

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 DfT has provided funding for the permanent repair of the bridge hanger system and this work will be progressed in 2025/26. The plans to repair other aspects of the bridge will be dependent on the decision taken by DfT as part of the Government's Spending Review process, to be concluded by Q2. The Council will continue to engage with DfT and TfL on the longer-term repair of the bridge, and to ensure the Council only pays its fair share of the repairs. The strategy for repair of the bridge will continue to be overseen by an internal Management Board, and through regular stakeholder meetings involving DfT and TfL. This will continue during 2025/26, though the extent this proves necessary will depend on the agreed funding arrangements for further repairs. Without further significant repair, the bridge will receive essential annual maintenance and continue to be monitored for safe operation. If defects are found that need to be repaired to maintain access for non-motorised traffic, they will be reviewed and a decision made.

Securing assurance on delivery of the Civic Campus Programme

Construction works are progressing well, with sectional handovers of the Civic Campus building due between July and December 2025. The set up of the building by the Council including ICT, fit-out, and furniture installation will follow on to allow staggered public opening of services in early 2026. This will allow the Council to vacate and rationalise existing accommodation.

The relationship with the contractor is greatly improved in terms of performance and co-operation. There will be further fit out works undertaken by the tenant (once a tenant is selected) of the restaurant in the new Hammersmith SkyPark. There is a significant focus on marketing and activation of the site as well as agreement of operational plans, including consideration of the future relationship with the LLP.

The programme is closely monitored and directed by the Executive Board on a weekly basis. Additional resources are both in place and being secured to ensure all workstreams are progressed, to achieve as early an opening as possible. Communications will recommence both internally and externally ahead of opening.

Housing Revenue Account – Financial Sustainability

The continued focus on performance improvement and financial management has enabled the setting of a balanced budget with no deficit for 2025/26. This includes the delivery of £5.3m of planned savings, of which £4.0m is already implemented, and the remaining £1.3m being finalised. Also, the approved budget includes a contingency provision of £1.1m to provide funding for potential additional demands and pressures and the general reserve (which protects the HRA from any unexpected events) has been provisionally increased to £5.9m, further strengthening the financial resilience of the HRA.

The HRA continues to face a challenging operating environment with ongoing national, economic, and regulatory pressures. 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 continue to be rigorously managed, and mitigations implemented to ensure the long-term sustainability of services and financial resilience. Minimum general balances will be maintained through the coming year, and onwards.

Assuring quality and financial sustainability of Temporary Accommodation

Collectively, London's councils are expected to face a £500m deficit this year, with rising TA costs meaning that London boroughs were forced to overspend on their homelessness budgets by at least £330m in 2024/25 – a 60% increase on their original homelessness budget plans.

H&F is facing these challenges head-on. Service improvements to assure the quality and financial sustainability of temporary accommodation is being guided by a 10-Point action plan which aims to secure improvements of the quality, and the financial sustainability, of the service. Elements of this plan include:

- Making use of Homelessness Reduction Act flexibilities, to discharge duties through the private rented sector
- Reducing existing homelessness assessment backlogs
- Reviewing our data systems and processes to ensure accurate performance management information
- Reducing the need for Temporary Accommodation, by increasing the number of households rehoused into settled accommodation

Progress will be overseen by the Housing Taskforce, SLT Assurance, and the Cabinet Member for Housing and Homelessness.

Securing reduction in the number of housing complaints

The Housing Service has made significant progress in improving complaint handling, adopting a more resident-focused approach and responding to the majority of complaints within required timeframes. These improvements reflect the council's commitment to transparency, accountability, and service excellence.

However, the introduction of the Housing Ombudsman's Complaint Handling Code has led to a notable increase in the number of complaints being recorded. The Code has raised residents' awareness of their rights and clarified what constitutes a complaint, encouraging more residents to come forward. While this is a positive step in terms of empowering residents and promoting a culture of openness, it has also contributed to sustained high complaint volumes.

This remains a challenge despite the council's proactive efforts. Additionally, the increased scrutiny and expectations introduced by the regulatory environment mean that even minor service failures are more likely to be escalated as formal complaints.

To address this, the council has implemented a comprehensive Complaints Improvement Plan aimed at reducing complaint volumes through strategic initiatives and targeted actions, underpinned by increased monitoring of complaints, and root cause analysis. Some of the actions being taken include:

- Embedding new processes to improve management oversight of cases
- Training staff on effective case handling and record keeping
- Developing technical solutions to track cases more efficiently
- Establishing new procedures for missed repairs appointments
- Enhancing the complaints webpage to ensure residents' general enquiries can be answered before escalating to formal complaints.

Progress will be monitored through the Housing Performance Board, with oversight from the Complaints Improvement Board and regular reporting to the Chief Executive's Service Improvement Board for Tenants.

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. These will continue to be monitored to ensure that they remain effective and legally compliant throughout 2025/26 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 Legal Services), 'Director of Children's Services' (DCS) (Executive Director of People's Services), 'Director of Adult Social Services' (DASS) (Director of ASC) and 'Section 151 Officer' (Executive Director of Finance and Corporate Services) 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 (POB) oversees H&F's overview and scrutiny function. In 2024/25 this was delivered through six Policy and Accountability Committees (PACs), covering all of our major service areas. The PACs in 2024/25 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 POB includes an Administration Chair, 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 representative on the Children and Education PAC is 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 5 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

The Audit Committee approved the Council's Risk Management Strategy (2025-28), in March 2025. 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. The auditor issued an unqualified opinion on the 2023/24 accounts in November 2024 and certified the completion of the audit in December 2024.

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 approved the Internal Audit Strategy (2025-28) in March 2025, which aligns with the Global Internal Audit Standards which came into force, on 1 April 2025. 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 commenced inspections of local authorities in 2024/25.

SLT and management assurance

The SLT is chaired by the Chief Executive and includes the three Executive Directors responsible for the three 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 2024/25

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	• 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: Ministry of Housing, Communities and Local Government (MHCLG) (33%), The London Borough of Hammersmith and Fulham (30%) and the Greater London Authority (37%).

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 MHCLG; 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.

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 2024/25 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-OF-USE (ROU) ASSETS
Assets identified under IFRS 16 Leases in which the Council engaged into contracts to lease-in the relevant assets specified in the lease agreement. Once the lease is confirmed as a Finance Lease, the Council will calculate the Finance Lease Liability which will be recognised on the Balance Sheet against the Right-Of-Use asset leased-in. Right-Of-Use assets should subsequently be measured on the same basis as the underlying asset would be valued if it were owned by the authority.

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 MHCLG 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.

Grant Thornton

Audit Findings (ISA 260) Report for London Borough of Hammersmith and Fulham

Year ended 31 March 2025

October 2025

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October 2025

Dear Members of the Audit Committee

Audit Findings for London Borough of Hammersmith and Fulham for the 31 March 2025

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

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.

Chartered Accountants

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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 manage risk, quality and internal control particularly through our Quality Management Approach. 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-2024-.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 Cuttle

Director
For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of London Borough of Hammersmith and Fulham Council (the 'Council') and the preparation of the Council's financial statements for the year ended 31 March 2025 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 and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Council 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), Narrative Report and Pension Fund Financial Statements), 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 during July-September as planned. Our findings are summarised on pages 12 to 54. We have identified with management 2 adjustments to the financial statements that have resulted in a Nil adjustment to the Council's Comprehensive Income and Expenditure Statement. These have no impact on the level of the Council's usable reserves —reflecting the overall robustness of the financial reporting at the Council.

Audit adjustments are detailed at pages 40-43. We have also raised recommendations for management as a result of our audit work. These are set out at pages 44-47. Our follow up of recommendations from the prior year's audit are detailed at pages 48-50.

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:

- Resolution of queries raised by our valuation expert, from management and their valuation expert;
- Completion of Housing Benefit Assurance Process Module 2 and 5;
- Reciept of management representation letter; and

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.

Our anticipated financial statements audit report opinion will be unmodified.

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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.

We have completed our VFM work, which is summarised on page 52, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report at the Audit Committee meeting. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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Headlines

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 completed the majority of work required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work required in relation to the NAO Whole of Government Account return. Per the Group instructions the Authority is below the audit threshold of £2 billion, which is applied individually to the following benchmarks - income, expenditure, Assets excluding Property Plant and equipment and liabilities excluding Pension liabilities. However, we are required to leave the Certificate open until the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2025.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Within the Public inspection period an objection to the accounts was received. This objection was raised by a valid elector and within the objection window, relating to Pensions. We are reviewing this objection but do not expect to have completed our review prior to the completion of our audit work. We will not be able to certify the 2024-25 audit until we have completed our work on this objection.

We have not exercised any of our additional statutory powers or duties.

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Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local Council audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

We are pleased to note our audit work has been completed significantly ahead of the deadlines noted above both this year and last year. This reflects positively on the way the Council approaches the audit process and proactive detailed approach it takes to the preparation of the financial statements and resolution of audit queries. We will continue to work with management to ensure we work towards providing standard complete audit opinions on a timely basis.

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Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local Council practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration."

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when a Council is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Council

The impact on the Council financial statements is as follows:

- Implementation of IFRS 16 has led to material changes in the financial statements with Right of use assets valued over £60 million being recognised on the balance sheet at the transition date. This balance includes the impact on items under the PFI arrangement for which the Council already had an asset with a corresponding Finance lease liability recognised under the previously applicable standard of IAS 17.

- The Council has made all the necessary changes to the accounting policies relating to borrowing rates, reconciliations, and applied exemptions and have complied with all the disclosure requirements of IFRS 16 and the CIPFA Code.

- Professional judgments have been applied by the Council relating to lease term assumptions, embedded lease identification, and valuation of peppercorn leases, which have been disclosed in the accounts.

(Continued)

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Headlines

Implementation of IFRS 16

Impact on the Council

- Controls have been updated to support lease identification and classification. A completeness exercise was undertaken across the departments using questionnaires and spreadsheets to identify all lessee leases.
- The Council has mostly relied on spreadsheets for implementation and to track lease data and ensure completeness and accuracy across services
- Operating leases were reclassified as finance leases, except IFRS 16 exemptions has been applied where leases have been deemed low-value or short-term.
- 11 peppercorn (nil-consideration) leases were identified; fair value assessments were done by the management's valuer to recognise donated ROU assets at transition date under IFRS 16.

The Council has made substantial progress in implementing IFRS 16, with material lease liabilities and right-of-use assets now recognised in the financial statements. The transition has been supported by updated internal controls, robust data collection processes, and a high level of departmental engagement.

From an auditor's perspective, the Council has demonstrated a reasonable and systematic approach to identifying and assessing leases, including embedded and peppercorn arrangements. However, the auditor has noted a few discrepancies on implementation of the new standard which have been documented in our audit adjustments log.

The Council's implementation of IFRS 16 demonstrates a strong commitment to financial reporting standards and reflects positively on the collaborative efforts of the finance and estates teams.

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Materiality

Our approach to materiality

As communicated in our Audit Plan dated April 2025, we determined materiality at the planning stage as £17.3m based on 2% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements. Materiality has been updated to reflect the draft financial statements for 2024/25.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £18.4m based on professional judgement in the context of our knowledge of the Council, including consideration of the users of the accounts. The Council's budget is expenditure based, with the primary aim of providing services for the community and we have determined this an appropriate benchmark.
- We have used 2% of gross expenditure as the basis for determining materiality.
- The percentage used for the Council has increased to 2% of gross expenditure (1.5% in 23/24). This increase reflects national changes to the benchmark percentages we set on Local Government bodies.

Performance materiality

- We have determined performance materiality at £12.88m, this is based on 70% of headline materiality.
- We have revised the performance materiality due to the actual gross expenditure changing from that used at the planning stage resulting in a review of the appropriateness of the materiality figure.

Specific materiality

- We have applied a lower threshold in relation to Officers Remuneration. Materiality for this balance was set at £100k with performance materiality set at £75k.

Reporting threshold

- We will report to you all misstatements identified in excess of £920k, in addition to any matters considered to be qualitatively material.

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Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Council (£)	Qualitative factors considered
Materiality for the financial statements	18.4m	Materiality has been set at 2% of the Council's gross expenditure. It has been updated from the amount set at the planning stage due to the change in the figure for Gross operating expenditure reported in the draft financial statements for the year end 31 March 2025
Performance materiality	12.88m	Set at 70% of materiality, this is the same as in prior year. This reflects our risk-assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Specific materiality for Senior Officer Remuneration	Materiality 0.1m Performance materiality 0.075m (calculated at 65% of above-mentioned materiality)	This is an area considered to be of a greater level of public scrutiny and sensitivity. We apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in this disclosure for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.
Reporting threshold	0.92m	This is set at 5% of materiality.

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Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
Valuation of the pension fund net liability	Significant	↔	×	High	●
Valuation of land and buildings including Council dwellings	Significant	↔	×	High	●
Valuation of investment properties	Significant	↔	×	High	●
Implementation of IFRS 16	Other	↔	×	Medium	●

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease since Audit Plan

● Not likely to result in material adjustment or change to disclosures within the financial statements
● Potential to result in material adjustment or significant change to disclosures within the financial statements
● Likely to result in material adjustment or significant change to disclosures within the financial statements

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Significant risks

Risk identified	Audit procedures performed	Conclusion
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.	We have: • 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 unusual journals 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; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions	Our audit work has not identified any issues in respect of management override of controls. We have noted no material adjustments or findings in relation to override of controls. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology. Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.

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Significant risks

Risk identified	Audit procedures performed	Conclusion
Valuation of the pension fund net liability The Council's pension fund net liability is a significant estimate due to its material size (£37.1m as of 31 March 2025) and its sensitivity to key actuarial assumptions. The liability comprises two schemes: • LGPS scheme: Net liability of £37.154m, fully reflected in the Council's accounts. • LPFA scheme: Gross asset position of £25.135m, but only £11k is recognised due to IFRIC 14, which limits recognition of surplus assets when access to benefits is restricted. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models or the Source data used in the calculations. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls in place to ensure the 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 experts (the actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assessed the accuracy and completeness of information provided by the Council to the actuary to estimate the liabilities; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; • obtained assurances from the auditor of the Hammersmith and Fulham Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements; and • reviewed the application of IFRIC 14 and ensured the asset ceiling is correctly applied for both the asset and liability.	No material misstatements were identified in response to this risk, other than a disclosure adjustment detailed on page 42. Additionally, the Pension Fund audit noted an understatement of assets amounting to £3.993 million, due to updated valuations received after the preparation of the accounts. While this does not impact the pension liability in the financial statements due to the application of IFRIC 14, it results in an understatement of gross assets disclosed in the pensions note.

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Significant risks

Risk identified	Audit procedures performed	Conclusion
Valuation of land and buildings including Council dwellings The Council revalues its land and buildings on a rolling five-year basis. This process involves significant management estimation due to the large values involved—£350.4 million for other land and buildings and £1,266.4 million for council dwellings as of 31 March 2025. Key assumptions include: – Impairment assessments – Use of historic valuation data – Valuations of uninspected properties – Changes in asset use during the year – Management must ensure that the carrying values in the financial statements reflect either the current value or fair value (for surplus assets) as of the reporting date. As a result, the valuation of land and buildings—particularly council dwellings, other land and buildings, and surplus assets—has been identified as a significant risk of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, instructions issued to valuation experts, and 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 are met; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which included engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • for Council Dwelling revaluations we have tested the appropriateness and application of the Beacon Valuations; • for Other Land and Buildings, we tested the key assumptions and application of build costs, obsolescence factors and floor plans for assets valued on a Depreciated replacement cost basis. For assets valued on an Existing Use value basis we focused our work on yields and income of the assets; • focused testing on managements impairment assessment, valuations based on historic data and where no inspections have been undertaken. This also included a focus on any assets that have had a change in use in the year; • tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.	We are satisfied judgements made by management are appropriate and have been determined using consistent methodology. Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements We have raised one recommendation on the methodology used to value the HRA Beacons, for which please refer to page 44 of this report. Our work is nearing completion, we have our final queries from our valuation expert to clear with management and their valuation expert. Except for this and our final quality checks of the audit file our work on this area is complete.

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Significant risks

Risk identified	Audit procedures performed	Conclusion
Valuation of investment properties The Council revalue its Investment Properties on an annual basis to ensure that these assets are held at Fair Value 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 (£118.9 million in the Council's balance sheet on 31 March 2025) and the sensitivity of this estimate to changes in key assumptions. The key assumption for investment property is the yield rates utilised by the valuer and our testing therefore focused on this area. Management have engaged the services of a valuer to estimate the current value as at 31 March 2025. We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement. As noted in previous years the Council has in its Investment properties, advertising hoarding assets that are harder to value due to the level of activity in the market.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the 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 valuations were carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, which included engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • focused our testing on the yield rates used by the valuer; and • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register.	We have not noted any material adjustments or findings in relation to valuation of investment properties other then an error in Investment property valuation, which since not material therefore has not been adjusted, for details of which please refer to page 43. We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology Our work is nearing completion, we have our final queries from our valuation expert to clear with management and their valuation expert. Except for this and our final quality checks of the audit file our work on this area is complete.

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Significant risks

Risk identified	Audit procedures performed	Conclusion
The revenue cycle includes fraudulent transactions Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement 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 related to revenue recognition.	In our Audit Plan, we set out our consideration of the risk factors set out in ISA240 and nature of the revenue streams at the Council, considering which we determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • for revenue streams that are derived from council tax, business rates, grants, rental income from HRA and Investment properties, parking income and Investment income. These are incomes which are based primarily on grants or are formula driven from the central government and taxpayers and therefore the opportunities to manipulate them are very limited; and • opportunities to manipulate revenue recognition are very limited.	No circumstances have arisen in the course of the audit process that have led to us amending the initial rebuttal as reported in the Audit Plan.
The expenditure cycle includes fraudulent transactions Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure	As most public bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition. Having considered the nature of the expenditure streams of Hammersmith and Fulham, and on the same basis as that set out for revenue, we have not considered this to be a significant risk for the Council during the 2024/25 audit.	No circumstances have arisen in the course of the audit process that have led to us amending the initial assessment as reported in the Audit Plan.

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Other risks

Risk identified	Audit procedures performed	Key observations
Implementation of IFRS 16 Following consultation and agreement by FRAB, the Code provided for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. The Council elected not to disclose the impact of this in the 2023-24 accounts and that means the Council was required this year to state: • The opening balances at the 1st April 2024 for the associated borrowings and right of use assets. • CIES movements of the new standard. • The closing balances at the 31st March 2025 for the associated borrowings and right of use assets. The new standard most significantly impacted operating leases bringing these onto the Balance sheet, it also required peppercorn leases to be valued at a fair value. The net impact on the Councils opening balances was £17.1m million, which was above performance materiality. This estimated impact is similar to the values noted in the lease notes in the 2023-24 accounts, after having adjusted for IFRS16 exemptions in relation to short term and low value leases. Additionally, the total amount of Right of use asset recognised amounted to £62m at 1st April 2024 and £66m at the year end. Given this balance is material and the standard does change the accounting for leases on the Balance sheet and CIES, there was extra work required in the first year of implementation. This will help ensure going forwards the standard has fully implemented and can be readily pulled forward in future years. We have assessed based on the final position that this was an 'Other' risk, as given the figures in question we did not consider it as likely that changes in key assumptions will drive material misstatements.	We have: • reviewed the corresponding Right of Use Assets and Borrowings at both the 1st April 2024 and the 31st March 2025; • reviewed key assumptions determined by management upon implementing the new standard. This included interest rates applied over the length of the leases, valuation of peppercorn leases and the determination of the lease length; • reviewed the processes management put in place to ensure the completeness of leases and the accuracy of the lease information. This also included inquires of the estates team; • sample tested leases from the lease register to test the accuracy of the data; and • compared the lease disclosures to the lease payments in year and prior year lease disclosure notes to further test the completeness/accuracy of the disclosure. • as part of our work we also reviewed the lease disclosure in the accounts to ensure that they are in line with the requirements of the code. In this regard we identified a few missing disclosure which included the operating lease commitments disclosed applying IAS 17 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities with a corresponding right of use asset then recognised in the Balance Sheet at the date of initial application. Additionally, we requested the Council to include a disclosure highlighting the cash and non-cash movement for the lease liability as well. Both of the above items have been added and testing by us as part of our audit procedures for accuracy and completeness.	We are satisfied with the Councils application of IFRS 16 and have not identified any material misstatements in response to this risk. We have noted minor disclosure misstatements as detailed on page 41 and 42.

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Other findings

Other areas impacting the audit

Issue	Commentary	Auditor view
Members' allowances and Officers remuneration We have noted the Director of Public Health included in the 24/25 remuneration report was not disclosed in the remuneration report in 23/24. This has led to a prior period change to the disclosure during the 2024/25 financial year. We have also identified within our testing that a member was included within an incorrect pay banding. This has led to the amendment of the note to adjust for this.	Members' allowances are a disclosure within the accounts that users consider material by nature. Correct disclosure of this note ensures that full transparency is maintained, and the reporting requirements are met, and strong controls continue to function as expected.	We recommend continued senior oversight of this note takes place, to ensure senior officers are correctly captured within the note.
A periodic, detailed technical review of the financial statements was undertaken As part of our quality assurance procedures, we undertook a detailed technical review of the financial statements, last performed in 2022–23. This review was particularly timely, coinciding with the implementation of IFRS 16, but also therefore gave rise to a number of points related to this. This is in part driven by the fact there are a number of additional disclosures when implementing a new complex accounting standard.	This review was particularly timely given the implementation of IFRS 16 and the complexity of the Authority's financial reporting. The main points raised related to the IFRS 16 and questions around the accounting of balances with West King Street Renewal.	The adjustments noted to the accounts in relation to this work can be found in the audit adjustments section of this report. We are satisfied that appropriate adjustments have been agreed.

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Other areas impacting the audit

Issue	Commentary	Auditor view
Accounting considerations relating to West King Street LLP Council Joint Venture (JV) In our review of the accounts we had to consider several points in relation to the Joint Venture: • Managements assessment that there would be no material difference between preparing the accounts as a single entity and Group accounts. This is key in supporting the assessment that Group accounts are not required. • To assess whether the JV investment of 25 million in the Council accounts is fully recoverable. • To assess whether the JV Capital debtor the Council holds of £40.9 million is fully recoverable.	In our audit work we undertook the following procedures: • Undertook a review of the Code and the differences in preparing Single entity accounts compared to equity Group Accounts in relation to the JV. Based upon our detailed review there is no material difference if the Council prepared Group accounts or single entity accounts and therefore this assessment is appropriate. • From our review we are satisfied that the JV balances are fully recoverable. We note the JV accounts show a net asset position of £48.8m, this is lower than the £50m Investment by the Council and A2 Dominion. But based on latest business plans the Council expects on winding down the JV to receive a £2.6m profit share, per the latest plans. The Council also has a penalty notice of £6.2m it has not recongised in its accounts but which has in the JV's accounts. We therefore are satisfied these balances are recoverable. • We are satisfied the capital debtor of £40.9m is fully recoverable. We note the JV has recongised this as a sale in its accounts due to accounting for the balance as Inventory. The Council has made these payments to the JV following surveyor reviews and completion statements. However, The Council has not recognised this balance as Property, Plant and Equipment, based on its assessment that it does not yet have control over the asset.	We are satisfied with the responses received on this matter. We note due to the Councils application of the accounting standards there are differences in the accounting between the council and JV financial statements: – The council holds a debtor balance for completed work on the CIVIC campus. The JV has recongised this as inventory and the debtor as revenue. The Council has applied this treatment based on its assessment that it does not currently control the asset due to not being able to move into the site whilst other parts of the project are ongoing. – The JV has recognised a £6.2m provision for penalty clauses that the Council may exercise. The Council has not recognised a corresponding debtor, as it is still evaluating whether to exercise this option.

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Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• 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. • 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.	• Policy considered appropriate under the Code of Practice on Local Council Accounting. • Adequate disclosure of this accounting policy within the financial statements	● GREEN
Expenditure recognition	• 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. • 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.	• Policy considered appropriate under the Code of Practice on Local Council Accounting. • Adequate disclosure of this accounting policy within the financial statements	● GREEN

Assessment:
- ● Red = Marginal accounting policy which could potentially be open to challenge by regulators
- ● Amber = Accounting policy appropriate but scope for improved disclosure
- ● Green = Accounting policy appropriate and disclosures sufficient

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Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Valuation methods	PPE assets are initially measured at cost comprising 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 the management. Assets are then carried in the Balance Sheet using the following measurement bases: • Infrastructure, community assets and assets under construction – depreciated historical cost. • Council 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). Assets included on 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 end of the financial year, but as a minimum every five years. 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.	• Policy considered appropriate under the Code of Practice on Local Council Accounting. • Adequate disclosure of this accounting policy within the financial statements	● GREEN

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Other findings – key judgement and estimates

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

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £350.4m at 31 March 2025 Investment Properties £118.9m at 31 March 2025	The Council engaged Wilks Head and Eve to carry out property valuations as at 31 March 2025, in line with its five-year cyclical revaluation programme. In 2024/25, 86% of total OLB assets were revalued.£258.5 million of specialised assets (e.g. sports centres, schools, libraries) were valued using Depreciated Replacement Cost (DRC), reflecting the cost of a modern equivalent asset.£72.8 million of non-specialised assets were valued using Existing Use Value (EUV). For assets not formally revalued at year-end, management assessed their values based on known movements since the last valuation and concluded that these remained materially accurate. Specific revaluations were requested where significant changes had occurred. The Council's investment properties were valued using the investment method, capitalising rental income at appropriate yields. Rental data and yields were determined using comparable market data and valuer judgement.	We have: • reviewed the completeness and accuracy of the underlying information used to determine the valuation. This included testing accuracy of floor areas plans provided to the valuer; querying yield percentages used by the valuer against comparable market evidence; recalculating the capitalisation of rental income in fair value valuations to ensure accuracy; using transactional data to review for reasonableness of valuer estimate. We also assessed the appropriateness of the valuation method, the type of inspection performed, the assumptions made in respect of obsolescence and any assumptions made in respect of local factors; • for investment properties, reviewed the completeness and accuracy of rental income information and reasonableness of yield percentages applied in calculating the fair value. • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which included engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • reviewed the consistency of valuations against our auditor's expert market trend report and adequacy of disclosure in the financial statements; • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.	GREEN

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of council dwellings £1,266m at 31 March 2025	The council owns close to 12,018 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance required 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 £1,266m, a net decrease of £92m from 2023/24 (£1,358m).	• 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 and market properties to assess whether the valuation movement is reasonable. • Reviewed those beacon and archetype groups which were not revalued in the year to assess whether the properties were still held at an appropriate and materially correct valuation. • Where the professional valuer had applied a desktop indexation to groups of dwellings which has not been selected for beacon valuation, we reviewed and challenged the reasonableness of the index applied through discussion with the valuer to understand the assumptions made to consider the index was applicable. • 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 31st March 2025. We have raised one recommendation in relation to the HRA Beacon methodology. Refer to the Action Plan on page 47 for more detail.	● Although we have noted this as a green rating our valuation expert has noted the process of this valuation work could be improved by more regular periodic reviews of the Beacons against comparable market data. See page 47 for details.

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Net pension liability £37.1m at 31 March 2025	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 LGPS 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 engaged an auditor's actuary expert to challenge the reasonableness of the estimation method used and the approach taken by the actuary to verify the completeness and accuracy of information used. We were satisfied that the actuary was provided with complete and accurate information about the workforce, and that the method applied was reasonable • The auditors' expert provided us with indicative ranges for assumptions by which we have assessed the assumptions made by management's expert. As set out below all assumptions were within the expected range and were therefore considered reasonable	

Assumption	Actuary value	PwC range	Assessment
Discount rate	5.8%	5.8 %– 5.85%	Reasonable
Pension increase rate	2.8%	2.7%-2.8%	Reasonable
Salary growth	3.8%	CPI + 1%	Reasonable
Life expectancy – Males currently aged 45/65	21.6 years	+- 8-10 years at extremities	Reasonable
Life expectancy – Females currently aged 45/65	24.3 years	+- 8-10 years at extremities	Reasonable

• We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate and its disclosure in the financial statements.
• We have confirmed there were no significant changes in the 2024/25 valuation method

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Net pension liability continued £37.1m at 31 March 2025	IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits' available in the form of refunds from the plan or reductions in future contributions to the plan. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	• The Council's pension fund position is as follows: • We have reviewed the assessment of the actuary's calculation for asset ceiling in which we have not identified any issues.	GREEN

Pension Scheme	LBHF LGPS	LPFA LGPS
Gross assets	£1.282b	£52.8m
Gross liabilities	£1.123b	£27.663m
Asset ceiling applied	£196.7m	£25.124m
Net pension liability	£37.154m	£11k

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Minimum revenue provision £13.8m in 2024/25	The Council is responsible each year for determining the amount charged for the repayment of debt, known as the Minimum Revenue Provision (MRP). The basis for this charge is set out in regulations and statutory guidance. For the current year, the charge includes the standard MRP element of £3.6m, consistent with the prior year. The overall increase to £13.8m reflects the adoption of IFRS 16. Under this new standard, £10.2m of lease payments are now treated as a charge to MRP. Previously, these payments were charged directly to the General Fund through the Comprehensive Income and Expenditure Statement (CIES). This change demonstrates the Council's correct implementation of the new standard. While the presentation has changed, the impact on the General Fund remains consistent with the prior year, in line with IFRS 16 requirements.	• The MRP charges for the year has been calculated in line with 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 has been discussed and agreed with those charged with governance and have been approved by full Council • The level of increase in MRP charge is reasonable in the context of the impact of IFRS-16 implementation during the year New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies 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.	● GREEN

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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Provision for NNDR appeals £6.9m in 2024/25	The Councils 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 provide by the Valuation Office Agency (VOA) and previous success rates. Due to a reduction in outstanding appeals, the provision has decreased by £881k in 2024/25.	• 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 un-lodged 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 have not identified any issues in relation to this matter.	● GREEN

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Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application 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	● Green	● Green	● Green	● Green	No issues arising from management override of controls

Assessment:
- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

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Communication requirements and other responsibilities

Other communication requirements

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 In this regard however we have given a recommendation to the Council to ensure that the declarations provided by the members is in line with the accounting standard IAS 24 for detail of which please refer to the page 45 of this report.
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 signed letter of representation will be requested ahead of the auditor's report being signed. We have not identified the need for any specific representations at the time of writing.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking and treasury partners. This permission was granted and the requests were sent. All requests were returned with positive confirmation. As part of our audit procedure's, we communicated with the solicitors who worked with the Council during the period. All responses were received, and no issues were noted.
Audit evidence and explanations	All information and explanations requested from management was provided, with the exception of those relating to outstanding matters detailed on page 6. 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 remains of a good standard.
Accounting practices	We have evaluated the appropriateness of the Authorities accounting policies, accounting estimates and financial statement disclosures. A number of minor amendments were made to the accounting policies to enhance the transparency of the disclosures within the Accounts, which are documented on page 41 and 42.

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Other responsibilities

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 2024). 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.

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Other responsibilities

Issue	Commentary
Going concern (continued)	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; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
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. No inconsistencies have been identified
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 weakness/es. 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.

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Other responsibilities

Issue	Commentary
Certification of the closure of the audit	We are unable to certify the closure of the audit until: • We receive confirmation from the National Audit Office that there is no work they require from us in relation to their Group Audit of the Whole of Government Accounts. • Until we have completed our work on an objection raised by an elector relating to Pensions. We still are able to conclude our financial statements audit with these matters left to certify. We will keep members and officers updated on both matters and when we are able to certify the audit.

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Audit adjustments

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.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Borrowings The short -term borrowing figure had been overstated by £4m and the long-term borrowing figure understated by the same amount.	Nil	Dr Short-term Borrowing 4,000 Cr Long-term Borrowing 4,000	Nil	Nil
Debtor Classification The Council reclassified the long-term debtor balance of £40.9m with respect to its joint venture, West King Street Renewal LLP to short term debtors as they expect the completion of civic campus commercial units in relation to construction of which these amounts had been paid over as prepayments, to be completed in upcoming financial year. Additionally, another long-term debtor balance of £1.2m has also been reclassified to short term debtor as the construction of the project in relation to which it had been paid out is expected to be completed by December 2025.		Dr Short -term debtors 42,154 Cr Long-term debtors 42,154		
Overall impact	0	0	0	0

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Audit adjustments

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	Misclassification or change identified	Adjusted?
Movement in Reserves Statement	We recommend the Council add the cumulative impact of the initial application of IFRS 16 to the opening balance of the reserves as per the requirements of the CIPFA Code.	✓
Cashflow statement	Due to the changes being made in the presentation of the note 9 - Property Plant and equipment, in relation to separately presenting the impact of IFRS-16 for in year additions and disposals, and update to the amount for opening balance on transition to IFRS-16 to include the impact for the sub-leased right of use asset as well, this led to adjustments in the amounts presented for Adjustments to net surplus or deficit on the provision of services for non-cash movements and Purchase of Property, plant and equipment, investment property and intangible assets, however the overall impact of it on the cashflow statement was Nil.	✓
Note 1- Expenditure and Funding Analysis	Due to the change in reporting structure in year, we recommend the Council add disclosures to provide details about this change and a table showing how this has impacted the reported figures.	✓
Note 9 – Property, plant and equipment	- We have identified a transposition error where the council dwelling opening balance was stated as £1,385,108k instead of £1,358,108. We recommend this is amended to reflect the true opening position. - The opening gross cost of PFI assets in 2024/25 does not agree to the closing gross cost from 2023/24 and a variance of 1.195m has been noted. This is because the in-year revaluations movements in 2023/24 comparatives were incorrectly stated in the accounts as negative 642k instead of positive 543K. These have been rectified in the revised version. To note 2024/25 amounts were correct. - Within the Capital Commitments disclosure, we have identified a misstatement of GBP 2.1m which is due to the overstatement of Affordable Housing capital commitment in the draft accounts which will be revised in the final accounts. - Additionally, within capital commitments, as part of our substantive audit procedures, we have also identified a disclosure misstatement of GBP 3.6mn by which the capital commitments are overstated. This was primarily due to the impact of the capital expenditure incurred till year end not being correctly considered within the disclosure. - Moreover, updates have been made to the disclosure to separate out the impact on additions and disposals due to the implementation of IFRS-16, whereby changes to right of use asset appear separately in the disclosure. Further the amount for adjustment to opening balance on transition to IFRS-16 was also updated to include the amount for the sub-leased right of use asset as well.	✓ ✓ ✓ ✓
Note 10 – Investment Properties	As per the requirements of the accounting standard IFRS-13, we recommend the Council provides a description of the inputs used in the fair value measurement of investment properties.	✓

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Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 13 – Capital Expenditure and Capital Financing	- Due to the changes being made in the presentation of the note 9 - Property Plant and equipment, in relation to separately presenting the impact of IFRS-16 for in year additions and disposals, and update to the amount for opening balance on transition to IFRS-16 to include the impact for the sub-leased right of use asset as well, this led to updates in the amounts presented within the Capital Expenditure and Capital Financing note as well, however the closing capital financial requirement balance remains unchanged.	✓
Note 14 – Leases (Finance and Operating)	- We recommend the Council add the incremental borrowing rate applied to leases as per the requirement of the CIPFA Code - We recommend the Council add disclosures for operating leases held as the lessor in relation to PPE subject to operating leases separate from owned assets held and used by the Council as per the requirement of the CIPFA Code, - As part of the IFRS-16 disclosure the Council is required to show a reconciliation in the movement of balances between operating lease commitments disclosed applying IAS 17 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application as required by the code. The Council has agreed to add this disclosure.	✓ ✓ ✓
Note 20 – Provisions	The narrative within the note stated the full actuarial assessment of the insurance fund position was as of 3 December 2020. We have identified this was actually as of 31 March 2021 and recommend this is updated to reflect this.	✓
Note 21 – Financial Instruments	The holiday pay accrual has been included in Other payables amount included in Financial Instruments Disclosure. Per CIPFA Code, para 7.1.2.24 A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Holiday pay accrual does not arise from a contract that gives rise to a financial liability. As a result, this should not be included in the financial instruments disclosure.	✓
Note 22c. Reconciliation of Liabilities Arising from Financing Activities	The Council is required to disclose a reconciliation for lease liabilities between the opening and the closing balance, highlighting the cashflows in relation to lease principal repayment and non-cash movement which would include any additions, remeasurement and interest cost being highlighted specifically.	✓
Note 22c. Reconciliation of Liabilities Arising from Financing Activities	The Council is required to disclose a reconciliation for lease liabilities between the opening and the closing balance, highlighting the cashflows in relation to lease principal repayment and non-cash movement which would include any additions, remeasurement and interest cost being highlighted specifically.	✓

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Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 25 – Officers Remuneration	As part of our audit work over the officer remuneration bandings of employees receiving more then £50,000, we noted for multiple bandings the employee numbers entered being incorrect. Further to our discussion with the Council this was agreed as errors which has then been rectified in the final version of the accounts.	✓
	Additionally, the Council missed a senior officer from the disclosure in prior year. Following a change in structure of the officers within the Tri borough arrangement, the post for Director of Public health was filled by the officer from the Council however they were not disclosed in error. The Council have corrected this upon review and added the officer in the 23-24 financial year.	✓
Note 27 – Defined Benefit Schemes	The Council omitted to include the impact of asset ceiling in opening liability balance. Per prior year signed Financial statements, this amount should be £1,290,750 and not £1,285,208 which was included in first draft of Financial Statements. We accordingly inquired the Council of this and noted that this was an error in the accounts. Accordingly, the Council has agreed to correct this disclosure as part final version of financial statements	✓
	Moreover, the Council has changed the presentation of the designed benefit obligation reconciliation for LPFA pension scheme, whereby the amount for asset ceiling adjustment has been added to the liability figure now, unlike before where it was only appearing separately within the breakup of amounts recognised in the balance sheet as closing liability.	
Note 34 – Contingent Assets and Liabilities	We challenged management on whether any consideration has been given to the Virgin Media case in relation to the Local Government Pension Scheme, in which regard a disclosure is required as a contingent liability highlighting a further potential liability to the Councils share of the pension fund. As confirmed from the Council, due to the uncertainty in predicting implications for the Council as confirmed by the actuary as well in their IAS19 report, this disclosure has not been provided for.	X
Note 35- Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	Since the Council disclosed the Fair Value of borrowings with PWLB as part of the Financial instruments note 21, therefore considering the requirements of the accounting standard IAS1, the Council is required to disclose it due to the estimation involved in its valuation accompanied by the fact that it is a material disclosure amount.	✓
	Additionally, the standard requires a sensitivity analysis to this quantitative estimate as to the impact of the uncertainty i.e. How much does the Council think the Fair value estimate could vary based on the uncertain assumptions.	
HRA Income and Expenditure statements	The Expenditure figures within the statement have been reclassified between the categories to ensure they are in line with the Councils accounting records. The Net cost for HRA services stays the same.	✓
Various minor casting/disclosure amendments	The accounts were also updated for minor presentation issues. None were material.	✓

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Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
From our work on bank payments completeness testing, we identified a net overstatement of capital expenditure by £1,570,886. The net impact is an overstatement which predominantly impacts AUC/PPE with the other side of the transaction having an impact on prepayments where the amount paid should have been recognised. The Council does not deem this to be material to require any further adjustments.	Nil	Dr Prepayments 1,571 Cr Assets under Construction 1,571	Nil	Nil
Incorrect rental figures were used on one asset within an Investment Property asset. Were the correct figure used, the update would lead to a change in valuation of the asset from £7.7m to £8.9m. Since the differential is not material therefore it has not been adjusted for.	Cr Interest and Investment income 1,162	Dr Investment Properties1,162	Nil	Nil

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Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
We identified that the PFI liability is understated by £1m due to the fact that it is not explicitly mentioned in the models whether the contingent rent/indexation relates entirely to service charge or lease rental and hence for the calculation purposes as part of the IFRS-16 transition adjustment, our internal modelling team has applied the indexation change upon lease rental since 2015/16 when the contract change happened for which they have used a cumulative impact of 24.4% in relation to indexation applicable upon the rental charge. The misstatement is less than PM and hence no further work is performed.	Nil	Dr Right of use Asset 1,038 Cr PFI Liability 1,038	Nil	Nil
Overall impact of current year unadjusted misstatements	1,162	1,162	Nil	Nil

West King Street Renewal the Council's JV has recognised a £6.2m provision for penalty clauses that the Council may exercise. The Council has not recognised a corresponding debtor, as it is still evaluating whether to exercise this option. We note depending on the decision taken by management this could be deemed a misstatement.

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Action plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our 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	**HRA Beacons – valuation methodology** It was noted that a cycle of desktop valuations was used in between the 5-yearly cycle of full valuations. As a result of this the management expert applied indexation representative of the market conditions to determine the closing value of the Council dwellings Although this is in line with the instructions sent to the valuer and with the reporting requirements, for a portfolio of council dwellings as large as the Councils' (£1.2bn in 2024/25) the current methodology could be updated to reflect the number and size of the assets held by the Council whereby every year from the beacon population of properties a certain percentage gets inspected with comparable data used to determine its valuation at year end. The risk of using indexation is that; 1) Indexation may not fully capture asset-specific factors such as location, condition, or unique characteristics, potentially leading to valuation inaccuracies. 2) Indexing can overestimate or underestimate value if the property's performance diverges from the average market.	Management should consider more regular reviews of the beacon valuations using comparable data that better reflects the current market conditions in the intervening years between full revaluations. **Management response** The Council is currently working with our Valuers to implement an annual valuation schedule that would include a proportion of the HRA Beacons for annual inspection. For 2025/26 a full valuation which includes inspection of all the HRA Beacons is scheduled to take place. In subsequent years, a percentage of the HRA Beacons will be inspected and valued to ensure the overall values being applied to the Housing Stock is robust.

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

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Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Related Parties** We identified a number of councillors who have not returned the annual related party declarations. We identified 5 related parties that went undisclosed by members. It is noted that the Councils' control procedures worked as intended to identify these. No declarations have considered related parties of relevant person(s) such as Spouses, Family or other Partners as required per the accounting standard IAS 24. The risk associated to the above is that: 1) Failure to obtain complete declarations breaches disclosure requirements and may result in material misstatement or incomplete disclosures in the financial statements. 2) Undisclosed related party transactions may affect the transparency and integrity of the accounts, which is particularly sensitive in the public sector, where governance and accountability are paramount. 3) Public scrutiny of councillor conduct is high. Incomplete declarations can undermine public trust and raise concerns about conflicts of interest or governance failures.	Management should strengthen the related party declaration process to ensure full compliance with IAS 24 and consider amending the related party declaration to specify the need to report related parties of relevant persons with explicit inclusion of close family members and partners in the declaration forms. Management should stress the importance to members of transparency to users of the financial statements. Moreover, management can implement a process of periodic cross-checks with Companies House, electoral registers, and other public records to identify undeclared interests. **Management response** We will review and update the process for 2025/26 onwards to ensure it more fully complies with IAS 24.

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Action plan

Assessment	Issue and risk	Recommendations
● Low	**Infrastructure Assets – Useful Asset Lives** Within our testing of the Infrastructure assets, we noted various spend from prior years that was consolidated into one line in the FAR. Due to the varying assets within this spend, it may not be accurate to assign all assets within this line the same useful life. The risk associated to the above approach is that; 1) Misstatement of depreciation charges due to inappropriate asset life assumptions. 2) Inaccurate carrying values of assets on the balance sheet.	Management should consider regular reviews of infrastructure assets to ensure the assigned useful life is representative of the asset it relates to, by disaggregate consolidated infrastructure spend into distinct asset components and assign appropriate useful lives based on asset type and expected service potential. **Management response** For 2025/26 the Council is implementing an exercise to further analyse Infrastructure Asset costs into constituent categories. These categories will then be assigned relevant useful economic lives and should therefore address this concern
● Low	**Council Tax – Debtors and Creditors** We have identified immaterial amount of debtors and creditors that are not being treated in line with the Councils internal policies regarding write offs. These relate to council tax balances due from or owed to residents who have since moved meaning payment is delayed or have gone into liquidation and hence chancres of them repaying the debt owed to the Council is minimal. The risk associated with having these long-standing balances is that; 1) Incorrect classification when the balances are unlikely to be recovered or repaid within 12 months 2) The provision may not be sufficient or appropriately calculated by not reflecting the actual recoverability of specific aged balances.	Management should consider the accounting treatment of these debtor and creditor balances and write off outstanding and overdue where applicable and in line the accounting policy. **Management response** The Council is in the process of undertaking an overall review of the current position on Council Tax and Business Rates debtors and creditors, and expects to have made progress in addressing the respective positions of each by 2025/26 year-end.

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Action plan

Assessment	Issue and risk	Recommendations
● Low	**Joint Venture - Provision** As part of our work on the investment in the Joint Venture we noted a provision of £6.2m recorded in the Joint Venture accounts. As this impacts the profit share the Council are entitled to, there is an inconsistency in the treatment between financial years. The risk associated is that the Investment in the JV by the Council might get impaired owing to the Councils share in its net assets falling below the amount invested as appearing in its separate financial statements, leading to overstatement of the balance in Councils financial statements .	Management should consider the treatment of the provision added to their Joint Venture accounts and the subsequent impact this has on the Council entitlement to the profit earned by the entity and recoverability of the balances owed to it by the JV as well as the impact of it on the amount appearing as Investment in its separate financial statements. Moreover, Inconsistencies in year prevent comparison across financial years and for users of the accounts. **Management response** The Council has provided the current (ie 2025/26 financial year) cashflow that covers the entirety of West King Street Renewal LLP's build phase. This cashflow forecast includes the £6m provision and contains a positive end position, with a forecast profit share between the two partners. The Council and A2 Dominion (the other 50% partner in the LLP) presently have £25m of equity each (£50m in total) invested in the LLP. On the basis the cashflow forecast remains positive, there is no need to impair the Council's equity investment for the 2024/25 accounts. This is a matter that is regularly reviewed, with considerable organisational governance in place to monitor the Campus project to conclusion and also manage the LLP, which has two LBHF representatives on its board. As the auditor has acknowledged, the levying of the liquidated damages by the Council on the LLP remains to be confirmed, which is why it has not been considered within the Council's accounts. This matter should be resolved during 2025/26 which is the year that should see practical completion of all buildings related to the Civic Campus. The selling of the 99 private residential units (which, together with sale of the commercial units to LBHF, drives the LLP's income) is expected to extend into 2026/27.

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Action plan

Assessment	Issue and risk	Recommendations
Low	**Property, plant and equipment - Reclassifications** We have identified a reclassification completed in 2023/24 but transferred from AuC to Council Dwellings in 2024/25. As the properties were operational, and therefore tenantable in 2023/24. we consider the reclassification in 2024/25 to be inappropriate. The risk associated to the above is that: 1) Delaying the reclassification to 2024/25 misstates the asset classification and potentially the depreciation charge in 2024/25 owing to the Councils policy of charging depreciating from the year after the addition. 2) The delay leads to the breach of recognition and measurement principles under IAS 16.	Management should consider applying greater challenge to the Estates Teams on delays occurring after the completion statements have been received. Additionally, Council could Implement a formal checklist or sign-off process for asset readiness to trigger reclassification. **Management response** The Council already adopts a robust process of confirming the completion of projects to better assess when completed assets become operational, so that the proper accounting treatments can be applied. We consider this to be an isolated case and we will continue to ensure rigorous and robust review processes.
Low	**Council's terms of engagement letter with the valuation expert not being RICS compliant** The Council issued an instruction letter to their PPE valuation expert. Whilst it is good practice to have issue an instruction letter, this document is not equivalent to a RICS compliant terms of engagement letter. The risk associated with the above is that: 1) Without a compliant engagement letter, the scope of work may be ambiguous, leading to disputes over what was agreed. 2) The expert may deliver something different from what the council intended, causing confusion or conflict.	Management should ensure that all future engagements with RICS-regulated professionals are supported by a RICS-compliant engagement letter. **Management response** The Council will review and revise its engagement letter to valuers to ensure the letter complies with RICS guidelines and CIPFA standards

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Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023/24 financial statements, which resulted in 2 recommendations being reported in our 2023/24 Audit Findings Report whereas one recommendation from the 2022/23 audit not addressed during 2023/24 remaining intact. We are pleased to report that management have implemented 2 of our recommendation whereas the one mentioned on this page remains to be actioned.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X Not yet addressed	**Journal entries control environment** We have 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 control. 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 notifications, 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 2024-25 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 maintain this recommendation as low risk and a best practice point. We also note the Council is implementing a new ledger upgrade and given this we had not expected management to implement this point whilst on the old ledger. **Management response** The journal process will continue to be reviewed to see if two-stage authorisation is possible in the upgraded ledger system. Enhancements to the existing off-line process will also be reviewed.

Assessment

✓ Action completed

X Not yet addressed

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Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Action completed	**Floor Plans on the Assets and maintenance of data used to perform valuation** Our testing 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 asset valuation. This resulted in additional work by the valuer and audit team and an adjustment to the valuation of £6.2 million. In addition to this, data used in the valuation of an asset of £1.2 million could not be provided to support one of the assets revalued at the 31 March 2024.	This issue has been actioned during the 2024-25 financial period. We have been able to receive all GIA, site map and floor area data from the Estates Team and no issues have arisen in the course of our testing in this regard.

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Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Action completed	**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 picked up that due to the nature of the asset, there was very low levels of comparable sales data available for them. This creates a risk that the valuation of these assets is not accurate.	We have tested the advertising hoardings in the course of our revaluations work and have consulted our auditors expert, Lambert Smith Hampton to provide an assessment. We have identified no issues in relation to these assets.

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Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR will be reported to you on 27 October audit committee

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we have not identified any significant weaknesses in arrangements. Our 2024-25 Auditor's Annual Report accompanies this Audit Findings Report.

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Independence considerations

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, and managers [and network firms]). In this context, there are no independence matters that we would like to report to you.

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council or group 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 Council or investments in the Council 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 Council or 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 Council.
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 Council/group, 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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Fees and non-audit services

The following pages sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year as well as the threats to our independence and safeguards have been applied to mitigate these threats. The below non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor. None of the below services were provided on a contingent fee basis. For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to London Borough of Hammersmith and Fulham. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Assurance Service Fees

Service	2024/25 Fees £	2023/24 Fees £	Other fees £	Threats Identified	Safeguards applied
Teachers Pensions	12,500 (pending appointment)	12,500		Self-Interest (because this is a recurring fee) Self-review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.
Certification of Housing Capital receipts grant	10,000 (pending appointment)	10,000	We billed 10,000 in relation to our certification of the 2022-23 claim. This was billed in the 2024-25 financial year.	Self-Interest (because this is a recurring fee) Self-review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.
DWP Certification Grant	TBC prior year £35,640 (pending appointment)	£35,640 (pending appointment)	We billed 32,400 in relation to our certification of the 2022-23 claim. This was billed in the 2024-25 financial yar.	Self-Interest (because this is a recurring fee) Self-review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.
CFO Insights Subscription	£12,500	£12,500		Self-Interest (because this is a recurring fee) Self-review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the 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.

Please note for the DWP Certification grant the fee noted above is the core fee. As part of the DWP instructions if any errors are identified additional work on 40 cases is required for each error. This work can be time consuming due to its nature and detail. The engagement terms are that we charge £1,500 per day for this work.

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Fees and non-audit services

Audit fees	Fee per Audit Plan	Final fee (Proposed)
Scale fee	£470,080	£470,080
Fees for external valuation experts. (Note per PSAA contract this work of experts is passed onto the Council at the cost charged to Grant Thornton UK LLP by our experts)	£8,500	£8,500
Additional work required in relation to implementation of IFRS 16. This fee requires PSAA approval and further detail of how this has been calculated can be found in Appendix D.	NA-as a new standard was not possible to determine complexity until receipt of draft accounts	£13,862
Total audit fees (excluding VAT)	**£478,580**	**£492,442**

Non-audit fees for other services	Core fee
Teachers Pensions	12,500 (pending appointment)
Certification of Housing Capital receipts grant	10,000 (pending appointment)
DWP Certification Grant	£35,640 (pending appointment)
CFO Insights Subscription	£12,500
Total non-audit fees (excluding VAT)	**£70,640**

The above fees are exclusive of VAT and out of pocket expenses.

The fees for the external audit work in the financial statements includes the scale fee and the charge for the additional valuations work- £478k. This is due to fee relating to additional work for the implementation of IFRS 16 being identified during the fieldwork stage of the audit, as these are subject to PSAA review the Council has not included this £14k of additional fees in the financial statements.

For non audit fees the Council has included the fees noted above. Please note these fees are based on the current discussions/prior costs of these certifications and for the 2024-25 certifications mentioned above and we have not formally engaged into all these services for the Council at the time of writing. However, given we have historically performed this work and are under discussion to do so we have presented this to the committee and considered this in our assessment of our independence for the 2024-25 external audit.

Grant Thornton UK LLP also acts as the statutory auditor of the Hammersmith and Fulham Pension Fund, which the Council is the administering authority of.

This covers all services provided by us and our network to the Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

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Appendices

A. Communication of audit matters with 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 matters in relation to going concern	●	●
Views about the qualitative aspects of the Councils accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

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A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.

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B. Our team and communications

Grant Thornton core team

Paul Cuttle
Key Audit Partner

- Key contact for senior management and Audit Committee
- Overall quality assurance

Nick Halliwell
Audit Senior Manager

- Audit planning
- Resource Management
- Drafting key audit reports
- Performance management reporting

Muneeb Khan
Audit Manager

Louis Barber
Assistant Manager

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • The Audit Findings	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same was as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

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C. Logistics

The audit timeline



Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Audit Committee
- Issue the Audit Plan to management and Audit Committee
- Planning meeting with Audit Committee to discuss the Audit Plan

Key elements

- Document design and implementation effectiveness of systems and processes
- Review of key judgements and estimates
- Interim testing on operating expenditure, fees and charges, review of MRP charge, PPE Additions and Collection Fund reliefs. We completed the majority of these interim samples and this helped reduce the pressure on management at the year end audit.

Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Weekly update meetings with management

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Audit Committee
- Audit Findings presentation to Audit Committee
- Finalise and sign financial statements and audit report

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D. Additional fee analysis – fee variation for in year work

The following table sets out further information on additional fees.

Grade	Rate (Determined by PSAA)	IFRS 16 First year Implementation work (TBC estimate)
Director	£428	2 hours- £856
Senior Manager/Manager	£236	37 hours - £8,732
Senior Auditor	£153	23 hours £3,519
Other staff	£117	15 hours £1,755
Total		**£13,862**

The above fees require review and approval prior to the completion of our audit. The fees are in addition following our audits completion subject to review by PSAA who will make a final determination.

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Grant Thornton

Audit Findings (ISA 260) Report for the London Borough of Hammersmith and Fulham Pension Fund

Year ended 31 March 2025

27 October 2025

DRAFT –

DELETE WHEN REPORT IS FINALISED

Grant Thornton

London Borough of Hammersmith and Fulham Pension Fund
Town Hall, King Street
London
W6 9JU
27 October 2025

Grant Thornton UK LLP
8 Finsbury Circus
London
EC2M 7EA
www.grantthornton.co.uk

Dear Members of the Audit Committee

Audit Findings Report for London Borough of Hammersmith and Fulham Pension Fund for the 31 March 2025

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.

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.

Chartered Accountants

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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 manage risk, quality and internal control particularly through our Quality Management Approach. 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-2024-.pdf.

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

Key Audit Partner
For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Headlines

Financial statements

Introduction

These are the key findings and other matters arising from the statutory audit of the 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 2025 for the attention of those charged with governance.

ISA Requirements

Under 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 2025 and of the amount and disposition at that date of the fund's assets and liabilities, 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.

Audit Work

Our audit work was completed between mid-June and the end of September. Our findings are summarised on pages 39 to 47.

We have identified **£3.992 million** of unadjusted differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2025 and the valuation statements received from the third-party investment managers. These unadjusted differences are detailed in the Audit Adjustments section. Management are proposing not to amend the financial statements on the basis that the differences are not material both quantitively and qualitatively. The Audit Committee will be asked to confirm their agreement to this through the Letter of Representation.

We have also raised recommendations for management as a result of our audit work. These are set out in the Audit Adjustments section. Our follow up of recommendations from the prior year's audit are detailed in the Audit Adjustments section.

We faced some delays at the commencement of the audit in obtaining information from the Fund's pensions administration service organisation. We would like to record our appreciation for the assistance provided by the finance team in resolving this issue, and ensuring the audit was completed on time.

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Headlines

Financial statements

Audit Work - continued

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (see Appendix E) or material changes to the financial statements, subject to the following outstanding matters:

- receipt of management representation letter
- review of the final set of financial statements;
- completion of engagement lead reviews and satisfactory resolution of any residual queries arising from this

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated opinion on the financial statements will be unmodified

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.

We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report at the same time as we issue our final audit opinion on the Pension Fund financial statement as noted above. The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. We anticipate issuing our opinions before this date but if we are unable to do so the Fund will need to publish its Annual Report without our consistency report but with an explanation for the delay on its website.

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, any objections and our work on the Annual Report has been completed.

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Headlines

Local & National Context – Administration and Governance

The total membership of the London Borough of Hammersmith and Fulham Pension Fund (the 'Fund') was 17,623 people as at the end of March 2025. Of this number around one quarter are active employees who still contribute to the scheme. In total, there were 50 active employers covered by London Borough of Hammersmith and Fulham Pension Fund at the end of March 2025.

The Fund has continued to work through the processes for connecting to the Pensions Dashboard ecosystem and is on track to connect to the Pensions Dashboard by the public sector staging date of 31 October 2025. The service itself will not be released to the general public until a later date. Schemes will be given at least 6 months notice before the public go-live date.

The Fund has continued to implement the McCloud remedy. No significant issues have been encountered. The Fund has implemented the Remedy in respect of active scheme members and all retirements that have occurred since the implementation date (i.e. 1 October 2023) have been processed on this basis.

At the time of writing, the Fund, is currently working on the 2025 Annual Benefit Statements (ABS), which for eligible active and deferred scheme members must be provided by 31 August 2025, and these will reflect the estimated underpin protection as provided for by the McCloud Remedy.

Local & National Context – Investments and Funding

The net investment assets of the London Borough of Hammersmith and Fulham Pension Fund as at the end of March 2025 amounted to **£1,408.4 million** (31 March 2024: **£1,360.9 million**). The 2022 triennial valuation was undertaken by Hymans Robertson, and showed that the Fund had assets sufficient to cover 120% of the accrued liabilities as at 31 March 2022. The 2025 triennial valuation is now well progressed with cleansed information being provided to the actuary in August. Preliminary results are expected in the autumn, and the anticipation is that funding levels across the sector will improve.

At the end of May 2025, the Government published its response to the 'Fit for the Future' consultation. Its key proposals include:

- **reforming asset pooling** - transferring all assets to the management of the pool alongside taking principal investment advice from the pool and delegating implementation of the investment strategy to the pool,
- **boosting investment in local areas and regions** - setting out the approach to local investment in the Investment Strategy Statement and working with relevant Strategic Authorities to identify suitable local investment opportunities, and
- **strengthening the governance of LGPS Administering Authorities and LGPS pools** - undertaking an independent governance review once in every three-year period, have an independent advisor without voting rights, rather than an independent member of a committee and prepare strategies on governance, knowledge and training and administration.

The minimum standards for pooling and the independent governance review will be introduced in the Pension Schemes Bill which has just entered the Committee stage in Parliament. Subsequent regulations and statutory guidance will provide further detail on implementation of all the new requirements.

The Fund is in the London CIV pool and already well advanced with pooling. As at 2024/25 year end, pooled funds now represent **£846 million** of the funds **£1,408.4 million** net investment assets, i.e. 60% of the funds net investment assets. We will track progress against the other proposals once regulations and guidance are finalised.

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Financial statements

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 NAO 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. There is a separate Pension Committee and Pension Board which considers and decides all matter pertaining 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;
- 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 9 June 2025.

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Financial statements (continued)

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 Committee meeting on 27 October 2025, as detailed in Appendix E.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff throughout the audit process.

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Materiality

Our approach to materiality

As communicated in our Audit Plan dated 9 June 2025, we determined materiality at the planning stage as **£23.8 million** based on 1.75% of Gross Investment Assets as at 31 March 2024. At year-end, we have reconsidered planning materiality based on the 2024/25 figures in the draft financial statements. Upon reviewing the draft financial statements, we have concluded that no amendments to the materiality figure will be necessary. However, we have revisited the performance materiality determined at planning stage and revised our threshold from **£15.9 million** to **£17.85 million**.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at **£23.8 million** based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.
- We have used 1.75% of gross investment assets as at 31 March 2024 as the benchmark for our materiality.
- Our materiality remains consistent with the planning figure established based on the audited gross investment assets as of 31 March 2024. We assessed the modest year-on-year increase in investments, within the draft financial statements at 31 March 2025, and concluded that it does not warrant a revision of materiality.

Performance materiality

- We have determined performance materiality at **£17.85 million**, this is based on 75% of headline materiality. We have had to revise performance materiality from the planned level reported from the audit plan from **£15.9 million** to **£17.85 million**.

Specific materiality for the Fund Account

- We have determined a lower separate materiality for the fund account at **£7.15 million**. This is based on 10% of gross expenditure (in the fund account) as at March 2024. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied. We have not revised the fund account materiality from the planned level.

Reporting threshold

- We will report to you all misstatements identified in excess of **£1.19 million**, in addition to any matters considered to be qualitatively material.

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Our approach to materiality (continued)

A summary of our approach to determining materiality is set out below.

Description	Amount (£)	Qualitative factors considered
Materiality for the financial statements	23,800,000	Headline Materiality for planning equates to 1.75% of your gross investment assets as at 31 March 2024. In determining materiality, we have considered the business environment, industry developments, financial stability and reporting requirements for the financial statements.
Performance materiality	17,850,000	Performance Materiality for the Net Asset Statement equates to 75% of the Headline Materiality. In determining the 75% measurement percentage, we considered the number of prior-year control recommendations, misstatements and the control environment among other factors.
Specific materiality for the fund account	7,150,000	Materiality for the Fund Account for planning equates to 10% of gross expenditure (in the Fund Account) as at 31 March 2024. The specific materiality has been determined to account for the complexity of contribution and benefit structures.
Specific performance materiality for the fund account	5,362,500	Performance Materiality for the Fund Account equates to 75% of the Specific Materiality for the Fund Account.
Trivial matters - reporting threshold	1,190,000	Triviality for the Fund Account equates to 5% of Headline Materiality.

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Overview of audit risks

Overview of audit risks

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Significant classes of transactions, account balances, and disclosures, are associated with risks of material misstatement but are not always significant risks (SCOT+).

Material only are material financial statement line items not associated with risks of material misstatement.

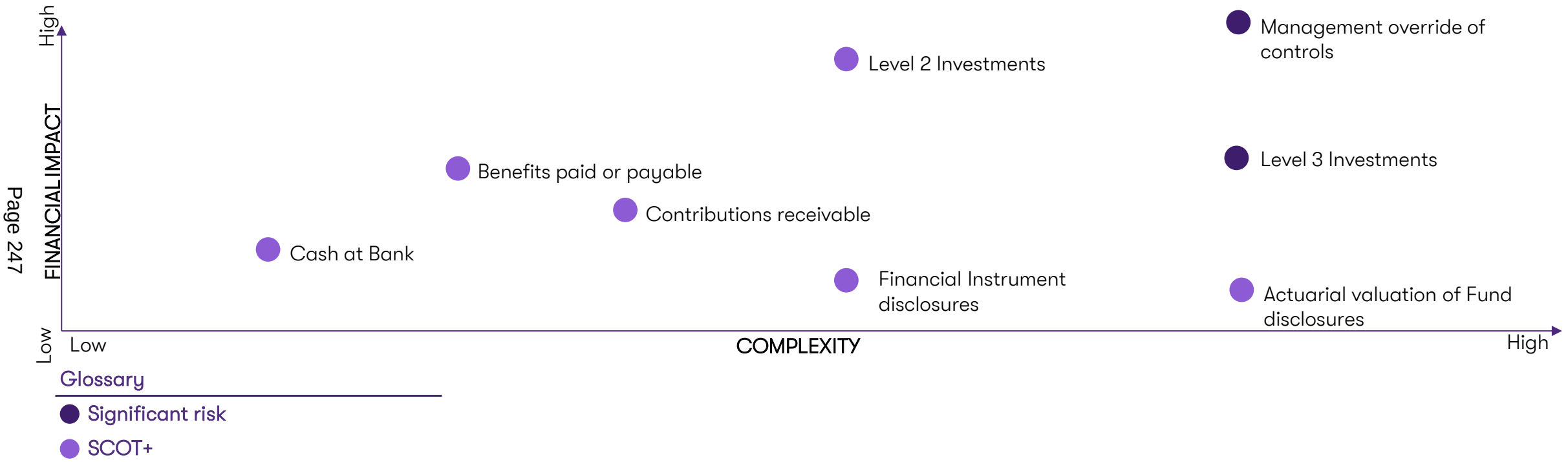
Other audit risks are accounts that are not associated with any SCOT + or with a material only financial statement line item or disclosure.

In the graph overleaf, we have presented the, significant risks, SCOT+, and material only and other risks relevant to the audit.



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Overview of audit risks



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Overview of audit risks

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Medium	●
Valuation of Level 3 Investments	Significant	↔	✗	High	●
Valuation of Level 2 Investments	SCOT+	↔	✗	Medium	●
Actuarial present value of promised retirement benefits	SCOT+	↔	✗	Medium	●
Contributions receivable	SCOT+	↔	✗	Low	●
Benefits payable	SCOT+	↔	✗	Low	●
Financial instrument disclosures	SCOT+	↔	✗	Low	●
Cash and cash equivalent	SCOT+	↔	✗	Low	●

↑ Assessed risk increased since audit plan

↔ Assessed risk consistent with audit plan

↓ Assessed risk decrease since audit plan

● Not likely to result in material adjustment or change to disclosures within the financial statements

● Potential to result in material adjustment or significant change to disclosures within the financial statements

● Likely to result in material adjustment or significant changes to disclosures within the financial statements

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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.

Risk identified	Audit procedures performed	Key observations
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement. Significant	As part of our audit procedures, we have: 1. Evaluated the design and implementation of relevant controls around the financial reporting process. 2. Analysed the journals listing and determined the criteria for selecting high risk journals. Using our data analytics software ('Inflo'), we have interrogated journal entries, with a particular focus on those journal entries that exhibited unusual characteristics. Journal entries identified as high risk were then tested to supporting documentation. 3. Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness, corroborating them to sufficient and reasonable evidence. 4. Gained an understanding on, and challenged management's key accounting estimates, judgements and decisions; considering whether these judgements and estimates are individually or cumulatively indicative of management bias. 5. Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 6. Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity.	Our review has not identified any material adjustments or findings related to management override of controls. We are satisfied that the judgments made by management are appropriate and based on a consistent methodology. However, we have identified two control recommendations for your consideration: **Access Restrictions:** Senior personnel should not have access to post journal entries to the ledger. While no postings were made by senior management during the audit year, this ongoing access presents an increased risk of management override. **Two-Stage Approval Process:** Implement an automated two-stage approval process for journal entries to ensure adequate review prior to posting. Although there is a manual approval process outside the system, there remains a risk that journals could be posted without proper authorization.

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Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
Valuation of level 3 investments (£267 million) The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the balance (**£267 million**) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk. **Significant** Relevant assertion(s) Valuation, Existence Applicable assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Obtained an understanding of management's processes for valuing Level 3 investments; 2. Evaluated the design and implementation effectiveness of the associated relevant controls; 3. Obtained and reviewed the corresponding investment manager report as at 31 March 2025 comparing the balance with the Fund's financial statements; 4. For a sample of Level 3 investments, tested the valuation by obtaining and reviewing the audited accounts, (where available these are predominantly private equity and infrastructure funds) at the latest available date for individual investments and compared these to the fund manager reports and accounts stated valuations; 5. Note that the latest audit accounts for the individual investments are often not at the balance sheet date and so are not a satisfactory comparable for the valuation. In these cases, we have reconciled those values to the values at 31 March 2025 with reference to known movements in the intervening period (such as purchases and sales, and other cash movements on the fund) in order to arrive at an appropriate comparable to test against; 6. Reviewed purchase and sale transactions of the investment near the reporting date where appropriate; 7. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts; 8. Reviewed the methods and assumptions applied by the Fund managers; 9. Reviewed management's classification of the assets; and 10. Obtained and reviewed investment manager service auditor report on design and operating effectiveness of internal controls where appropriate.	Based on our review, we believe that the judgments made by management regarding investment valuations are appropriate and consistently applied. Our assessment reflects a thorough evaluation of the processes and assumptions used in preparing the financial statements. However, we identified an understatement of investment balances totalling **£3.993 million**. This discrepancy arose as management used the December 2024 valuations instead of the March 2025 valuations, due to timing reasons. We have detailed this issue on page 40.

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Significant risks (continued)

Risk identified	Audit procedures performed
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Pension Fund. We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate. We have tested all material revenue streams as part of our audit. We have identified no issues from this work.
The expenditure cycle includes fraudulent transactions Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have identified and completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because: • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Pension Fund. We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate. We have tested all material expenditure streams as part of our audit. We have identified no issues from this work.

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Significant Classes of Transactions

Significant classes of transactions, account balances, and disclosures (SCOT+s), are associated with risks of material misstatement but are not linked to a significant risk. This section provides commentary on the SCOT+ risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
Valuation of level 2 investments (£1,114 million) The Pension Fund has investments in pooled equity and property funds that in total are valued on the net assets statement as at 31 March 2025 at **£1,114 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. SCOT+ Relevant assertion(s) Valuation, Existence Applicable assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Challenged management's judgement (for a sample – where applicable) by: a) Comparing the valuation to the confirmation received from the investment manager and custodian. b) Comparing the valuation to quoted prices at year-end where available. c) Comparing the valuation to purchase and sale transactions near the reporting date where appropriate and available. d) Reviewing the guidelines under which the investment has been valued. 2. For investments where we were unable to obtain quoted prices from independent sources, and in instances where no purchase or sale transactions occurred near the reporting date, we have taken the necessary steps to ensure accurate valuation. Specifically, we obtained and reviewed the audited financial statements for these investments and conducted a comparison with the unit prices disclosed therein 3. Reviewed management's classification of level 2 in the fair value hierarchy.	Our audit procedures provided sufficient assurance regarding the accuracy and reliability of the investment valuations reported, and that they have been determined using an appropriate methodology.

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Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Actuarial present value of promised retirement benefits The disclosure of the Fund's actuarial present value of promised retirement benefits is an accounting estimate and is sensitive to changes in key assumptions. The present value of retirement benefits a liability of **£1.178 billion** and fair value of scheme assets of **£1.413 billion** creating a net asset of **£235 million** as at 31st March 2025). The Pension Fund engage the services of a qualified actuary to develop an IAS 26 compliant estimate of the disclosure. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Valuation Applicable assertion(s) Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Updated our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated; 2. Challenged management's judgement by: a) Evaluating the instructions issued by management to their actuary (management's expert). b) Assessing the competence, capabilities and objectivity of management's expert. c) Assessing the accuracy and completeness of the information provided by the Fund to their actuary. d) Reviewing the report of the consulting actuary (auditor's expert) for their assessment of management's expert and performed the additional procedures noted in the report where appropriate. e) Ensuring the disclosures and the actuarial report received from the actuary were consistent. 3. Evaluated the design and implementation of relevant controls around management's process for the actuarial present value of promised retirement benefits disclosure.	The disclosures and methodologies employed by the Pension Fund are considered appropriate and consistent with the required standards. However, two minor issues were noted relating to note 18a Actuarial present value of promised retirement benefits: • The disclosure note was prepared using incorrect units. • The omission of a necessary footnote disclosure. Overall, we found no material adjustments or significant findings related to the actuarial present value of promised retirement benefits disclosure (IAS 26).

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Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Cash and cash equivalents The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the Net Asset Statement. SCOT+ Relevant assertion(s) Existence, Completeness Applicable assertion(s) Rights & Obligations, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Obtained direct confirmations for all bank accounts and compared these to amounts used in bank reconciliations and the general ledger. 2. We have not identified any material reconciling items, therefore no testing to confirm clearance through the bank account after the year-end was required. 3. For invested cash balances, agreed the valuation to the confirmation received from the custodian 4. Evaluated the design and implementation of relevant controls around management's process for the cash and cash equivalents balance.	Our work on cash and cash equivalents is complete. We have noted no material adjustments or findings in relation to the cash and cash equivalents balance.

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Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Contributions receivable Contributions from employers and employees represents a significant percentage of the Fund's revenue. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Completeness Applicable assertion(s) Accuracy, Occurrence, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated management's accounting policy for the recognition of contributions. 2. Evaluated the design and implementation of relevant controls around management's process for the contributions receivable balance. 3. Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence. 4. Tested relevant member data to gain assurance over management information to support a substantive analytical review, ensuring that any unusual trends are satisfactorily explained. 5. Tested a sample of transactions from the bank statement post-year-end to identify whether they had been recorded in the appropriate period.	Our work on contributions receivable is complete. We have noted no material adjustments or findings in relation to the contributions receivable balance.

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Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Financial instrument disclosures Financial instrument disclosures provide crucial information to allow users to understand and evaluate: • The entity's financial position and performance; • The nature and extent of risks from financial instruments during, and at the close of, the reporting period; and • How the Fund manages these risks. SCOT+ Relevant assertion(s) Accuracy, Presentation Applicable assertion(s) Completeness Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated management's accounting policy for financial instruments. 2. Evaluated the design and implementation of relevant controls around management's process for financial instruments. 3. Evaluated the instructions issued by management to their management expert for these disclosures. 4. For all material financial instrument disclosures confirmed that they are disclosed in accordance with IFRS 7, measured in accordance with IFRS 9 and classified in accordance with CIPFA guidance on IFRS 9 Financial Instruments.	Our review of the financial instruments disclosures is now complete. We did not identify any significant issues during this process. However, a few minor issues were identified. The most significant was: **Disclosure Misstatement in Note 15a:** The second paragraph of Note 15a outlines several recategorizations that were retrospectively applied as of 31 March 2024. Management believes that the reclassification is no longer necessary, and we concur with this assessment, indicating that the previous categorization will be reinstated. However, management has also undertaken a reclassification of one asset from 'Infrastructure' to 'Property Fund' to more accurately reflect the asset's underlying characteristics. This change will affect the comparative disclosure figures for the financial year 2023-24. Consequently, a prior period adjustment will be recorded to address this matter. This has been reported in disclosure misstatement page 41. The other minor disclosure amendments to financial instruments have been detailed on pages 41 and 42.

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Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
Benefits payable Pension benefits payable represents a significant percentage of the Fund's expenditure. As a result, it has been identified as a significant class of transactions. SCOT+ Relevant assertion(s) Accuracy Applicable assertion(s) Completeness, Occurrence, Presentation Planned level of control reliance None	As part of our audit procedures, we have: 1. Evaluated management's accounting policy for the recognition of pension benefits expenditure. 2. Evaluated the design and implementation of relevant controls around management's process for the benefits payable balance. 3. Tested a sample of benefits payable to source data to gain assurance over their accuracy and occurrence. 4. Tested a sample of lump sums and associated individual pensions in payment by reference to member files. 5. Tested relevant member data to gain assurance over management information to support a substantive analytical review, ensuring that any unusual trends are satisfactorily explained. 6. Tested a sample of transactions from the bank statement post-year-end to identify whether they had been recorded in the appropriate period.	Our work on benefits payable is complete. We have noted no material adjustments or findings in relation to the benefit payable balance.

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Other findings

Other findings – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Summary of management's approach

Level 3 investments - £267 million

The Pension Fund has Level 3 investments in the following:

- Private equity totalling **£150,000** of the net assets statement at year-end
- Infrastructure investments totalling **£94 million** of the net assets statement at year-end
- Illiquid alternatives investments totalling **£173 million** of the net assets statement at year-end

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

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. To determine the value, management rely on the valuations provided by the investment managers.

Audit comments

In response to management's approach, we have:

1. Completed an assessment of management's expert – the investment manager and custodian
2. Ensured consistency of the investment management report with the financial statements
3. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison.
4. Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls (where appropriate)
5. Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and fund accounts

continued overleaf...

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Other findings – key judgements and estimates (continued)

Audit comments (continued)
6. Compared the valuation to purchase and sale transactions of the investment near the reporting date (where appropriate) 7. Consider the completeness and accuracy of the underlying information used to determine the estimate 8. Considered the impact of any changes to valuation method from the prior period Additionally, the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements. From the work performed, we are satisfied that the judgements made by management regarding the valuation of investments are appropriate and have been determined using a consistent methodology. This assessment reflects our thorough evaluation of the processes and assumptions employed by management in preparing the financial statements. However, we identified an understatement of investment balances totalling **£3.993 million**, caused by timing differences. This discrepancy results from relying on the most recent investment statements dated 31 December 2024, leading to a misalignment of reported values. We have detailed this issue on page 40.

Assessment
● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious. Refer to the unadjusted error described above.

Assessment Key

- ● [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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Other findings – key judgements and estimates (continued)

Summary of management's approach

Level 2 investments - £1,114 miilion

The Pension Fund has Level 2 investments in quoted UK and overseas bonds, pooled long lease property funds and pooled investments (equity and fixed income funds), which total **£1,114 million** on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

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. To determine the value, management rely on the valuations provided by the investment managers.

Audit comments

While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

In response to management's approach, we have:

1. Completed an assessment of management's expert – the investment manager and custodian
2. Agreed valuation of the investment and number of units held to confirmation received from investment manager
3. Agreed valuation of the investment and the number of units held to the confirmation received from the custodian
4. Obtained purchase and sale transactions in respect of the investment near the reporting date, compare the transaction price to the price at the reporting date, investigate any non-trivial differences and evaluate any errors
5. Obtained and reviewed the audited financial statements and compare the unit price disclosed and investigate significant fluctuations

continued overleaf...

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Other findings – key judgements and estimates (continued)

Audit comments (continued)
6. Review management's classification of these assets in the Fair Value Hierarchy 7. Checked that the investment has been valued in accordance with the latest International Private Equity and Venture Capital Valuation (IPEV) guidelines, or other appropriate guidelines Our audit procedures provided adequate assurance regarding the accuracy and reliability of the investment valuations reported, ensuring compliance with relevant standards. We are satisfied with the disclosure of Level 2 investments within the pension fund accounts are fairly stated.

Assessment
● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment Key

- ● [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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Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

			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 (General Ledger)	ISAE 3402 report review from Hampshire County Council who provide this service for the Pension Fund	● [Green]	● [Green]	● [Green]	● [Green]	Not applicable
UPM (Pensions Administration System)	ISAE 3402 report review	● [Green]	● [Green]	● [Green]	● [Green]	Not applicable

Assessment:

- ● [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● [Black] Not in scope for assessment

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Communication requirements and other responsibilities

Other communication requirements

	Issue	Commentary
1	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.
2	Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed. • We have identified delays in the declarations submitted by members and we recommend that the Council implements measures to strengthen its controls around the declaration process to ensure timely compliance. The recommendation will be made in the London Borough of Hammersmith and Fulham Council's Audit Findings Report, but remains relevant to the Pension Fun. • Owing to the delay in members submitting declarations, one undisclosed interest was not captured by the Council. We concluded that as there were no transactions between this organisation and the Pension Fund, no related party disclosures were required for the accounts, but we continue to recommend that members update declarations on a more timely basis.
3	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.
4	Written representations	• A letter of representation has been requested from the Pension Fund, which is included in Appendix D. • Specific written representations will be necessary for the two prior period adjustments (PPAs), namely the disclosure of fund manager expenses and classification of investments in Note 15a, to ensure clarity and accountability in the financial reporting process.
5	Confirmation requests from third parties	• We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted, and the requests were sent. • 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 have now been received.
6	Disclosures	• We reviewed the accuracy and completeness of all disclosure notes in the accounts. Several minor errors/omissions were identified. We have summarised these on Page 41 to 42 (Disclosure Misstatements).
7	Audit evidence and explanations	• All information and explanations requested from management was provided.

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Other communication requirements (continued)

Going Concern

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).

Commentary

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 2024). 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.

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Other communication requirements (continued)

Going Concern

Commentary (continued)
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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Other responsibilities

Issue	Commentary
Other information	The Pension Fund is administered by 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.
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. Some inconsistencies were identified in the draft Pension Fund Annual Report, however these primarily related to adjustments arising from the audit, and none of them were material. Management have made the appropriate amendments and we therefore propose to issue our 'consistency' opinion on the Pension Fund's Annual Report alongside our opinion on the Pension Fund accounts within the Council's Statement of Accounts. 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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Audit adjustments

Unadjusted misstatements

Throughout the course of our audit fieldwork, we found no adjusted misstatements. This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

		Pension Fund Account		Net Asset Statement £'000			
Adjustment ref.	Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000	Reason for not adjusting
	Total net assets per final accounts					**1,413,431**	
1	Understatement of investment balances attributed to timing differences identified between the value of Level 3 investments disclosed in the financial statements and the capital statements as at 31 March 2025.		[3,993]	3,993		3,993	Timing difference, immaterial
	Total net assets – recalculated to include unadjusted misstatements					**1,417,424**	

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Disclosure misstatements

Disclosure	Detail	Adjusted?
Throughout the financial statements	Several minor audit amendments, relating to narratives within disclosure notes, were identified. All of these were corrected by management.	✓
Note 9: Management expenses	The investment management expenses note lacks analysis by investment manager and investment type, representing a material omission of a requirement outlined in the Code. This will have impact on the comparative disclosure figures for Financial Year 2023-24. As a result, a prior period adjustment will be recorded to address the issue.	✓
Note 10: Investment income	In the draft statement of accounts, management did not include an analysis of investment income, in the similar manner as done for investments in Note 12 as it excluded Private Equity/ Infrastructure. This will also be updated for the prior-year comparatives.	✓
Note 12: Reconciliation of movement in investments	Management has revised the disclosure note to provide a breakdown for pooled investment vehicles in terms of equities, bonds and other based on the CIPFA Code requirements.	✓
Note 14a: Valuation of financial instruments carried at fair value	The disclosure of financial instruments carried at fair value has been disclosed as a one line and not as per major asset classes of the Investments in line with note 13.	✓
Note 14c: Reconciliation of fair value measurements within level 3 investments	1. The Overseas venture capital is disclosed with a closing balance of **£34.918 million**. However, it should have read Overseas Infrastructure. 2. The reconciliation of the Level 3 investments have not been disclosed for the prior year comparatives. Additionally, there is no disclosure of prior year comparatives for the sensitivity analysis of level 3 assets in Note 14d.	✓
Note 15a: Classification of financial instruments	The second paragraph of Note 15a, in the draft accounts, outlined several recategorizations of investments between 'UK' and 'Overseas', that were also retrospectively applied for the prior-year comparatives. During the course of the audit, management later took the view that this reclassification was not necessary, and we concurred with this assessment. The previous categorisation basis for these investments will be reinstated. However, as part of this work, management did identify the misclassification of one asset, recorded previously as an 'Infrastructure' investment, instead of the more appropriate 'Property' investment with a value of **£73.9 million** in the current year and **£79 million** in the prior-year. This change will affect the comparative disclosure figures for the prior year. Consequently, a prior period adjustment will be recognised in the final accounts.	✓

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Disclosure misstatements

Disclosure	Detail	Adjusted?
Note 15a: Classification of financial instruments	The debtors balance disclosed in Note 15a: financial instruments includes "Contributions receivable" of **£3,127k** (PY: **£2,896k**). Also, the creditors balance disclosed in note 15 includes benefits payable of **£846k** (PY: **£719k**). These are not financial instruments.	✓
Note 16: Nature and extent of risks arising from financial instruments	1. Under price risk - The current year value of **£1,308,705k** is inconsistent with the value disclosed in note 15a **£1,380,705k.** 2. Enhancement of the note to include a sensitivity analysis for USD given that this is a currency which the Fund has significant exposure to.	✓
Note 17: Contingent liabilities and contractual commitments	Variance in Contractual Commitment amount of Quinbrook Renewable Infrastructure of amount **£2,867,040**. The correct amount of commitment should be **£30,956k** instead of **£33,823k**.	✓
Note 21: Additional voluntary contributions (AVC)	Management has not updated the additional voluntary contributions in the draft accounts for 2024/25. Consequently, the additional voluntary contributions have been carried forward unchanged from the 2023/24 accounts.	✓
Note 22: Related parties	Management had not updated the Key Management Personnel disclosure for the 24/25 draft accounts. In the 24/25 draft accounts the Key Management Personnel disclosure was carried forward and the same from the 23/24 accounts.	✓

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Impact of unadjusted misstatements in the prior year

This is a summary of unadjusted misstatements identified during the prior year audit, which impact the current year financial statements.

		Pension Fund Account		Net Asset Statement £'000			
Adjustment ref.	Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000	Reason for not adjusting
	Total net assets – recalculated to include unadjusted misstatements identified in the current year					**1,417,424**	
1	**Variances on Level 3 Investments** Investment was understated in value by **£1.06 million**. This was due to timing differences in the availability of valuation information from the Fund Manager.	-	[1,060]	1,060	-	1,060	Management did not consider this variance to be material for the 2023/24 accounts. This misstatement is covered by updated valuations in 2024/25.
2	**Variances on Level 2 Investments** 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]	1,608	-	1,608	Management did not consider this variance to be material for the 2023/24 accounts. This misstatement is covered by updated valuations in 2024/25.

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Impact of unadjusted misstatements in the prior year (cont'd)

This is a summary of unadjusted misstatements identified during the prior year audit, which impact the current year financial statements.

		Pension Fund Account		Net Asset Statement £'000			
Adjustment ref.	Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000	Reason for not adjusting
3	**Variances on Management Expenses** 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 **£3.291 million**. Note that this is an extrapolation to identify the potential error.	3,291 Change in market value	[3,291] Management expenses	-	-	Nil	Management did not consider this variance to be material. As it was an extrapolated immaterial error, it has not been adjusted for. This was a classification error in 2023/24, and thus has not been adjusted for in 2024/25.
	Total net assets – recalculated to include unadjusted misstatements identified in both the prior and current year					1,420,092	

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Action plan

We have identified 1 recommendation for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2025/26 audit. The matter reported here is 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
1	● [Green]	The Fund's contract with its Custodian, Northern Trust, ended in September 2021. The Fund has confirmed that it is currently in the process of putting in place a contract before the end of the financial year.	We recommend that management ensure that the contract with its Custodian is in place as soon as possible. **Management response** The mini-competition for the award of the global custodian contract has now been completed for the three Tri-Borough funds as a shared service. The new agreement between Northern Trust and the Tri-Borough was executed on 16 September 2025.

Assessment key:
- ● [Red] High – Significant effect on financial statements
- ● [Amber] Medium – Limited effect on financial statements
- ● [Green] Low – Best practice

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Follow up of prior year recommendations

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

	Assessment	Implemented?	Issue and risk previously communicated	Update on actions taken to address the issue
1	● [Amber]	→	**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 no automated authorisation process for journal entry postings in place. We have not identified from our testing, either in 2023/24 or 2024/25, any material misstatements or indications of management override of controls. However, we do not test every journal and therefore 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.	This recommendation has not yet been implemented. We acknowledge that the Fund is content in tolerating this risk, and thus we will not continue raising this recommendation going forward. We are satisfied that complimentary controls are in place, and that they are reasonable. No issues have arisen in our audit work as a result of these deficiencies.
2	● [Amber]	✓	**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.	A comprehensive listing of schools contributions was provided during the audit, which includes a breakdown of contributions on an employee basis. Upon our assessment, we are satisfied that this listing accurately breaks down the administrative contributions and reconciles effectively with the remittances.

Assessment:
- ✓ Action completed
- → Work in progress / Partially addressed
- ✖ Not yet addressed

Assessment key:
- ● [Red] High – Significant effect on financial statements
- ● [Amber] Medium – Limited effect on financial statements
- ● [Green] Low – Best practice

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Follow up of prior year recommendations (cont'd)

This is a summary of where we identified recommendations for the Pension Fund because of issues identified during the prior year audit, and an update on actions taken by management as a result.

	Assessment	Implemented?	Issue and risk previously communicated	Update on actions taken to address the issue
3	● [Amber]	✓	**Bank Reconciliation** During the 2023/24 audit, we identified that bank account reconciliations were not being undertaken 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 that the year-end reconciliation is retained for audit purposes.	We have reviewed the year-end bank reconciliation and are satisfied that it has been completed accurately by management. Additionally, we accept management's response from the prior year regarding the monthly reconciliations being treated as a live document. Management has adopted our recommendation to formalise the year-end reconciliation process.
4	● [Green]	✓	**Information Technology (IT) environment and controls** We identified through our review of the IT control environment that: • Password complexity settings were configured on UPM but were not in line with best practice, and • Minimum password age had been set to 0.	We are satisfied that our review of IT applications indicates that password-related recommendations have been effectively addressed and updated by management, enhancing overall security measures.

Assessment:
✓ Action completed
→ Work in progress / Partially addressed
✗ Not yet addressed

Assessment key:
● [Red] High – Significant effect on financial statements
● [Amber] Medium – Limited effect on financial statements
● [Green] Low – Best practice

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Independence considerations

Independence considerations (continued)

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the 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 Fund or investments in the 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 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 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 Fund's committees, 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 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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Fees and non-audit services

The following table sets out the total fees for audit services that we have been engaged to provide or charged from the beginning of the financial year to conclusion of the audit.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to London Borough of Hammersmith and Fulham Pension Fund. The table below summarises all audit services which were identified. No services, other than this audit of the Pension Fund, were identified.

Audit fees	£
Audit of Pension Fund	97,945
Total	**97,945**

The above fees are exclusive of VAT and out of pocket expenses. The fees agree to the financial statements.

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Appendices

A. Communication of audit matters with 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	●	
Planned use of internal audit	●	
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 matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

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A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
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, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.

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B. Our team and communications

Grant Thornton core team

Matt Dean
Engagement Lead/ Key Audit Partner

- Key contact for senior management and Audit Committee
- Overall quality assurance

Oliver Moore
Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Afif Azman
Audit Senior / In-charge

- Day-to-day point of contact
- Audit fieldwork

Pool of specialists and other technical specialists (e.g., IT audit)

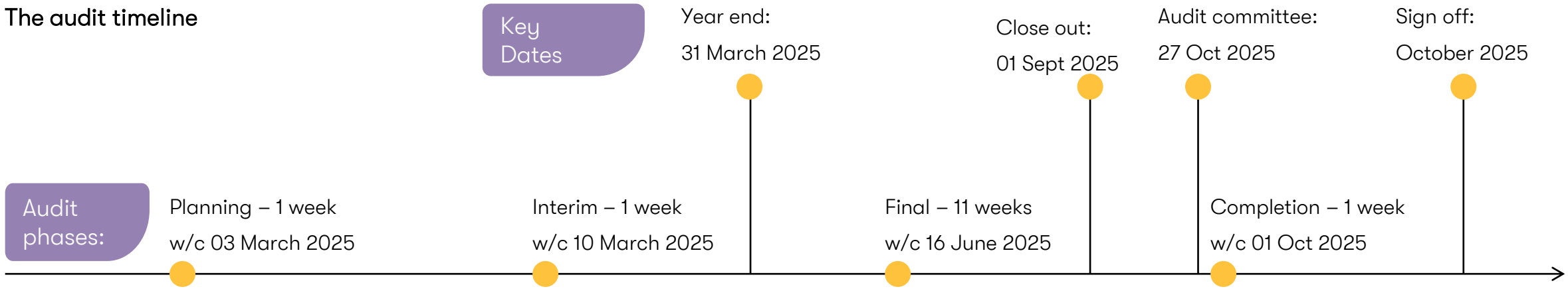
	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Client Surveys	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings Report • Auditor's Annual Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

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C. Logistics

The audit timeline



Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Audit Committee
- Issue the Audit Plan to management and Audit Committee
- Planning meeting with Audit Committee to discuss the Audit Plan]

Key elements

- Documented design effectiveness of systems and processes
- Audit progress report and sector update to management and Audit Committee
- Interim testing on benefits paid
- Audit Plan shared with management and presented at the Audit Committee on 9th June 2025

Key elements

- Audit to complete fieldwork and detailed testing
- Weekly update meetings with management

Key elements

- Draft Audit Findings Report issued to management
- Audit Findings meeting with management
- Draft Audit Findings Report issued to Audit Committee
- Audit Findings Report presentation to Audit Committee
- Finalise and sign financial statements and audit report

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D. Management letter of representation

We have requested a letter of representation from management. The letter includes representations on the unadjusted misstatements as included in this audit findings report. Specific representations have also been sought for the two prior-period adjustments.

[Prepare on client letterhead**]**

Grant Thornton UK LLP
8 Finsbury Circus
London
EC2M 2AF

[Click here and enter date of letter**]**

Dear Grant Thornton UK LLP

London Borough of Hammersmith and Fulham Pension Fund
Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of the London Borough of Hammersmith and Fulham Pension Fund ("the Fund") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Fund 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 2024-25 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, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Fund's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("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

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D. Management letter of representation

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; and

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 unadjusted misstatements schedule in respect of Level 3 investments included in your Audit Findings Report and attached to this letter. 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 quantitatively and qualitatively, and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xii. The prior period adjustments disclosed in notes 9 and 15 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

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 Fund 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 from whom you determined it necessary to obtain audit evidence.

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D. Management letter of representation

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 27th October 2025.

Yours faithfully

Name.....	Name.....
Position.....	Position.....
Date.....	Date.....

Signed on behalf of the Fund

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E. Draft audit opinion

Our draft audit opinion is included below. We anticipate that we will provide the Pension Fund with an unmodified opinion.

Independent auditor's report to the members of the London Borough of Hammersmith and Fulham on the pension fund financial statements of the London Borough of Hammersmith and Fulham

Opinion on financial statements

We have audited the financial statements of the London Borough of Hammersmith and Fulham Pension Fund (the 'Pension Fund') administered by the London Borough of Hammersmith and Fulham (the 'Authority') for the year ended 31 March 2025 which comprise the Fund Account, the Net Asset 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 2024/25.

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 2025 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 2024/25; 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 (2024) ("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 Executive Director of Finance and Corporate Services' 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 Executive Director of Finance and Corporate Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 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 2024) 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 Executive Director of Finance and Corporate Services' 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.

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E. Draft audit opinion continued

Our responsibilities and the responsibilities of the Executive Director of Finance and Corporate Services 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 Executive Director of Finance and Corporate Services' 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.

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

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 Executive Director of Finance and Corporate Services

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 Executive Director of Finance and Corporate Services. The Executive Director of Finance and Corporate Services 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 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Finance and Corporate Services 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 Executive Director of Finance and Corporate Services' 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.

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E. Draft audit opinion continued

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 (CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, 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).
- 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, internal audit 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 closing 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 management 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 2 and 3 investments, and the actuarial present value of promised retirement benefits per IAS 26; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- 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.

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E. Draft audit opinion continued

- 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.
- The engagement partner's 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.

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.

[Signature**]**

Matt Dean, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

[Date**]**

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London Borough of Hammersmith and Fulham
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Grant Thornton UK LLP
8 Finsbury Circus
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EC2M 7EA

27 October 2025

Dear Grant Thornton UK LLP

London Borough of Hammersmith and Fulham
Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of London Borough of Hammersmith and Fulham ("the Authority") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Authority 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 2024-25 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, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("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 Authority and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Authority 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 valuation of land and building, including Council Dwellings, Right of Use Assets and Investment Properties, the assumptions used in the valuation of net defined benefit liability, the valuation and completeness of provisions, completeness and accuracy of lease liability 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 International Accounting Standard 19 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 Authority has been assigned, pledged or mortgaged; and

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 unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority 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. RAAC - We have considered the impact of reinforced autoclaved aerated concrete (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

xiii. Equal Pay – We have considered the impact of equal pay claims on our financial statements. We have no knowledge of any material events or circumstances that would require additional disclosures or adjustments to be made to our financial statements related to equal pay.

xiv. The senior employees pay disclosure is complete, accurate and in line with the requirements of the Accounts and Audit Regulations 2015.

xv. The Authorities Investment in it's Joint venture, West King Street Renewal LLP, and the amount of debtor balances owed by the joint venture to the Authority are fully recoverable and there are no indicators of its impairment that we are aware of.

xvi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xvii. We have updated our going concern assessment. We continue to believe that the Authority'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 Authority 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 Authority to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Authority'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 Authority's ability to continue as a going concern need to be made in the financial statements

xviii. 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.

xix. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

xx. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Authority'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 Authority from whom you determined it necessary to obtain audit evidence.

xxi. We have communicated to you all deficiencies in internal control of which management is aware.

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

xxiii. 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.

xxiv. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority 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.

xxv. 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.

xxvi. 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.

xxvii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

xxviii. 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

xxix. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority'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

xxx. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 27 October 2025.

Yours faithfully

Name: Cllr. Patrick Walsh

Position: Chair, Audit Committee

Date: 27/10/2025

Name: Sukvinder Kalsi

Position: Executive Director of Finance & Corporate Services

Date: 27/10/2025

Signed on behalf of the Authority

Schedule of unadjusted misstatements

Sr.No	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
1	From our work on bank payments completeness testing, we identified a net overstatement of capital expenditure by £1,570,886. The net impact is an overstatement which predominantly impacts AUC/PPE with the other side of the transaction having an impact on prepayments where the amount paid should have been recognised. The Council does not deem this to be material to require any further adjustments.	Nil	Dr Prepayments 1,571 Cr Assets under Construction 1,571	Nil	Nil
2	Incorrect rental figures were used on one asset within an Investment Property asset. Were the correct figure used, the update would lead to a change in valuation of the asset from £7.7m to £8.9m. Since the differential is not material therefore it has not been adjusted for.	Cr Interest and Investment income 1,162	Dr Investment Properties1,162	Nil	Nil
3	We identified that the PFI liability is understated by £1m due to the fact that it is not explicitly mentioned in the models whether the contingent rent/indexation relates entirely to service charge or lease rental and hence for the calculation purposes as part of the IFRS-16 transition adjustment, our internal modelling team has applied the indexation change upon lease rental since 2015/16 when the contract change happened for which they have used a cumulative	Nil	Dr Right of use Asset 1,038 Cr PFI Liability 1,038	Nil	Nil

	impact of 24.4% in relation to indexation applicable upon the rental charge. The misstatement is less than PM and hence no further work is performed.				
	Overall impact of current year unadjusted misstatements	**1,162**	**1,162**	**Nil**	**Nil**

4) West King Street Renewal the Council's JV has recognised a £6.2m provision for penalty clauses that the Council may exercise. The Council has not recognised a corresponding debtor, as it is still evaluating whether to exercise this option. We note depending on the decision taken by management this could be deemed a misstatement.

London Borough of Hammersmith and Fulham
Town Hall
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Grant Thornton UK LLP
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EC2M 2AF

27 October 2025

Dear Grant Thornton UK LLP

London Borough of Hammersmith and Fulham Pension Fund Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of the London Borough of Hammersmith and Fulham Pension Fund ("the Fund") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Fund 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 2024-25 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, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Fund's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("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; and

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 unadjusted misstatements schedule in respect of Level 3 investments included in your Audit Findings Report and attached to this letter. 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 quantitatively and qualitatively, and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xii. The prior period adjustments disclosed in notes 9 and 15 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

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 Fund 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 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 27th October 2025.

Yours faithfully

Name: Cllr. Patrick Walsh

Position: Chair, Audit Committee

Date: 27/10/2025

Name: Sukvinder Kalsi

Position: Executive Director of Finance & Corporate Services

Date: 27/10/2025

Signed on behalf of the Fund

Appendix

Unadjusted misstatements

Throughout the course of our audit fieldwork, we found no adjusted misstatements. This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

		Pension Fund Account		Net Asset Statement £'000			
Adjustment ref.	Detail	Debit £'000	Credit £'000	Debit £'000	Credit £'000	Impact on total net assets £'000	Reason for not adjusting
	Total net assets per final accounts					**1,413,431**	
1	Understatement of investment balances attributed to timing differences identified between the value of Level 3 investments disclosed in the financial statements and the capital statements as at 31 March 2025.		[3,993]	3,993		3,993	Timing difference, immaterial
	Total net assets – recalculated to include unadjusted misstatements					**1,417,424**	

Annual Report

Hammersmith and Fulham Pension Fund 2024/25



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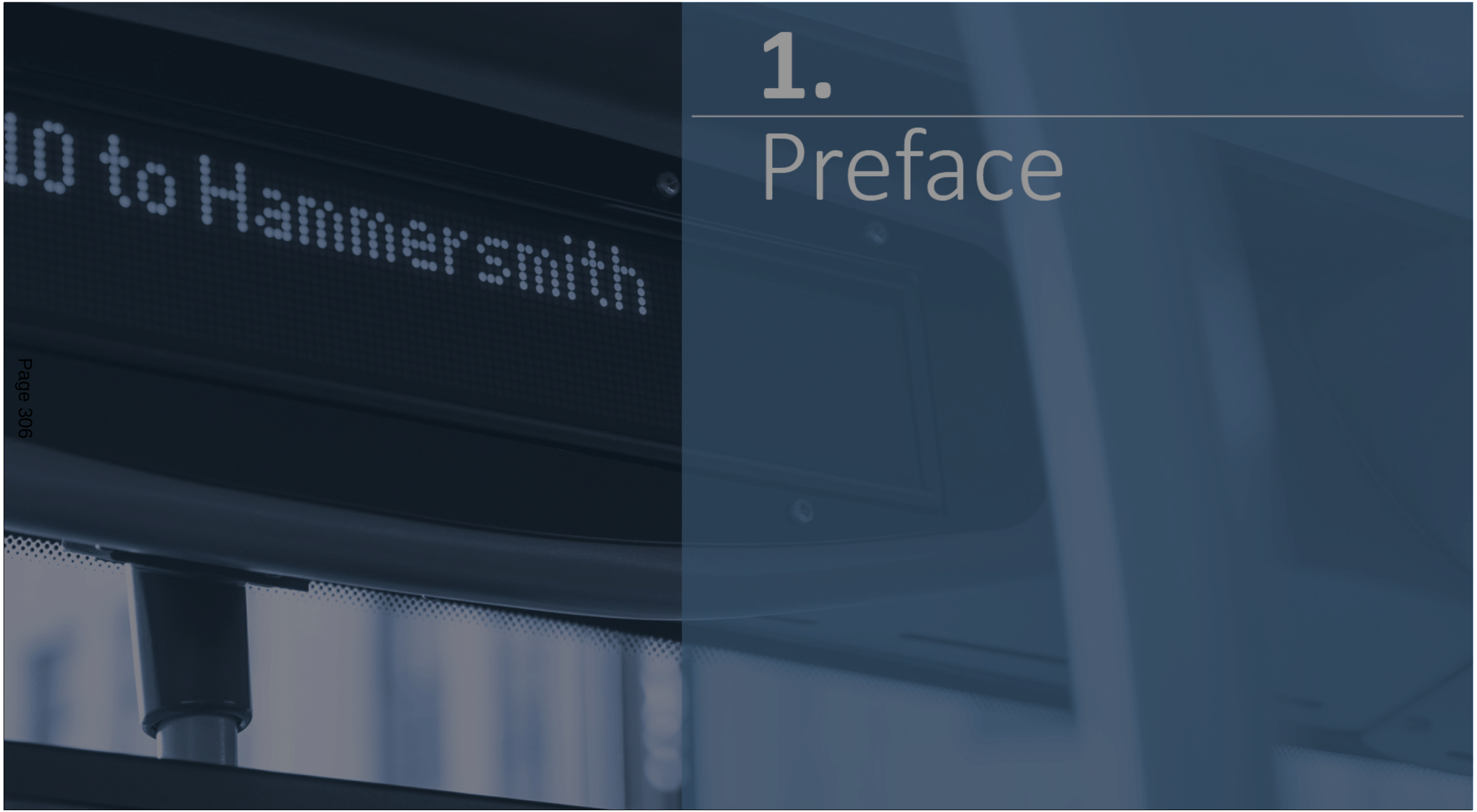
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1.
Preface

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 2024/25.

At the 2022 actuarial valuation the London Borough of Hammersmith and Fulham Pension Fund achieved a funding level of 105%. As at 31 March 2025, the indicative funding level has risen by 15% to 120% from the triennial valuation. Returns have continued to exceed the discount rate during the period, primarily because of excellent performance across the Fund's asset classes.

The Committee agreed top ups to two investments in year. Allocating an additional £30m to Alpha Real Capital Index Linked Income Fund and £35m Quinbrook Renewable Infrastructure Fund II.

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 60% of its assets pooled, the London Borough of Hammersmith and Fulham Pension Fund remains a key supporter of the London CIV pool.

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.

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Introduction Continued

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

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.

THIS ANNUAL REPORT COMPRISES THE FOLLOWING SECTIONS:

Management and Financial Performance which explains the governance and management arrangements for the Fund, a summary of 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 2025.

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



2.

Management and Financial Information

Governance Arrangements

PENSION FUND COMMITTEE

The London Borough of Hammersmith and 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. 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.

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Governance Arrangements Continued

PENSION FUND COMMITTEE

The membership throughout 2024/25 of the Pension Fund Committee is set out below.

Councillor	Committee Attendance 24/25
Ross Melton (Chair)	5/5
Adrian Pascu-Tulbure (Vice)	4/5
Laura Janes	5/5
Adam Peter Lang	5/5
Florian Chevoppe-Verdier	5/5

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.

The Board meets at least twice a year and is made up of two employer representatives nominated by the Council and four scheme member representatives from the Council or an admitted or scheduled body.

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 Pensions Board throughout 2024/25 is set out below.

Board Member	Employer/Employee	Attendance 2024/25
Cllr Ashok Patel (Chair)	Employer	2/2
Cllr Nikos Souslous	Employer	2/2
William O'Connell	Employee	2/2
Patsy Ishmael	Employee	2/2
Bruce Mackay	Employee	1/2
Andy Sharpe	Employee	1/2

Governance Arrangements Continued

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.

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Governance Arrangements Continued

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 2025/26 based on the needs of Committee and board members.

Training sessions during the year covered a diverse range of topics, including:

- Interpreting LGPS Pension Fund Accounting Statements;
- Government Policy on the Future of UK LGPS Pensions;
- Latest Actuarial Position in the LGPS;
- Global Updates on Natural Capital, Responsible Investment and Environmental, Social and Governance Issues;
- Market Updates of a variety of asset classes.

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 17 Freedom of Information requests (FOIs), 16 were responded to within the statutory deadline of 20 working days. The remaining request was responded to shortly after it's deadline, due to a delay in information requested from third parties

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Scheme Management and Advisors 2024/25

EXTERNAL

Investment Advisor	Isio		
Independent Investment Advisors	Sam Gervaise-Jones	Marian George	
Investment Managers	**Global Equities (Passive)** Legal & General Investment Management Morgan Stanley Investment Management **Private Multi-Asset Credit** Partners Group Aberdeen Standard **Infrastructure** Aviva Investors Partners Group Quinbrook	**Absolute Return** Ruffer **Fixed Income** Oakhill Advisors Long Lease Property Aberdeen Standard **Private Equity** Unigestion	**Ground Rents** Alpha Real **Illiquid Alternatives** Darwin **Affordable Housing** Man Group **Bonds** Allspring Global Insight
Custodian	Northern Trust		
Banker	NatWest Bank		
Actuary	Hymans Robertson LLP		
Auditor	Grant Thornton LLP		
Legal Adviser	Eversheds Sutherland		
Scheme Administrator	LPPA		
AVC Providers	Scottish Widows Workplace Pensions	Utmost Life and Pensions	

Scheme Management and Advisors 24-25 Continued

OFFICERS

Strategic Director of Finance and Governance (S151 Officer)	Sukvinder Kalsi		
Tri-Borough Treasury Pensions Team	Phil Triggs	Julia Stevens	Alastair Paton
	Mathew Dawson	Billie Emery	Ruby Vuong
	Patrick Rowe	Siân Cogley	Sukdev Singh
LBHF 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. 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".

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.

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 Treasury and Pensions	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	Head of Pensions	The Fund's officers continue to monitor the staffing changes, contract and KPIs of third-party provider.

Risk Management Continued

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 Treasury and Pensions	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 Treasury and Pensions	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 Treasury and Pensions	Officers regularly consult and engage with advisors and independent managers.

Risk Management Continued

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 in the table and cover 99.5% of investment holdings at 31 March 2025.

	Type of Assurance	Control Framework	Compliance with Controls	Reporting Accountant
Fund Manager				
Aberdeen Standard	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG 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
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 £36m during 2024/25, to £1,413m as at 31 March 2025, this was largely because 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. The next triennial valuation will take place in 2025 and set rates from 1 April 2026 onwards.

Over the five-year period, pensions paid have exceeded contributions received by £57m 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.

Fund Account Analytical Review

	2020/21	2021/22	2022/23	2023/24	2024/25
Dealings with members	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Contributions	(41,534)	(42,920)	(43.807)	(49,925)	(52,146)
Pensions	52,088	54,096	54,869	60,845	65,115
Net (additions)/withdrawals from dealings with members	10,554	11,176	11,062	10,920	12,969
Management expenses	8,903	9,915	8,283	10,857	8,260
Investment Income	(12,327)	(11,170)	(24,694)	(19,531)	(21,426)
Change in market value	(215,444)	(115,585)	39,819	(89,367)	(35,670)
Net (increase)/decrease in the Fund	**(208,337)**	**(105,690)**	**34,470**	**(87,121)**	**(35,867)**

Financial Performance Continued

The points to note are:

44.6% of pooled investment vehicles comprise of global equity shareholdings (43.5% in 23/24), 25.3% within dynamic assets (25.9% in 23/14), 17.7% is invested in secure income (18.6% in 23/24), while the remaining 12.4% is invested in inflation protection (11.7% in 23/24.

The overall value of pooled investment vehicles increased by £27m (3%) 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.

Net Asset Statement Analytical Review

	2020/21	2021/22	2022/23	2023/24	2024/25
Net Asset Statement	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Bonds	-	-	-	-	-
Equities	150	150	150	150	150
Investment vehicles	1,214,810	1,287,378	1,260,241	1,353,274	1,380,705
Cash deposits	8	32,104	20,245	7,456	27,459
Other	13	7	39	18	92
Total Investment Assets	1,214,981	1,319,639	1,280,675	1,360,898	1,408,406
Current assets	3,664	4,525	3,911	3,929	4,002
Current Liabilities	(1,100)	(2,118)	(1,979)	(2,905)	(2,219)
Cash Balances Held Directly by the Fund	1,678	2,867	7,836	15,642	3,242
Closing Net Assets of the Scheme	**1,219,223**	**1,324,913**	**1,290,443**	**1,377,564**	**1,413,431**

Financial Performance Continued

The key variances were due to the following:

Lump sums increased due to more members retiring than in the prior year.

Transfers in were lower, reflecting less new starters joining the scheme and choosing to transfer in benefits on commencement of employment, than last year.

Transfers out were lower, reflecting less people leaving the scheme and choosing to transfer out their benefits than the last year.

Pension payments increased during 2024/25, primarily due to the increases in pension payments, which are linked to CPI

Dealings with Scheme Members Analytical Review

	2020/21	2021/22	2022/23	2023/24	2024/25
Contributions Receivable	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Members	(8,004)	(8,735)	(9,539)	(10,303)	(10,768)
Employers	(24,180)	(25,568)	(27,421)	(31,323)	(33,255)
Transfers In	(9,350)	(8,617)	(6,847)	(8,299)	(8,123)
Other					
Total Income	(41,534)	(42,920)	(43,807)	(49,925)	(52,146)
Benefits Payable					
Pensions	36,363	37,839	40,045	44,317	48,851
Lump Sums	8,672	10,368	8,002	9,439	9,813
Transfers Out	7,013	5,737	6,738	6,980	6,370
Refunds	40	152	84	109	81
Total Expenditure	52,088	54,096	54,869	60,845	65,115
Net Dealings with Members	**10,514**	**11,176**	**11,062**	**10,920**	**12,969**

Financial Performance Continued

Analysis of Operational Expenses

The costs of running the pension fund are shown below. During 2024/25, the administration costs decreased by 14% to £1,137k, largely due to the stabilisation of the pension administration contract and associated project costs.

The Fund's investment management expenses decreased by 27% during the year. There were three main driver of this decrease in cost, firstly due to less favourable performance in 2024/25 than 2023/24, only one fund manager hit their threshold for performance related fees. Secondly, fees from managers are calculated from the NAV, a lower NAV results in less fees. Finally, in 2023/24 the fund made four new investments, and topped up an investment, whereas in 2024/25 the fund only topped up two investments so, the transaction fees are much lower the prior year

	Investment Management Expenses	
	2024/25	2023/24
	£000	£000
Management fees	(5,569)	(5,580)
Performance fees	(65)	(672)
Transaction costs	(1,033)	(2,864)
Custody fees	(72)	(68)
Total	**(6,739)**	**(9,184)**

Financial Performance Continued

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 2024/25, are shown in the table below.

Administering Bodies	Employer rate %	Employee avg. rate %
London Borough of Hammersmith & Fulham	21.7%	7.5%
Addison Primary School	21.7%	5.9%
All Saints Primary School	21.7%	5.9%
Avonmore Primary School	21.7%	5.5%
Bayonne Nursery School	21.7%	6.0%
Brackenbury Primary School	21.7%	6.1%
Cambridge School (Special)	21.7%	6.4%
Flora Gardens Primary School	21.7%	6.3%
Holy Cross RC Primary School	21.7%	6.1%
Jack Tizard School (Special)	21.7%	6.1%
James Lee Nursery School	21.7%	6.2%
John Betts Primary School	21.7%	6.0%
Kenmont Primary	21.7%	6.2%
Larmenier & Sacred Heart Primary	21.7%	5.9%
Melcombe Primary School	21.7%	5.9%
Miles Coverdale Primary School	21.7%	6.0%
Normand Croft Community School	21.7%	5.9%
Old Oak Primary School	21.7%	6.0%
Randolph Beresford Early Years	21.7%	5.9%
Sir John Lillie Primary School	21.7%	5.9%
St Johns CE Primary School	21.7%	6.1%
St Mary's Primary School	21.7%	6.0%
St Paul's Primary School	21.7%	6.1%
St Peter's Church of England Primary School	21.7%	5.9%
St Stephens CoE Primary School	21.7%	6.0%
St. Thomas of Canterbury Primary	21.7%	5.9%
The Good Shepherd Primary School	21.7%	5.9%
Vanessa Nursery School	21.7%	6.1%
Wendall Park Primary School	21.7%	6.3%
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%

Financial Performance Continued

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	23.0%	5.8%
Fulham College Academy Trust (Girls)	23.0%	6.5%
Hurlingham and Chelsea Academy	21.9%	6.8%
Fulham Boys Free School	23.0%	6.6%
Fulham College Academy Trust (Boys)	23.0%	6.6%
Greenside Academy	23.0%	6.0%
Thomas' Academy	23.0%	6.2%
Langford Academy	23.0%	6.9%
Futures (Phoenix) Academy	23.0%	6.3%
The Bride AP Academy	23.0%	6.6%
Knowledge Earl's Court Free Primary School	23.0%	5.7%
Fulham Primary School	23.0%	5.9%
Queens Manor Primary School	23.0%	5.9%
Sulivan Primary School	23.0%	6.1%
Queensmill Academy	23.0%	6.2%
St Augustine's Primary Academy	23.0%	6.0%
St John XXIII Catholic Primary Academy	23.0%	5.8%

Financial Performance Continued

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%

Financial Performance Continued

Late and Overdue Contributions

As part of the Fund's Pensions Administration Strategy (PAS), LBHF officers monitor employer performance including payment of contributions and submission of monthly returns. As part of this monitoring process, the Fund can 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 2024/25. There was a total of 13 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	1
June	1
July	2
August	1
September	-
October	1
November	1
December	-
January	-
February	1
March	3
Total	**13**

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 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 considered 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 2025 was as follows:

Asset Class	Actual Allocation	Target Allocation
Global Equities	44.6%	40.0%
Dynamic Asset Allocation	25.3%	25.0%
Secure Income	19.1%	20.0%
Total Inflation Protection	11.0%	15.0%
Total	**100%**	**100.0%**

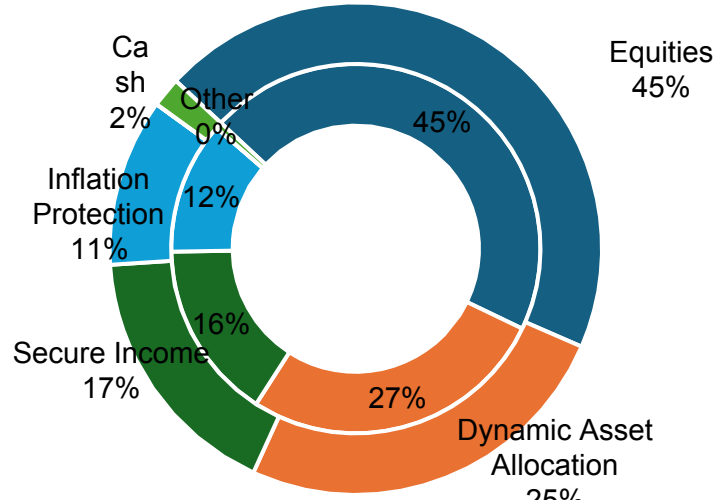
The Pension Fund Committee holds Fund Managers accountable for decisions on asset allocation within the Fund mandate that they operate under. To follow the Myners' Committee recommendation, Fund Managers are challenged deliberately and formally about asset allocation decisions.

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 in the chart below.

These figures are based on market value and reflect the relative performance of investment markets and the impact of tactical asset

Asset Allocation at the start and end of the financial year

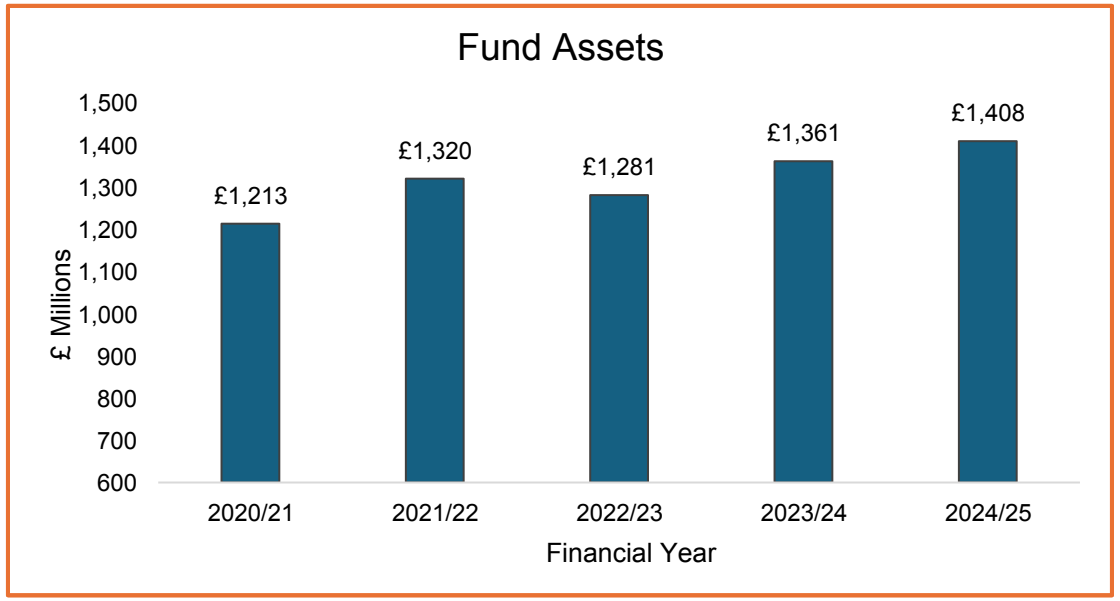


Asset Allocation Continued

Fund Value

The net asset value of the Fund has almost doubled over the past ten years with 16% of this growth occurring over the last five years.
In 2024/25, the fund's net asset value increased by 3% to £1.41bn.

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

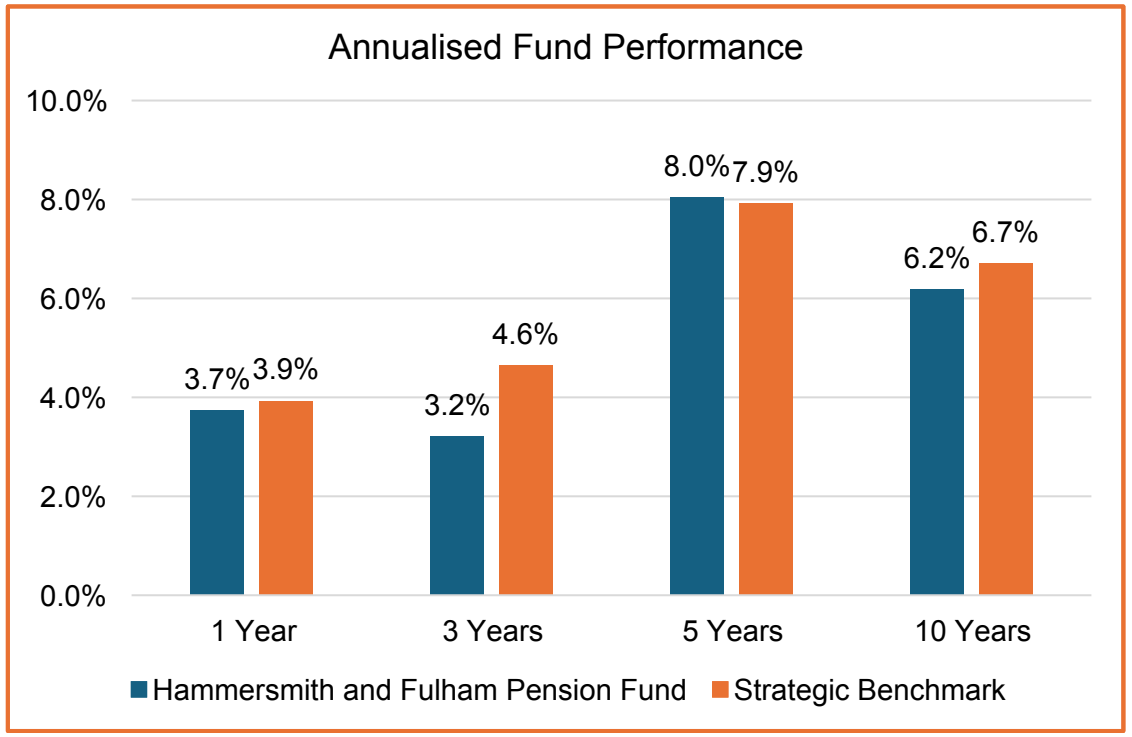


Investment Performance

In 2024/25, the Fund's investment performance was 3.7% (7.9% in 2023/14) to £1.41bn. This was below the average LGPS return by -0.2%. 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 0.5% in 2024/25.



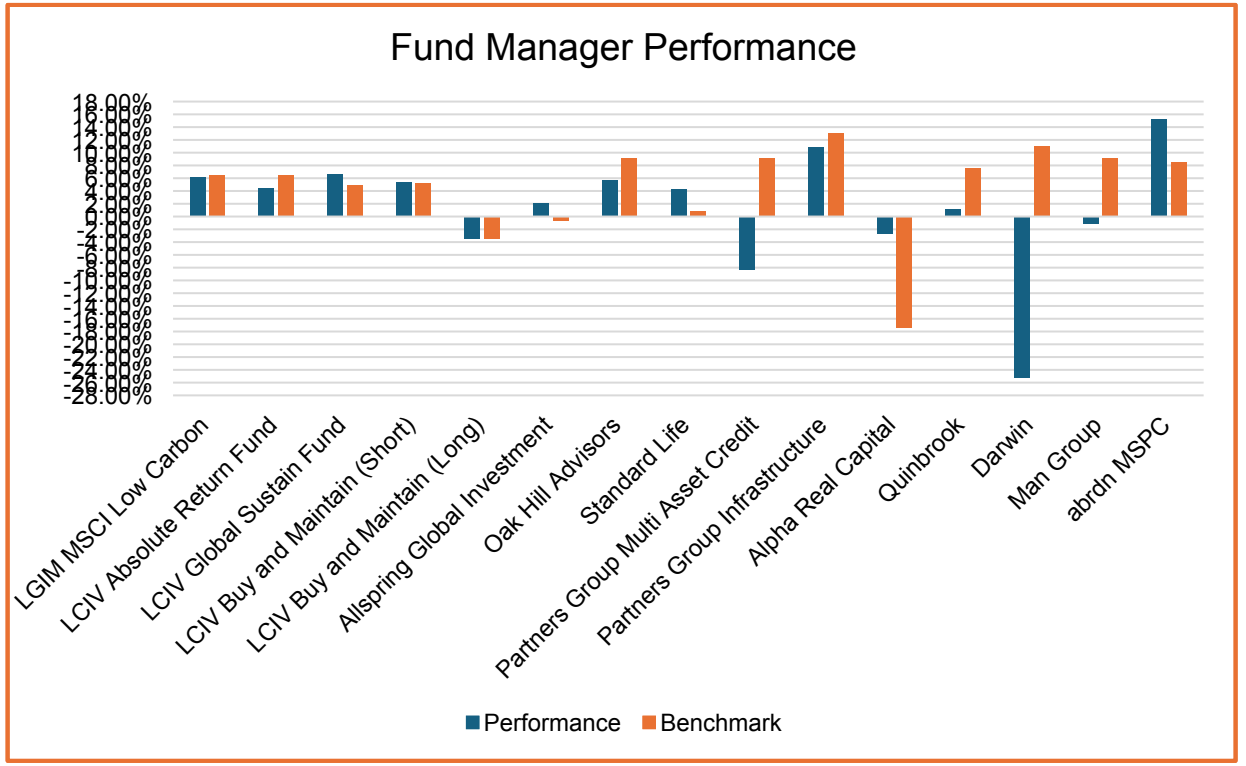
Investment Performance Continued

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	
Oak Hill Advisors Multi Asset Credit	
Aberdeen 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 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. 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.



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 March 2025. 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.

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 60.1% of assets invested with the pool as at 31 March 2025.

Corporate Governance Continued

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.

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.

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 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.

Asset Pool Background and Governance

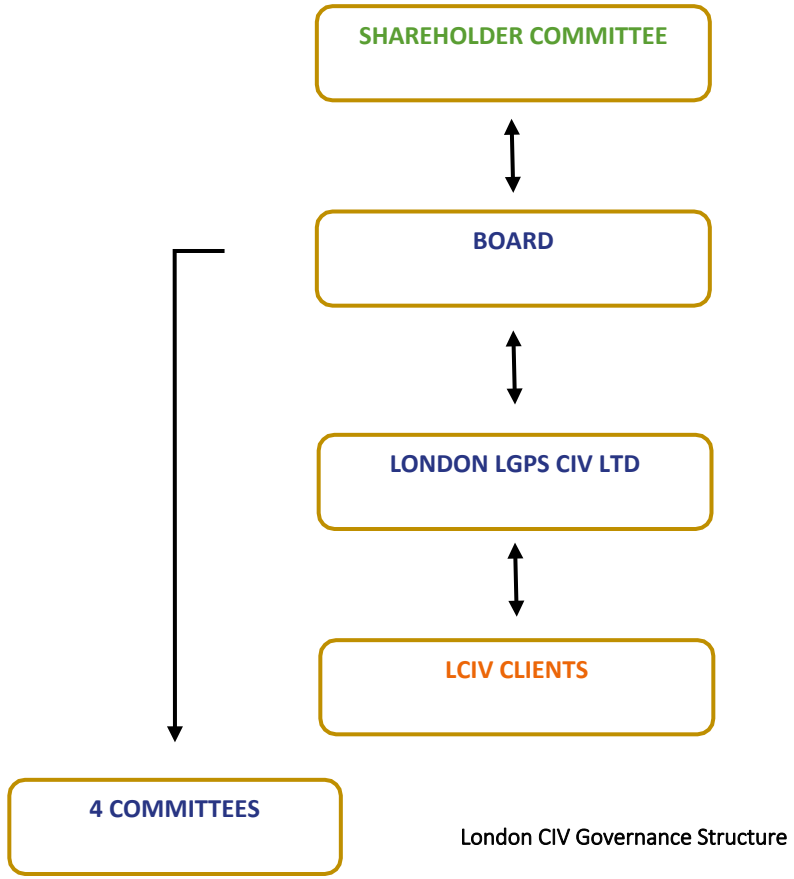
BACKGROUND

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. This has been reduced to six pools in 2025. The Hammersmith Fund joined the London Collective Investment Vehicle (LCIV) in December 2015, the pool comprises of the 32 local authorities within London and has £34.2 billion under management as at 31 March 2025, with 20 public-market and 8 private-market funds launched.

transitioned assets into the London CIV with a value of £0.846bn or 60% as at the 31 March 2025. Going forward the Fund will be transitioning further assets as part of the now mandated minimum standards for pooling.



London CIV Governance Structure

Asset Pool Background and Governance Continued

GOVERNANCE

Under the May 29, 2025 DLUHC response to the "Fit for the Future" consultation, minimum standards for LGPS asset pools are now mandated—aimed at enhancing governance, consolidating scale, and ensuring consistency in line with international best practices. The government has reaffirmed the March 31, 2026 deadline for pools to obtain regulatory authorization and offer strategic investment services.

In this strengthened framework, administering authorities must clearly distinguish their dual roles—as shareholders of pool companies and clients of their services—with governance models that reflect these responsibilities.

The London CIV Shareholder Committee, still comprising 12 members (Councillors and Treasurers from the LLAs), now operates with an enhanced statutory mandate to ensure full transparency, strategic alignment, and accountability under national pooling standards.

The Corporate Governance & Controls Framework, last updated in 2024, has been further revised to incorporate the new pooling mandates—clarifying processes for budget and business plan approval, appointments, and public transparency required under the reform.

Following a 2023 review, the London CIV Company Board—composed of an independent Chair, three Independent NEDs, two shareholder-nominated NEDs, and two Executive Directors—is now required to explicitly balance its fiduciary duty to scheme members with shareholders' interests, while executing strategic oversight, financial controls, risk management, and compliance.

London CIV's four standing committees (covering investment oversight, audit and risk, remuneration and nominations, and operations) now report against the statutory pooling metrics and standards set by DLUHC.
External oversight continues via the FCA, depositary, external auditors, and DLUHC, now with added compliance obligations tied to the strengthened governance regime.

Finally, a statutory Annual General Meeting is held, inviting all 32 Partner Funds to approve budgets, exercise shareholder rights, and hold the Board to account under the new governance model.

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

	2024/25			
	Direct	Indirect	Total	Cumulative
	£'000	£'000	£'000	£'000
Set up costs				
Other costs	-	57	57	857
Total set up costs	**-**	**57**	**57**	**857**
Transition costs				
Taxation	-	-	-	-
Other transition costs	162	-	162	938
Total transition costs	**162**	**-**	**162**	**938**

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 2024/25 by pooling these funds.

£000	Set Up Costs	Transition Costs	Fee Savings/ (costs)	Net savings/ (Costs)
2015/16	(5)	(29)	56	22
2016/17	(93)	(84)	328	151
2018/19	(65)	(90)	465	309
2019/20	(138)	(95)	766	554
2020/21	(259)	(118)	936	559
2021/22	(400)	(135)	1,437	902
2022/23	(331)	(131)	1,436	974
2023/24	(103)	(74)	1,197	1,020
2024/25	(57)	(162)	1,170	951

Other Investment Management Costs

The table below splits investment management costs between pooled and non-pooled. An analysis of operational expenses including variances to prior years can be found within section 2 of this report.

	Asset Pool			Non-asset pool			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Management fees	2,461	-	2,461	3,107	65	3,172	5,634
Asset pool shared costs	-	-	-	-	-	-	-
Transaction costs	-	454	454	-	579	579	1,033
Custody	-	-	-	72	-	72	72
Total	**2,461**	**454**	**2,915**	**3,179**	**645**	**3,824**	**6,739**

Asset Allocations

Asset values as at 31 March 2025	Pooled	Under pool mgmt.	Not Pooled	Total
	£'000	£'000	£'000	£'000
Equities	189,598	438,128	-	**627,726**
Bonds	63,613	-	138,146	**201,759**
Property	-	-	51,808	**51,808**
Hedge funds	-	-	-	-
Diversified Growth Funds	-	-	-	-
Private equity	150	-	-	**150**
Private debt	-	-	-	-
Infrastructure	-	-	91,187	**91,187**
Derivatives	-	-	-	-
Cash and net current assets	-	-	27,551	**27,551**
Other	154,813	-	253,412	**408,225**
Total	**408,174**	**438,128**	**562,104**	**1,408,406**

The following table splits out the Fund's assets by UK investment. This data covers some, but not all 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 2025	Pooled	Under pool mgmt.	Not Pooled	Total
	£'000	£'000	£'000	£'000
UK Listed Equities	23,370	14,458	0	**37,828**
UK Government Bonds	26,852	0	47,384	**74,236**
UK Infrastructure	0	0	56,269	**56,269**
UK Property	0		173,036	**173,036**
UK Private Markets	0	0	41,681	**41,681**

Local Investment

As part of the government's Local Investment 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 Local Investment.

Local Investment refers to assets which make a measurable contribution to one of the missions set out in the Government's Statement of Local Investment Missions 11 (which is made under Section 1 of the Local Investment and Regeneration Act 2023) and support any local area within the United Kingdom.

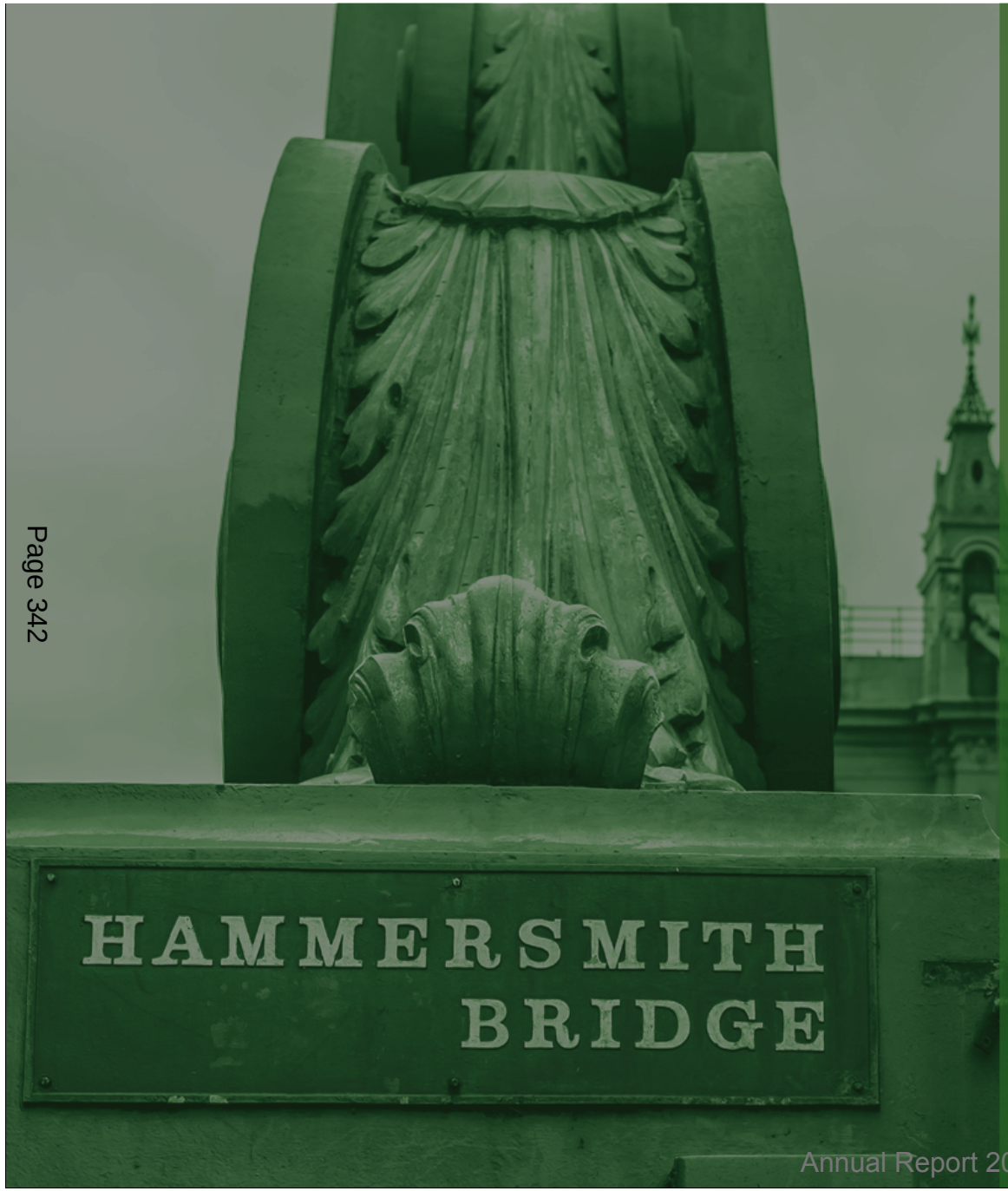
The following table details the amount and type of UK Local Investment investments that have been made through the Fund's LGPS pool, London CIV, and outside the pool. Local Investment assets outside the pool include infrastructure and affordable housing assets, given the illiquid nature of these asset classes it would not be beneficial for the Fund to transition these into the pool.

Asset values as at 31 March 2025	Pooled	Under pool management	Not Pooled	Total
	£'000	£'000	£'000	£'000
Additional memorandum: UK Local Investment			81,966	81,966

As shown in the following table, the Fund has 6.0% of investments within the strategic asset allocation allocated to UK Local Investment initiatives, including affordable housing (2.5%) and renewable infrastructure (3.5%)

As at 31 March 2025, the Fund had 5.8% of assets physically invested within Local Investment assets, up from 5.2% in 2023/24, with the Fund on track to be fully drawn in the coming years.

	Assets committed	Previous Year Actual Allocation	Current Year Actual Allocation
	%	%	%
UK Local Investment	6.0	5.2	5.8



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.

Summary of activities undertaken by the administration function during the year

LPPA has focussed and made considerable progress in ensuring that monthly casework performance was consistently delivered above the 95% target during 24/25. The annual SLA performance was 98.0%.

LPPA's ongoing Efficiency and Service Improvement Programme has delivered automation and enhanced online digital capability and improved experience for members with deferred statements for leavers, active member retirement quotes and online retirement forms. Further automation is planned for 25/26 including automation of retirement payment process and bank account name verification, and the programme will deliver improvements to the monthly returns process and member and employer portals.

McCloud has been a significant project in the year. LPPA have been calculating benefits and applying the underpin where we can. System releases that provide McCloud functionality have been applied to the system in phases as focus increases on the inclusion of remedial service statements being included on Annual Benefit Statements for those members who are eligible.

LPPA continued work towards Pensions Dashboard connectivity and remain on track to meet the connection date of 31 October 2025 for public sector schemes. Statutory deadlines, including those for P60s, Pensions Increases, Annual Benefit Statements and Pensions Savings Statements were met.

Report on value for money achieved by the administration function

LPPA recognises our responsibility to achieve value for money in service delivery. We seek to incorporate value for money principles in delivering services by taking account of costs, quality of services and the context that the partners we provide administration services to. LPPA operates a shared service, cost recovery basis for core pensions administration. We do not make profit on core administration services.

LPPA takes part in external and independent annual benchmarking to compare the cost and service of LPPA against other pension administrators. The latest results endorse that LPP's administration services provide value for money."

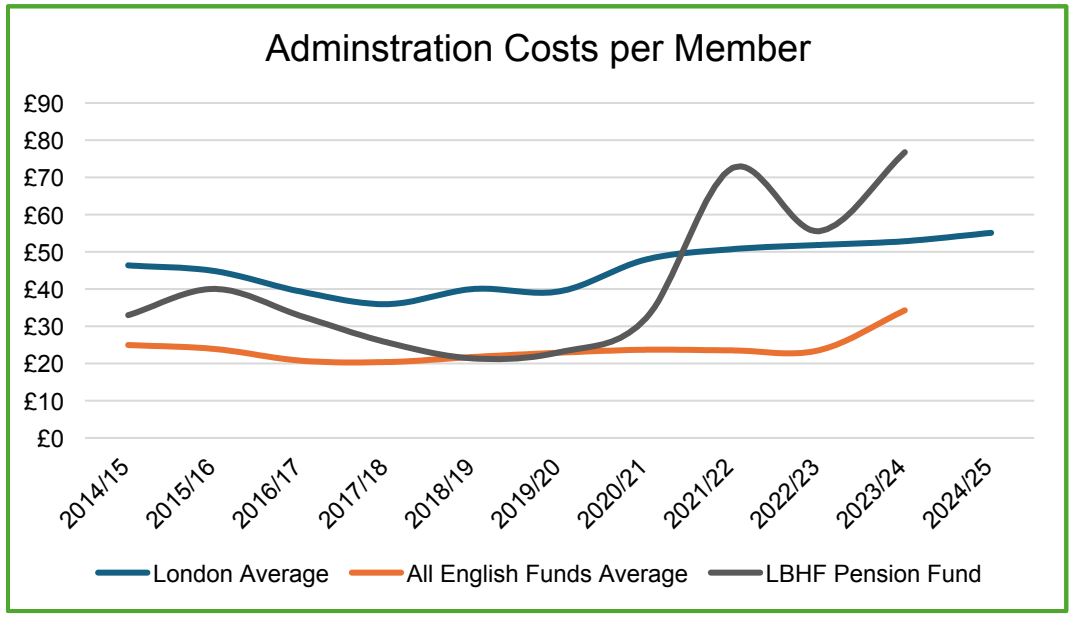
Administration Management Performance Continued

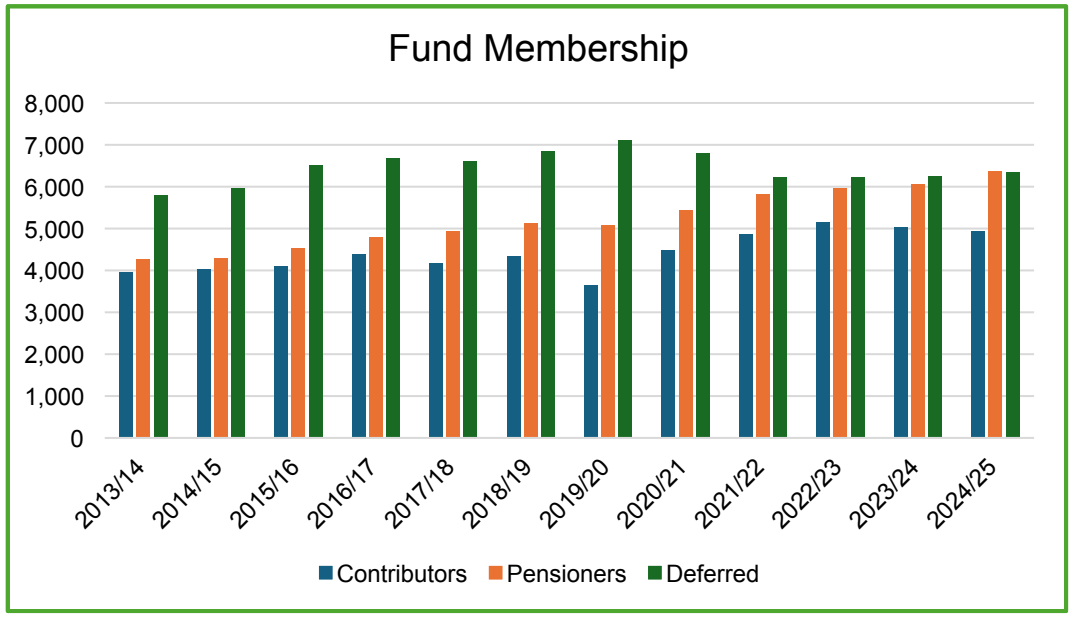
Administration Costs Per Member

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 rising compliance and administrative demands—such as McCloud remedy implementation and preparing for the pensions' dashboard.

Membership Numbers and Trends

Overall membership has increased by approximately 6% over the past 5 years from 16,676 to 17,623. 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.





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 2024/25. The employer's contributions figures include early retirement and deficit funding contributions.

Administering Authority Employer	Contributions £000		
	Employee	Employer	Total
London Borough of Hammersmith & Fulham	8,102	23,925	32,027
Addison Primary School	23	84	107
All Saints Primary School	14	52	66
Avonmore Primary School	27	103	130
Bayonne Nursery School	22	81	103
Brackenbury Primary School	33	114	147
Cambridge School (Special)	81	272	353
Flora Gardens Primary School	21	71	92
Holy Cross RC Primary School	50	174	224
Jack Tizard School (Special)	79	285	364
James Lee Nursery School	14	48	62
John Betts Primary School	17	63	80
Kenmont Primary School	12	46	58
Larmenier & Sacred Heart Primary	39	151	190
Melcombe Primary School	29	105	134
Miles Coverdale Primary School	41	149	190
Normand Croft Community School	32	109	141
Old Oak Primary School	29	110	139
Randolph Beresford Early Years	48	154	202
Sir John Lillie Primary School	28	102	130
St Johns CE Primary School	36	131	167
St Mary's Primary School	30	111	141
St Paul's Primary School	23	87	110
St Peter's Church of England Primary School	26	97	123
St Stephens CoE Primary School	51	186	237
St. Thomas of Canterbury Primary	7	24	31
The Good Shepherd Primary School	25	92	117
Vanessa Nursery School	19	68	87
Wendall Park Primary School	25	88	113
William Morris Sixth Form School	74	255	329
Wood Lane High School	40	137	177
Wormholt Park Primary School	56	192	248

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 Employer	Contributions £000		
	Employee	Employer	Total
Mortlake Crematorium Board	24	78	102
London Oratory School	81	183	264
Ark Burlington Danes Academy	65	144	209
Hammersmith Academy	75	262	337
Sacred Heart Academy	72	245	317
Ark Conway Primary Academy	20	87	107
Knowledge West London Free School	139	464	603
Ark Bentworth Primary Academy	13	50	63
Lady Margaret Academy	76	243	319
Ark Swift Primary Academy	23	88	111
Fulham College Academy Trust (Girls)	59	211	270
Hurlingham and Chelsea Academy	58	208	266
Fulham Boys Free School	59	220	279
Fulham College Academy Trust (Boys)	59	206	265
Greenside Academy	19	67	86
Thomas' Academy	30	110	140
Langford Academy	20	65	85
Futures (Phoenix) Academy	40	141	181
The Bride AP Academy	38	130	168
Knowledge Earl's Court Free Primary School	12	49	61
Fulham Primary School	17	68	85
Queens Manor Primary School	22	87	109
Sulivan Primary School	18	69	87
Queensmill Academy	240	887	1,127
St Augustine's Primary Academy	23	91	114
St John XXIII Catholic Primary Academy	34	137	171
Total Contributions from Scheduled Bodies	**1,336**	**4,590**	**5,926**

Administration Management Performance Continued

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 Employer	Contributions £000		
	Employee2	Employer	Total
Alliance in Partnership	**4**	**16**	20
Bee Services - Randolph Beresford	1	8	9
Churchill Catering	-	(32)	(32)
HATS Group Ltd	6	32	38
FM Conway (2009)	4	11	15
Pinnacle PSG Ltd (Estate Services)	47	223	270
Urban Partnership Group	6	23	29
Caterlink (2016 Schools)	3	16	19
Caterlink (Hurlingham)	-	(38)	(38)
Abelian UK (Wormholt)	-	2	2
Birkin Clean	2	13	15
FM Conway (2012)	3	12	15
Peabody Trust	6	26	32
Idverde	23	125	148
Morgan Sindall	6	28	34
NRS Healthcare	3	11	14
Stir Foods	4	16	20
Taylor Shaw Ltd	4	15	19
The Pantry	7	29	36
Veolia	144	446	590
Total Admitted Body Contributions	**273**	**982**	**1,255**

Administration Management Performance Continued

Employer Analysis

The following table summarises the number of employers in the fund analysed by schedule bodes 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	27	4	31
Admitted Bodies	22	52	74
Total No. of Bodies	**50**	**56**	**106**

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 below as at each year on the 31st March.

Reason for leaving	2020/21	2021/22	2022/23	2023/24	2024-25
Ill health	6	9	7	11	6
Early Retirement	29	37	10	13	49
Total	**35**	**46**	**17**	**24**	**55**

Total Number of Casework

Category	Total No. of Cases Open as at 31 March 2024	Total No. of New Cases Created (1/04/24-31/3/25)	Total No. Cases Completed in Year	Total % of Cases Completed in Year
Deaths	175	237	236	57.3%
New dependant member benefits				
Retirements - Deferred - Actual	18	266	279	98.2%
Retirements - Deferred - Quote	130	486	502	81.5%
Retirements - Active - Actual	3	128	126	96.2%
Retirements - Active - Quote	100	346	338	75.8%
Deferred Benefits	358	1102	1173	80.3%
Transfers In	216	541	493	65.1%
Transfers Out	221	633	585	68.5%
Refunds	102	567	585	87.4%
Divorces Quote	1	18	13	68.4%
Divorce Settlement	1	1	1	50.0%
Estimates	34	261	251	85.1%
New Starters	15	63	73	93.6%
Aggregation	191	608	590	73.8%
Correspondence	79	585	595	89.6%
Other	86	1904	1933	97.1%

Time Taken to Process Casework

Category	Target Days	Achieved SLA (%)
Deaths	5	93.9%
Dependants		
Retirements - Deferred - Quote	5	99.0%
Retirements - Active - Quote	5	96.5%
Retirements - Deferred - Actual	5	95.0%
Retirements - Active - Actual	5	98.3%
Payment of lump sum (Active and Deferred)		
Deferred Benefits	15	97.0%
Transfers In	10	98.9%
Transfers Out	10	97.9%
Refunds	5	96.8%
Divorces Quote	5	70.0%
Divorce Settlement	5	100.0%
New Starters	10	100.0%
Estimates	10	98.6%
Correspondence	10	100.0%
Aggregation	10	95.5%
Other		99.4%

Communications and Engagement

Engagement	Value
% of active members registered	41.4%
% of deferred member registered	24.6%
% of pensioner and survivor members	37.7%
% total of all scheme members registered for self-service	33.6%
% of all registered users that have logged onto the service in the last 12 months	53.8%
Communication	
Total number of telephone calls received in year	4,559
Total number of email and online channel queries received	1,571
Number of scheme member events held in year (total of in-person and online)	24
Number of employer engagement events held in year (in-person and online)	40
Number of active members who received a one-to-one (in-person and online)	0
Number of times a communication (i.e newsletter) issued to:	
a) Active members	9
b) Deferred members	9
c) Pensioners	9

Resourcing

Description	Value
Total number of all administration staff (FTE)	264.5
Average service length of all administration staff	5.3
Staff vacancy rate as %	2.20%
Ratio of all administration staff to total number of scheme members (all staff including management)	2,672
Ratio of administration staff (excluding management) to total number of scheme members	2,713

Data Quality

Description	Value
Annual Benefit Statements	
Percentage of annual benefit statements issued as at 31 August	97.20%
Short commentary if less than 100%	Remainder were either due to files not received from the employer or outstanding queries that prevented ABS production
Data Category	
Common data score	93.9%
Scheme specific data score	84.7%
Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	2.6%
Percentage of active, deferred and pensioner members with an email address held on file	65.6%
Employer Performance	
Percentage of employers set up to make monthly data submissions	100%
Percentage of employers who submitted monthly data on time during the reporting year	54%

Service Delivery

PENSIONPOINT

The PensionPoint online 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. If 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. Further information on the formal complaint procedure can be found at Internal Dispute Resolution Procedure (IDRP) | Hammersmith and Fulham Pension Fund

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 Complaints

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).

The number of complaints for 2024-25 is 40. The number of complaints as a percentage of workload now stands at 0.52% compared to 0.75% last year.

	2024-25
Number of complaints received	40
Number of complaints categorised as Pension Ombudsman cases	2
Number of Internal Dispute Resolution Procedure cases (IDRP**)	5



5.

Actuarial Information

Report by the 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 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 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 considers 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.

Report by the Actuary Continued

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. Asset performance improved in 2024 and early 2025; however, the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025. There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

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

Adrian Loughlin FFA C.Act
9 May 2025
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:

- Arrange 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 2025 and income and expenditure for the year for the financial year 2024/25.

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

Independent Auditors Report Continued

Continued

Pension Fund Accounts and Explanatory Notes

Fund Account

	Note	2024/25		2023/24	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	7	33,255		31,323	
From Members	7	10,768	44,023	10,303	41,626
Transfers In from other Pension Funds			8,123		8,299
Benefits					
Pensions	8	(48,851)		(44,317)	
Commutation & Lump Sum Retirement Benefits	8	(9,768)		(8,966)	
Payment in respect of tax		(45)	(58,664)	(473)	(53,756)
Payments to and on account of leavers					
Transfers Out to other Pension Funds			(6,370)		(6,980)
Refunds to members leaving service			(81)		(109)
Net Additions (Withdrawals) from dealings with members			**(12,969)**		**(10,920)**

Pension Fund Accounts and Explanatory Notes Continued

Fund Account Continued

	Note	2024/25		2023/24	
		£000	£000	£000	£000
Management expenses	9		**(8,260)**		**(10,857)**
Returns on Investments					
Investment Income	10		21,140		19,531
Other Income	10		286		-
Profit and losses on disposal of investments and changes in value of investments	12		35,670		89,367
Net Return on Investments			**57,096**		**108,898**
Net Increase (Decrease) in the net assets available for benefits during the year			**35,867**		**87,121**
Opening Net Assets of the Scheme			**1,377,564**		**1,290,443**
Closing Net Assets of the Scheme			**1,413,431**		**1,377,564**

Pension Fund Accounts and Explanatory Notes Continued

Net Asset Statement

	Note	2024/25	2023/24
		£000	**£000**
Investment Assets			
Equities	11	150	150
Pooled property Vehicles	11	77,505	73,256
Pooled Investment Vehicles	11	1,212,013	1,183,983
Private Equity / Infrastructure	11	91,187	96,035
Cash Deposits	11	27,459	7,456
Other Investment Balances	11		
Investment Income Due	11	92	18
Net Investment Assets	11	**1,408,406**	**1,360,898**
Current Assets	19	4,002	3,929
Current Liabilities	20	(2,219)	(2,905)
Cash Balances (held directly by Fund)		3,242	15,642
Net assets of the Fund available to fund benefits at the period end		**1,413,431**	**1,377,564**

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 2025. 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.

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 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 905 undecided leavers, who are no longer paying contributions or in receipt of benefits.

	31 March 2025	31 March 2024
Number of Active Employers	50	51
Contributing Employees	4,921	5,016
Pensioners Receiving Benefit	6,367	6,046
Deferred Members	6,335	6,243
Total Members	**17,623**	**17,305**

Details of the scheduled and admitted bodies are included in the scheme administration section of this annual report.

Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2024/25 and its position at year end as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (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 from active members are accounted for on an accruals basis in accordance with the rates specified under the Local Government Pension Scheme (LGPS) Regulations for the relevant pay period. Employer contributions are also accounted for on an accruals basis and are set in line with the rates determined by the actuary as part of the Fund's triennial actuarial funding valuation. Employer deficit funding contributions are accounted for on the due dates set out in the schedule of contributions, or on receipt if earlier

(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 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.

Note 3 Summary of Significant Accounting Policies Continued

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) 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.

(j) 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.

(k) 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.

(l) 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) 26 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).

Note 3 Summary of Significant Accounting Policies Continued

Net Assets Statement

(m) 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.

(n) 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.

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Note 4 Critical Judgements

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.

There were no such critical judgements made during 2024/25

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 £19m • 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 £18m • A one-year increase in life expectancy would increase the liability by approximately £47m

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

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 2025, the assets invested with Partners Group were valued at £37.6m (£39.7m in 2023/24).

The same applies to the Quinbrook Infrastructure investment, as at 31 March 2025, the value of the investment was £56.3m (£47.6m in 2023/24). 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 2025, these assets and their values are Darwin Alternatives (£22m), Alpha Real Capital (£74m), Man Group (£26m) and Aberdeen Multi-Sector Private Credit (£52m). Regarding Darwin Alternatives, Alpha Real Capital and Man Group assets, the values for these assets are not based on recently observed market prices. For Aberdeen 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 5 Assumptions Made About the Future and Other Major Sources of Uncertainty Continued

(c) Virgin Media Case

The Fund is aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case and considers that there is potential for the outcome of this case to have an impact on the Pension Fund. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case, the judge ruled that alterations to the scheme rules were void and ineffective due to the absence of this written actuarial confirmation. The case was taken to the Court of Appeal, and the original ruling was upheld in July 2024.

As a result, there may be a further liability to the Employer's share of the Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid. The Government Actuary's Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes (LGPS). Their most recent bulletin in November 2024 states that HM Treasury does not believe the Virgin Media case expressly addresses whether confirmation is required for public service pension schemes. Their view is that the relevant amendments in the LGPS would have been made by legislation and therefore would remain valid until revoked or repealed by subsequent legislation or declared void by a court. At this point, it is therefore not possible to estimate the potential impact, if any, on Pension Fund.

On 2nd September 2025, the Government published amendments to the Pension Schemes Bill to allow the retrospective validation of amendments which may have otherwise been invalid, this followed the Court of Appeal's decision in the Virgin Media case.

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.

	Employer Contributions				Employee Contributions	
	Normal		Deficit Recovery			
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
	£000	£000	£000	£000	£000	£000
Administering Authority	26,471	24,609	1,212	1,121	9,159	8,694
Scheduled Bodies	4,590	4,163	-	-	1,336	1,232
Admitted Bodies	984	1,449	(2)	(19)	273	377
Total	**32,045**	**30,221**	**1,210**	**1,102**	**10,768**	**10,303**

Total Contributions			**33,255**	**31,323**	**10,768**	**10,303**

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	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
	£000	£000	£000	£000	£000	£000
Administering Authority	(43,996)	(40,186)	(6,396)	(5,915)	(923)	(909)
Scheduled Bodies	(867)	(771)	(336)	(238)	(145)	(451)
Admitted Bodies	(3,988)	(3,360)	(1,849)	(1,328)	(119)	(125)
Total	**(48,851)**	**(44,317)**	**(8,581)**	**(7,481)**	**(1,187)**	**(1,485)**

Total Lump Sum Benefits	**(9,768)**	**(8,966)**

Note 9 Management Expenses

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

	Management Expenses	
	2024/25	2023/24
	£000	£000
Administering Costs	(1,137)	(1,329)
Investment Management Expenses	(6,739)	(9,184)
Oversight and Governance Costs	(384)	(344)
Total	**(8,260)**	**(10,857)**

Note 9 Management Expenses Continued

The table below provides a breakdown of the Investment Management Expenses. The fund transitioned assets between managers in the previous year which resulted in increased transaction costs in 2023/24, and these have reduced for the current year.

	Investment Management Expenses	
	2024/25	2023/24
	£000	£000
Management fees	(5,569)	(5,580)
Performance fees	(65)	(672)
Transaction costs	(1,033)	(2,864)
Custody fees	(72)	(68)
Total	**(6,739)**	**(9,184)**

The table to the right shows a breakdown of the investment management expenses incurred during the year by Investment Manager. Please note this table excludes fees paid to the Custodian.

	2024/25	2023/24
	£000	£000
Legal and General	489	372
Ruffer	1,376	3,149
Morgan Stanley	945	1,137
Insight	140	26
Allspring Global	236	251
Oak Hill Advisers	876	836
Alpha Real Capital	524	692
Quinbrook	692	322
Aberdeen	403	439
Partners Group	635	1,181
Man Group	168	171
Darwin Alternatives	184	228
Aviva	-	157
PIMCO	-	156
Total	**6,666**	**9,116**

Note 10 Investment Income

The table below shows a breakdown of investment income. . To ensure consistency with the Code of Practice and alignment with the investment classifications presented in Note 12, the disclosure of investment income in Note 10 has been reorganised. The revised categories — Pooled Investment Vehicles, Pooled Property Vehicles, Private Equity/Infrastructure, Interest on Cash Deposits, and Other Investment Income (HMRC Refunds) — provide clearer linkage to the underlying investment types and enhance comparability across the financial statements.

	Investment Income	
	2024/25	**2023/24**
	£000	**£000**
Pooled Investment Vehicles	14,068	8,745
Pooled Property Vehicles	3,040	2,718
Private Equity/ Infrastructure	3,123	7,301
Interest on Cash Deposits	909	766
Other Investment Income (HMRC Refunds)	286	
Total	**21,426**	**19,531**

Note 11 Investment Strategy

During 2024/25 the Fund's investment strategy had the following developments:

- In November 2024, the Pension Fund committee agreed a top up of 2.5% (£35m) into Quinbrook Renewable Infrastructure Fund II. The first drawdown to this commitment was made in January 2025.
- In March 2025, the Pension Fund Committee agreed to a 2% (£30m) top up into the Alpha Real Capital Income Linked Index Fund (Commercial Ground Rents). This commitment was fully funded in April 2025.
- In order to fund the new investments, the Fund received its redemption from Aviva Infrastructure in September 2024 and made a partial redemption from the LCIV Ruffer – Absolute Return Fund.

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2025 €8.3m (£6.9m) 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 2025, the Fund had £846m invested with the London CIV, which accounts for 60.1% of the fund's total assets.

The market value and proportion of investments managed by each fund manager at 31 March 2025 was as follows:

	31 March 2025		31 March 2024	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
Investments Managed by the London CIV Asset Pool				
LGIM - MSCI Low Carbon (Passive)	438,128	31.1%	412,468	30.3%
Morgan Stanley - Global Equity Quality Fund	189,598	13.5%	179,216	13.2%
Ruffer - Absolute Return (Active)	154,813	11.0%	151,199	11.1%
Insight - Buy and Maintain (Short Duration)	33,056	2.3%	33,056	2.4%
Insight - Buy and Maintain (Long Duration)	30,557	2.2%	33,508	2.5%
Total Under Pool Management	**846,152**	**60.08%**	**809,447**	**59.48%**

Note 11 Investment Strategy Continued

	31 March 2025		31 March 2024	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
Investments Managed Outside the London CIV Asset Pool				
Allspring Global - Buy and Maintain Bonds	138,146	9.8%	135,290	9.9%
Oak Hill Advisers - Secured Income (Active)	77,780	5.5%	73,581	5.4%
Alpha Real Capital - Ground Rents	73,877	5.2%	78,962	5.8%
Quinbrook - UK Renewable Infrastructure	56,269	4.0%	47,633	3.5%
Aberdeen - Long Lease Property	51,808	3.7%	49,613	3.6%
Aberdeen MSPC	51,734	3.7%	51,221	3.8%
Partners Group - Infrastructure	34,918	2.5%	33,163	2.4%
Inhouse Cash - Cash	27,551	2.0%	7,474	0.5%
Man Group - Affordable Housing	25,697	1.8%	23,643	1.7%
Darwin Alternatives - Leisure Fund	21,654	1.5%	28,995	2.1%
Partners Group - Multi Asset Private Credit	2,670	0.2%	6,487	0.5%
London CIV Ltd	150	0.0%	150	0.0%
Aviva - Private Infrastructure	-	0.0%	15,209	1.1%
Unigestion - Private Equity	-	0.0%	30	0.0%
	562,254	**39.9%**	**551,451**	**40.5%**
	1,408,406	**100.0%**	**1,360,898**	**100.0%**

Note 11 Investment Strategy Continued

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 2025		31 March 2024	
	Market Value	Total	Market Value	Total
	£000	%	£000	%
LGIM - MSCI Low Carbon (Passive)	438,128	31.1%	412,468	30.3%
Ruffer - Absolute Return (Active)	154,813	11.0%	151,199	11.1%
Allspring Global - Buy and Maintain Bonds	138,146	9.8%	135,290	9.9%
Oak Hill Advisers - Secured Income (Active)	77,780	5.5%	73,581	5.4%
Alpha Real Capital - Ground Rents	73,877	5.2%	78,962	5.8%
Morgan Stanley - Global Equity Quality Fund	189,598	13.5%	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 2024/25:

	Value at 1 April 2024	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Value at 31 March 2025
Fund Managed	**£000**	**£000**	**£000**	**£000**	£000
Equities	150	-	-	-	150
Pooled Investment Vehicles	-		-	-	-
Pooled Investment Vehicles - Equities	591,684	-	-	36,042	627,726
Pooled Investment Vehicles- Bonds	275,435	7,399	-	(3,295)	279,539
Pooled Investment Vehicles - Other	316,864	-	(11,539)	(3,103)	304,748
Pooled Property Vehicles	73,256	2,444	168	1,637	77,505
Private Equity / Infrastructure	96,035	13,892	(20,613)	4,399	91,187
Sub-total	**1,353,424**	**23,735**	**(31,984)**	**35,680**	**1,380,855**
Cash Deposits	7,456			(10)	27,459
Investment income due	18			-	92
Spot FX contracts					
Totals	**1,360,898**	**23,735**	**(31,984)**	**35,670**	**1,408,406**

Note 12 Reconciliation of Movement in Investments Continued

The equivalent analysis for 2023/24 is provided below

	Value at 1 April 2023	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Value at 31 March 2024
Fund Managed	**£000**	**£000**	**£000**	**£000**	**£000**
Equities	150	-	-	-	**150**
Pooled Investment Vehicles	1,118,138				**1,183,983**
Pooled Investment Vehicles - Equities	585,682		(104,379)	110,381	**591,684**
Pooled Investment Vehicles- Bonds	155,257	**195,617**	(86,775)	11,336	**275,435**
Pooled Investment Vehicles - Other	377,199	**37,000**	(76,000)	(21,335)	**316,864**
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**

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:

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
Pooled Long Lease Property Fund	Aberdeen - 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

Note 13 Fair Value Basis of Valuation Continued

Description of asset	Investment Manager	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Infrastructure funds	Partners Group – 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 **Cash Classification**	Darwin Alternatives Man Group Alpha Real Aberdeen – 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

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.

Note 14A Valuation of Financial Instruments Carried at Fair Value Continued

	31 March 2025			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
Financial Assets	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Pooled Investments - Equity funds UK and Overseas Managed Funds		782,539	-		742,883	-
Unquoted bonds and unit trusts		279,539	-		275,435	-
Pooled Long Lease Property Fund		51,808	-		49,613	-
Infrastructure funds			34,918		-	80,796
Illiquid Alternatives		-	232,051		-	204,697
Designated at fair value through profit and loss	-	-	-	0	-	-
Total Financial Assets	**-**	**1,113,886**	**266,969**	**0**	**1,067,931**	**285,493**
Financial Liabilities						
Designated at fair value through profit and loss	-	-	-	0	-	-
Total Financial Liabilities	**-**	**-**	**-**	0	-	-
Net Financial Assets	**-**	**1,113,886**	**266,969**	**-**	**1,067,931**	**285,493**
			1,380,855			**1,353,424**

Note 14B Transfers Between Levels 1 and 2

In 2024/25 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 31/03/2024	Transfers in/out of Level 3	Purchases	Sales	Unrealised gains / (losses)	Realised gains / (losses)	Market Value as at 31/03/2025
Asset Category	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Overseas Infrastructure	33,193	-	3	(724)	4,403	(1,957)	34,918
UK Infrastructure	62,843	-	13,889	(19,888)	7,476	(8,049)	56,271
UK Venture Capital	109,092	-	2,418	(2,526)	(6,739)	-	102,245
London LGPS CIV	150	-	-	-	-	-	150
Private Credit Funds	51,221	-	-	(2,275)	2,785	-	51,731
UK Equity Funds	28,995	-	-	-	(7,341)	-	21,654
Total	**285,494**	**-**	**16,310**	**(25,413)**	**584**	**(10,006)**	**266,969**

The equivalent analysis for 2023/24 is provided on the next page.

Note 14C Reconciliation of Fair Value Measurements Within Level 3 Continued

	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
Asset Category	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Overseas Infrastructure	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 2025 has been estimated to be accurate within the following ranges:

Description of assets	Assessed Valuation Range (+)	Assessed Valuation Range (-)	Value at 31 March 2025	Value on increase	Value on decrease
			£000	£000	£000
Partners Group - Infrastructure	12.00%	12.00%	34,918	39,108	30,728
Partners Group - Multi Asset Private Credit	8.00%	8.00%	2,670	2,884	2,456
Darwin Alternatives - Leisure Fund	8.00%	7.10%	21,654	23,386	20,117
Aberdeen MSPC	2.01%	2.14%	51,734	52,774	50,627
Alpha Real Capital - Ground Rents	6.30%	5.60%	73,877	78,531	69,740
Quinbrook - UK Renewable Infrastructure	15.53%	13.30%	56,269	65,008	48,785
Man Group - Affordable Housing	9.50%	9.00%	25,697	28,138	23,384
Total			**266,819**	**289,829**	**245,837**

*An asset (totalling £0.150m) has been excluded from this note due to immateriality.

The equivalent analysis for 2023/24 is provided on the next page.

Note 14D Sensitivity of Assets Valued at Level 3 Continued

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	16,258	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
Aberdeen 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**

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.

The distinction between a UK asset and an overseas asset is made on the basis of the currency the investment is held in for the purposes of this note.

The table below reflects two adjustments to the prior year. First, contributions receivable and benefits payable were removed from the debtors and creditors lines, respectively, as they are not financial instruments and should not have been recognised in this note. Second, 'Alpha Real Capital – Ground Rents' (£73.9m in 2025, £79.0m in 2024) was reclassified from a UK Infrastructure Fund to a UK Property Fund. These changes have been applied retrospectively to the 31 March 2024 figures shown, ensuring consistency and comparability within the table. We have decided to reclassify our investment "Alpha Real Capital – Commercial Ground Rents" from Infrastructure to Property to better reflect the underlying characteristics of the asset. While the fund provides long-term, inflation-linked income similar to infrastructure, the core exposure is to ground rents secured against commercial real estate. Given that performance is fundamentally driven by property market dynamics and tenant lease structures rather than infrastructure-related risks or cashflows, it is more appropriate to categorise this holding within the Property allocation.

	31 March 2025			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
Pooled Investment Vehicles:	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
UK equity funds	782,539	-	-	742,883	-	-
UK fixed income fund	256,163	-	-	259,562	-	-
UK property fund	173,036	-	-	181,213	-	-
UK infrastructure	56,269	-	-	62,843	-	-
Overseas fixed income fund	77,780	-	-	73,581	-	-
Overseas infrastructure	34,918	-	-	33,163	-	-
Overseas venture capital	-	-	-	30	-	-
London LGPS CIV	150	-	-	150	-	-
Investment income due	-	92	-	-	19	-
Cash deposits with managers	-	27,459	-	-	7,455	-
Debtors	-	876	-	-	1,033	-
Cash balances (held by fund)	-	3,242	-	-	15,642	-
Totals	1,380,855	31,669	-	1,353,424	24,149	-

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 2025	31 March 2024
	£000	£000
Financial Assets		
Fair value through profit and loss	35,680	89,410
Loans and receivables	-	-
Financial Liabilities		
Fair value through profit and loss	(10)	(43)
Total	**35,670**	**89,367**

Note 16 Nature and Extent of Risks Arising from Financial Statements

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.

(b) Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate because 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 (except for 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 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 8.9% higher or 8.9% lower.

Assets exposed to price risk

	Value	Price Risk	Positive increase	Negative increase
	£000	%	£000	£000
At 31st March 2025	1,380,705	8.9%	1,504,733	1,256,677
At 31st March 2024	1,353,274	8.5%	1,468,800	1,237,748

Note 16 Nature and Extent of Risks Arising from Financial Statements Continued

(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 2025 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 2025	419,090	402,613	436,908
At 31st March 2024	428,565	410,599	453,104

(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.

To mitigate the risk, one of the Fund's investment managers enters 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 presents the sensitivity of the Fund's investments to changes in foreign exchange rates. At 31 March 2025, the Fund had a significant exposure to the US Dollar, with net assets of £466.5m (2024: £425.2m). Exposures to other currencies at the reporting date are not individually significant and are therefore included only within the aggregated sensitivity analysis shown in the table.

Assets exposed to currency risk

	Value	Currency Risk	Positive Increase	Negative Increase
	£000	%	£000	£000
31 March 2025				
US Dollar	466,541	8.35%	505,469	427,613
Other Currencies	188,429	4.81%	197,534	179,403
Total	**654,970**	**7.33%**	**703,003**	**606,937**
31 March 2024				
US Dollar	425,168	8.26%	460,342	390,049
Other Currencies	165,189	5.04%	173,436	156,887
Total	**590,357**	**7.36%**	**633,778**	**546,936**

Note 16 Nature and Extent of Risks Arising from Financial Statements Continued

(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 19.0% of the Fund's Net Assets at 31 March 2025 (19.7% at 31 March 2024). The remaining assets can all be liquidated within days.

Manager	Portfolio	31 March 2025	31 March 2024
		£000	**£000**
Standard Life	Property	51,808	49,613
Partners Group	Infrastructure	34,918	33,163
Partners Group	Multi Asset Credit	2,670	6,487
Unigestion	Private Equity	-	30
Darwin Alternatives	Illiquid Alternatives	21,654	28,995
Alpha Real Capital	Ground Rents	77,780	78,962
Quinbrook	Infrastructure	56,269	47,633
Man Group	Property	25,697	23,643
		270,796	**268,526**

Note 17 Contingent Liabilities and Contractual Commitments

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

	31 March 2025	31 March 2024
	£000	**£000**
Quinbrook - UK Renewable Infrastructure	30,956	3,155
Man Group - Affordable Housing	3,772	6,189
Alpha Real Capital - Ground Rents	30,000	-
Partners Group Direct Infrastructure Fund 2015	6,963	7,103
Total	**71,691**	**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	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 2025. 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 2025	31 March 2024
	£m	£m
Present Value of Promised Retirement Benefits*	(1,178)	(1,355)
Fair Value of Scheme Assets (Bid Value)	1,413	1,378
Net Asset/(Liability)	235	23

The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation
from the latest formal funding valuation as at 31 March 2022.

The assumptions applied by the actuary are in the following table:

Financial Assumptions	31 March 2025	31 March 2024
Salary Increases	3.80%	3.80%
Pension Increases	2.80%	2.80%
Discount Rate	5.80%	4.80%

Demographic Assumptions

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

Life Expectancy from age 65		31 March 2025	31 March 2024
Retiring Today	Males	21.5	21.6
	Females	24.3	24.3
Retiring in 20 Years	Males	22.5	22.6
	Females	25.5	25.6

Note 19 Current Assets

	31 March 2025	31 March 2024
Debtors	**£000**	**£000**
Contributions due - employers	2,351	2,153
Contributions due - employees	776	743
London Borough of Hammersmith and Fulham	49	47
Sundry Debtors	826	986
	4,002	**3,929**

	31 March 2025	31 March 2024
Analysis of debtors	**£000**	**£000**
Local authorities	49	47
Other entities and individuals	3,740	3,791
Central Government	213	91
Analysis of debtors	**4,002**	**3,929**

Note 20 Current Liabilities

	31 March 2025	31 March 2024
Creditors	**£000**	**£000**
Unpaid Benefits	(846)	(719)
Management Expenses	(1,096)	(1,278)
Sundry Creditors	(277)	(908)
Total	**(2,219)**	**(2,905)**

	31 March 2025	31 March 2024
Analysis of Creditors	**£000**	**£000**
Other entities and individuals	(2,219)	(2,905)
Total	**(2,219)**	**(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 2025	31 March 2024
	£000	£000
Scottish Widows Workplace Savings		
Market Value at 31st March	820	848
Contributions during the year	(31)	(60)
Utmost Life and Pensions		
Market Value at 31st March	152	152

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

The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £0.921m in 2024/25 (£1.1m in 2023/24) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Council made £26.5m of contributions in year (£24.6m in 2023/24).

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 £0.207m in 2024/25 (£0.206m in 2023/24) in relation to the accounting and governance of the Fund and were reimbursed for the expense.

Note 22A. Key Management Personnel

The key management personnel of the Fund are the Executive Director - Finance & Corporate Services and the Tri-Borough Director of Treasury and Pensions. Total remuneration payable to key management personnel in respect of the pension fund is set out below:

	31 March 2025	31 March 2024
	£000	**£000**
Short-Term Benefits	35	33
Post-Employment Benefits	(28)	20
	7	**53**

Note 23 External Audit Costs

The external audit fee payable to Fund’s external auditors, Grant Thornton LLP, was £97,945 (£94,724 in 2023/24



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.

Glossary of Terms Continued

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).

Glossary of Terms Continued

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.

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 later) 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 always inhibited from pursuing 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.

Glossary of Terms Continued

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:

PENSION FUND MANAGEMENT ENQUIRIES
Head of Pensions
Hammersmith & Fulham Council
145 King Street
London
W6 9JU
pensions@lbhf.gov.uk

PENSION FUND FINANCE ENQUIRIES
Tri-Borough Pensions Team
16th Floor
64 Victoria Street
London
SW1E 6QP

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 2024/25 the Pensions Board met twice:
- 12 November 2024
- 12 February 2025

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.

Appendix 7. Annual Report of the Pensions Board Continued

The Board underwent the following training in the year:

The Board attended two half-day bespoke training events that took place in September 2024 and March 2025 respectively and covered the following topics:

- Interpreting LGPS pension fund accounting statements
- Government policy on the future of UK LGPS pensions
- Latest actuarial position for LGPS,
- Pooling Updates
- Global update on natural capital, RI and ESG issues
- Market Updates

Councillor Ashok Patel
Chair, LBHF Pensions Board
August 2025

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: 27/10/2025

Subject: Annual Audit Report (Value for Money) 2024/25

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 Annual Audit Report relating to 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 year 2024/25.

In summary, the external auditors have assessed the Council as 'green' on financial sustainability and 'amber' for governance, and improving economy, efficiency and effectiveness. The external auditors have also not used any of their extensive reporting powers relating to public interest reports, judicial reviews, advisory notices or statutory recommendations.

The external auditors have suggested a small number of recommendations (4 in total and these are detailed in the report. All these are being progressed and expected to be discharged during 2025/26.

RECOMMENDATIONS

1. To note the contents of the "Auditor's Annual Report for the Year Ended March 2025" 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 delivers 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.

Angela Hogan, Chief Solicitor (Contracts and Procurement) 8th October 2025

Contact Officer(s):
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Position: Assistant Director - Finance
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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 2024/25

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 overall assessment by the auditor against these five criteria is as follows.

Criteria		2024/25 Assessment
Financial sustainability		Green
Financial sustainability - HRA		Amber
Governance		Amber
Improving economy, efficiency, effectiveness		Amber
Improving economy, efficiency, effectiveness - HRA		Amber

6. The 2024/25 AAR contains a limited number improvement recommendations only (i.e. no statutory recommendations nor key recommendations) and these relate to the HRA (level of contingencies, stock condition work), our liquidity and reporting our regular Treasury reports to Audit Committee in addition to Cabinet (see Treasury Outturn 2024/25 on this Agenda).

L**IST OF APPENDICES:**

Appendix 1 – Annual Auditor's Report on Hammersmith and Fulham Council 2024/25.

London Borough of Hammersmith and Fulham Council

Auditor's Annual Report
Year ending 31 March 2025

October 2025



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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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01 Introduction and context

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Introduction

This report brings together a summary of all the work we have undertaken for London Borough of Hammersmith and Fulham Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

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 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- 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.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come 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. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

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Local government – context

Local government has remained under significant pressure in 2024/25

National

Past	Present	Future
Funding Not Meeting Need The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.	**Financial Sustainability** Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.	**Funding Reform** The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.
Workforce and Governance Challenges Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.	**External Audit Backlog** Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.	**Reorganisation and Devolution** Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

The Council is a unitary council with a population of 188,687 residents. The Council operates under an Executive/Leader 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 an Executive (the Cabinet). Full Council and Cabinet are supported by the Policy and Oversight Board, as the Council's Scrutiny Function. The Council has 50 councillors, and the Council is elected every four years. The most recent elections were in May 2022 when Labour secured a majority, Labour Councillors currently account for 37 of the elected councillors.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2024/25.

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02 Executive Summary

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Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements		2024/25 Risk assessment	2024/25 Assessment of arrangements	
Financial sustainability	A	No significant weakness in arrangements identified and one improvement recommendation raised.	No risks of significant weakness identified.	G	No significant weakness in arrangements identified and no improvement recommendations raised, excluding those related to the HRA (below).
Financial sustainability - HRA	A	Significant weakness in arrangements identified in 2022/23 relation to sustainability of the HRA, improvement in 2023/24 acknowledged	Prior year weakness carried forwards as a risk of weakness for which arrangements will be assessed.	A	No significant weakness in arrangements identified, sufficient progress made in relation to prior year key recommendation, this has been replaced with an improvement recommendation.
Governance	A	No significant weakness in arrangements identified and two improvement recommendations raised.	No risks of significant weakness identified.	A	No significant weakness in arrangements identified and one improvement recommendation raised.
Improving economy, efficiency and effectiveness	G	No significant weakness in arrangements identified, no new improvement recommendations raised.	No risks of significant weakness identified.	A	No significant weakness in arrangements identified and one improvement recommendation raised in 2022/23 remains unaddressed.
Improving economy, efficiency and effectiveness - HRA	A	Significant weakness in arrangements identified in 2022/23 relation to quality of the Housing Service, improvement in 2023/24 acknowledged	Prior year weakness carried forwards as a risk of weakness for which arrangements will be assessed.	A	No significant weakness in arrangements identified, sufficient progress made in relation to prior year key recommendation, this has been downgraded to an improvement recommendation, acknowledging further progress required.

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendation(s) made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.

Financial sustainability

The Council continue to achieve positive financial results, with a revenue outturn for 2024/25 of an underspend of £0.4m, which has been added to reserves. It achieved 76% of its savings target to contribute to this position. A balanced 2025/26 position has been achieved through a balance of investment in services of £12.3m and efficiencies through savings of £5.1m. The medium-term outlook is a cumulative deficit of £43.9m between 2026/27 and 2028/29, with £30.7m of this expected in 2026/27. Council has sufficient reserves to support the position, temporarily, while additional efficiencies are identified, in addition to the identified savings within the position.

The Council made an in year Dedicated Schools Grant (DSG) deficit, which increased the cumulative deficit to £2.66m. However, the Council has a reserve of £14.5m set aside to support the position.

In the prior year, we recognised a weakness in arrangements related to the Housing Revenue Account (HRA) financial sustainability. The Council has taken sufficient actions to improve the position and respond to our recommendations. Although the weakness has been addressed, we have recognised ongoing improvement opportunities.

Cash balances have reduced by £115m, to £44.6m in 2024/25 and the Council has used balances to fund the capital programme and limit reliance on external borrowing, reducing the future revenue impact of interest payments. However this has impacted the Council's liquidity position, which will need to be replenished to build resilience for the future.

The Council's budget continues to demonstrate strong alignment with Council priorities and strategies related to capital, workforce and climate change.

Governance

The Council has updated risk management arrangements which have substantially addressed our prior year recommendations. Notably, the Risk Management Strategy has been updated in March 2025, covering the period 2025-2028.

The Council continue to be well supported by their Internal Audit Function who set a flexible, risk-based Audit Plan, of which 88% was completed in year. The Head of Internal Audit Opinion is positive and reflects that 91% of reviews received positive assurances on the Council's control environment.

Budget setting, and monitoring, arrangements remain robust. The Council continually seeks to strengthen arrangements and has done so by introducing trend analysis within the budget setting report, specifically in relation to areas of financial pressure from increasing demand, as well as reviewing arrangements against the CIPFA Financial Management Code. We have identified an improvement opportunity in reporting mid-year treasury performance to Cabinet.

The Council has comprehensive arrangements for scrutiny, overseen by the Policy and Oversight Board. Our prior year improvement opportunities regarding the Audit Committee have been addressed.

Monitoring of contracts and procurement continues to be undertaken by Contracts Assurance Board, who meet weekly. Reporting confirms a significant reduction in waiver activity in 2024/25, of 70% compared to prior year. In 2025/26 the Council intends to improve oversight arrangements by presenting an assurance report, including a position on waivers, to Audit Committee annually, as this activity is current reviewed by the Senior Leadership Team (SLT).

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Executive Summary (continued)

Improving economy, efficiency and effectiveness

Non-financial performance monitoring continues to be the responsibility of the Strategic Leadership Team (SLT), who oversee delivery of the Council's Corporate Plan objectives against 40 KPIs. The Council could continue to benefit from monitoring performance at Member level, in a public forum, to improve accountability and transparency, and therefore our recommendation from prior year in this area remains open. Overall, non-financial performance is adequate with 76% of KPIs on, or close to, target (green or amber-rated).

The Council performs well in external reviews. In July 2025, the Council received a report which set out findings from a Local Government Association (LGA) Finance Peer Challenge (FPC) conducted in April 2025, which was positive in its findings. Children's Services, received an overall rating of 'Outstanding' from Ofsted in May 2024, an improvement on the previous rating of 'Good'. The Care Quality Commission's (CQC) review of Adult Services in May 2025 rates services as 'Requires Improvement', the Council is taking recommendations forwards as part of a detailed action plan.

Our prior year report highlighted a weakness in arrangements in relation to the quality of the Council's Housing Service. The Council has implemented a series of governance arrangements and is on an upward trajectory towards achieving minimum standards within the service. We have therefore downgraded the existing Key Recommendation to an Improvement Recommendation to acknowledge progress to date, with the need to demonstrate improved outcomes being achieved consistently.

The Council continues its strong track record of stakeholder engagement, using co-production extensively across all departments, involving residents and staff from the outset in shaping services and decisions.

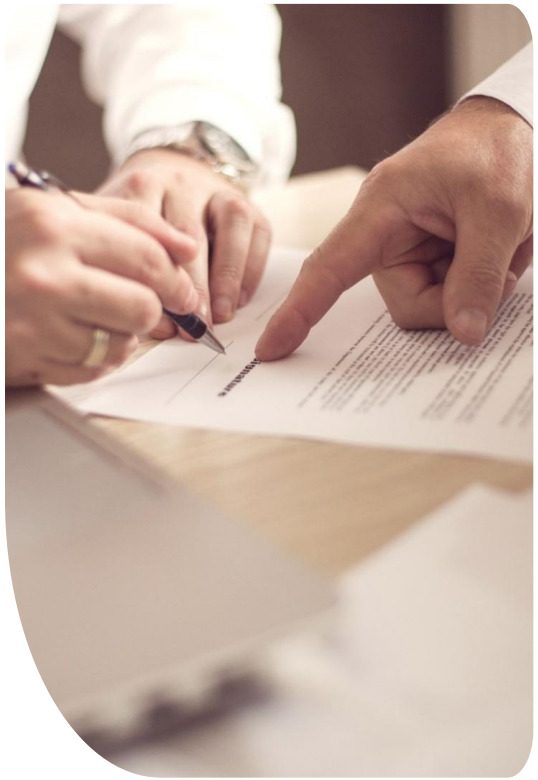
In November 2024 Members approved, in principle, establishing a housing company. It's purpose being to pursue property acquisitions to increase provision of affordable homes, bring complex and expensive HRA voids back into use and address the increased demand for Temporary Accommodation. Arrangements are in their infancy, with further progress to develop a full business case expected in 2025/26.

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Executive summary – auditor's other responsibilities

This page summarises our opinion on the Council's financial statements and sets out whether we have used any of the other powers available to us as the Council's auditors.

Auditor's responsibility	2024/25 outcome
Opinion on the Financial Statements	Our opinion of the financial statements is anticipated to be an unmodified opinion. The details of our work can be found in the Audit Findings report, which form part of our external audit papers for the Audit committee to consider and review.
Use of auditor's powers	We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014. We received an objection to the accounts in the inspection period, this related to Pensions, we are presently reviewing this matter.



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03 Opinion on the financial statements and use of auditor's powers

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Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our opinion of the financial statements is anticipated to be an unmodified opinion. The details of our work can be found in the Audit Findings report, which form part of our external audit papers for the Audit committee to consider and review.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- 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 (2024) 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- Audit Findings Report

The Council provided draft accounts in line with the national deadline of 30 June 2025.

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report can be found in our external audit papers pack which we are presenting at this committee. Requests for this Audit Findings Report should be directed to the Council.

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Opinion on the pension fund statements

These pages set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

The Pension Fund is required to publish its Annual Report by 1 December 2025. We issue an auditor's consistency report which includes our opinion that the 2024/25 Hammersmith and Fulham Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We expect to issue the consistency report at the same time as our opinion on the financial statements.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2025 and of its expenditure and income for the year then ended
- 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 (2024) 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 Pension Fund provided draft accounts in line with the national deadline.

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report can be found in our external audit papers pack which we are presenting at this committee. Requests for this Audit Findings Report should be directed to the Council.

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Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



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04 Value for Money commentary on arrangements

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Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

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. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether 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 budget management, risk management, and making 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.

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Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	**General Fund -** The Council continue to achieve positive financial results, with a revenue outturn for 2024/25 of an underspend of £0.4m, which has been added to reserves. The Council has set a balanced budget for 2025/26, it effectively balances investment in services of £12.3m, with driving efficiencies through savings of £5.1m. Key income expenditure assumptions are reasonable and based on the best available information at the time of setting the budget. Notably, the Council has increased council tax to the maximum allowable threshold of 4.99% (including Adult Social Care Precept) to generate an additional £4m per annum to fund services. The Council have acknowledged, having previously made lower increases, the need to increase to this level to build financial resilience. Despite the increase, Hammersmith & Fulham remains the third lowest in the country, aligning with the Council's objectives. The medium-term outlook is a cumulative deficit of £43.9m between 2026/27 and 2028/29, with £30.7m of this expected in 2026/27. As well as being due to the reversal of one-off funding within the 2025/26 , other pressures leading to this position are commonplace within the sector - price and pay inflation and pressures in demand led services such as Temporary Accommodation and Social Care. The 2026/27 gap is approximately 20% of the net revenue budget, and is considered to be high, in this context. The Council does have sufficient reserves to support the position, as it expects to hold general fund and earmarked reserves balances of £91.9m by the end of 2027/28, before considering any budget gap. The Council has specific reserves set aside to fund financial pressures, to mitigate the risk of diverting reserves away from specific projects. It is not the Council's intention to rely on reserves and has an action plan in place to explore alternative options through the budget setting process. **Dedicated Schools Grant (DSG)** – At the end of 2024/25 the Council's cumulative deficit position has increased by £0.285m, to £2.66m, as a result of Special Educational Needs and Disabilities (SEND) pressures within the High Needs Block. This position is in accordance with the Council's Safety Valve Recovery Plan, agreed with the Department for Education (DfE), allowing an increase in 2024/25. The Council holds a reserve of £14.5m, to support the cumulative deficit, when the current statutory override ends in 2028. As this is higher than the current cumulative position the Council arrangements ensure resilience to future pressures in this area.	A

G	No significant weaknesses or improvement recommendations.
A	No significant weaknesses, improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendation(s) made.

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Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
(continued)	**Housing Revenue Account (HRA)** – In the prior year we identified a weakness in arrangements to achieve financial sustainability within the HRA, resulting in a multi-part Key Recommendation. Our work has identified that sufficient progress has been made towards the recommendations, however not all areas have been fully responded to. As such, we acknowledge the remaining improvements required, replacing the existing Key Recommendation with an Improvement Recommendation (IR1). Further details are included on page 21-22. **Cash** – Cash balances have reduced by £115m, to £44.6m in 2024/25, the Council has used balances to fund the capital programme and limit reliance on external borrowing, reducing the future revenue impact of interest payments. The Council will therefore need to focus on building resilience, and liquidity, into the cash position and we have raised an Improvement Recommendation (IR2) to this effect, see page 23.	
plans to bridge its funding gaps and identify achievable savings	The Council have a strong track record of saving delivery having achieved 95% of their target in 2022/23 and 92% in 2023/24. For 2024/25, the budget required savings of £8.1m, the Council has delivered £6.15m (76%). Although this is a deterioration on prior years performance, and the forecast earlier in the year, the Council has still achieved an overall underspent outturn position. The schemes that have under-delivered are multi-year projects and, therefore, will continue to progressed and monitored to seek to achieve the benefits in full, albeit on a revised timeline. The Council has set a savings target of £5.1m for 2025/26, a realistic target based on historic performance. In most cases, these are recurrent in nature. Annual savings included in the MTFP are £6.2m per year. There are no unidentified savings within the budget for 2025/26. The MTFP does include a financial gap of £43.9m gap by 2028/29 and therefore there is further scope for future savings to be identified. The Council has a track record of closing the gap annually. The savings are evenly spread across Directorates and therefore the Council is not placing pressure on any individual service, identification and delivery is observed to a collaborative approach.	G

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Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council's Corporate Plan was formally adopted in December 2023 and covers 2023 to 2026. It sets out the sets 6 values the Council seeks to achieve, to align with their vision for the organisation. There is a strong link between the Council's budget and these values, to ensure that finances support the Council in meeting their objectives. The values are included within each budget, and budget monitoring, report along with how the contents of each adhere to the values. There is £12.3m of investment and growth observed within the 2025/26 budget, these predominantly relate to violence, adult social care, waste management, children's services, homelessness, industrial strategy which closely align to the Council's objectives to achieve compassion, working with residents and taking pride in the Borough. The MTFP is, equally, aligned to Council objectives, evidenced through its focus on Corporate Transformation Programmes in Property, Digitalisation, Commercialism and Workforce. Savings within the budget do not appear to hinder the Council's ability to achieve its objectives, with a focus on commercialisation and income generation within the savings programme, as opposed to a reduction in services. There is £0.1m of service reconfiguration planned, however in the context of the Council's budget and savings plans this relatively small. The Council acknowledge the need to assess their discretionary spend, given their financial challenge in the medium term, and will be undertaking a comprehensive review of this as part of its 2026/27 MTFP process. This will follow the usual sequence of Officer review ahead of scrutiny by Members.	G
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	Workforce forms part of the strategic objectives of the Council Corporate Plan. At the end of 2024/25 the Council's Draft People Plan (2025-2030) was pending approval, consultation and implementation. This will translate strategic workforce objectives into operational staffing plans, and ultimately determine the budgetary impact of these. Despite this plan being in progress the Council continues to prioritise workforce needs within its 2025/26 budget, focussing on growth, including investment in Children's and Adult Social Care Teams and minimal savings from staffing/productivity reductions (£0.1m) The council has approved a Climate and Ecology Strategy and Action Plan to deliver its target of net zero greenhouse gas emissions in the Borough by 2030. It has been shaped by the work of the resident-led Climate and Ecological Emergency Commission, who worked closely with the Council's Climate Unit and was devised by ten cross-departmental officer working groups.	G

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Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
(continued)	This has resulted in £106.5m being set aside for net zero works, with a further £91m earmarked for other works that will support this agenda, within the 12-year Housing Asset Management Capital Strategy. There is also climate related investment within the Capital Programme across travel infrastructure, parks and the Council buildings estate. The Council is investing £724.1m over the next four financial years to develop and enhance its assets (£225.6m for General Fund Programme and £498.5m for Council Housing). The capital programme is fully financed, 59% is to be financed by external borrowing. The revenue effects of the capital programme are reflected in the budget with an increase of £3.7m in the revenue net cost of borrowing in 2025/26, factored into the balanced budget. Medium-term estimates for the cost of borrowing reflect already approved schemes, therefore the current MTFP position could be impacted by additional costs of borrowing as new capital projects are approved. The Council is seeking to minimise any negative impact through two key work streams - Improving Debt Management and Property Rationalisation. Council analysis confirms that debt repayment represents less than 5% of the general fund net revenue budget (15% for the HRA), and is expected to reduce as major projects complete. Whilst significant, the level of external borrowing falls within the operational and boundary limits set out in the Treasury Management Strategy and complies with CIPFA guidance. Capital Programme performance is monitored quarterly by Cabinet, with support from the Council's Development Board and S106/CIL Board, which meet bi-monthly, and the Corporate Capital Board, chaired by the Assistant Director of Finance, which meets quarterly to ensure the delivery of programmes.	
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Council effectively identifies financial risks within its budget setting process, and presents these to Members for discussion. Detail sets out risks by department, including specific description and supporting mitigations for each, therefore appropriately informing Members of the challenges that the Council could face in the coming year. A corporate contingency of £9m is held in each year of the MTFP (including 2025/26), to assist in mitigating these risks should they emerge. Key risks we may expect to be considered for a Council of Hammersmith and Fulham' nature include social care demand (both adults and children), SEND demand, homelessness and temporary accommodation demand, climate change and net zero costs, inflation above expectations. The Council has effectively considered each of these, as well as specific departmental and service risks.	G

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Financial sustainability

Area for Improvement identified: HRA Sustainability

Areas covered by prior year recommendation:

1. Operating surpluses and building up reserve balances.

2. Target level of minimum HRA general reserve balances

3. HRA income should cover cost increases

4. Financial business including scenario planning, extensive sensitivity analysis and stress testing

5. Comprehensive exercise to improve the quality of stock condition survey data, supported by appropriate technology.

Findings in 2024/25:

1. At the end of 2024/25 the Council made a surplus on the HRA of £0.5m. This has allowed the Council to strengthen their HRA general reserves position to £5.8m. The Council also has HRA associated Earmarked Reserves of £10.5m. Current plans maintain reserves until 2028/29, after which point the Council will seek to add to them. The 10-year HRA Financial Plan seeks to achieve this via gradual and modest increases in rental and other income, whilst also acknowledging gradual increases in all lines of expenditure. Assumptions have been reviewed and are reasonable based on currently available information, and analysis undertaken. As a means of protecting reserves, the Council has included a contingency of £1.1m in the 2025/26 HRA budget, to be called upon before use of reserves for financial pressures. This has reduced by £2.3m from 2024/25, a measure to help to achieve a balanced HRA position. The reduction in contingencies may be considered over optimistic, given that these were used in full in 2024/25. Therefore, although we believe this element of the prior year recommendation to be addressed, we believe improvement is required in relation to contingency assumptions and include this in our Improvement Recommendation.
2. The Council has set a minimum target of £5m for the HRA general reserve, the 2024/25 outturn has slightly exceeded this, at £5.8m, with medium term plans set to maintain this level. Minimum balances will be supplemented in future years as the financial operating environment allows. This element of the recommendation has been achieved.
3. The Council has developed a 10-year HRA Financial Plan which assumes maximised rental income in line with Government policy. At the same time, it is increasing housing supply, modestly, with 831 homes over the period. The Council prudently assumes 1% voids and 1% arrears each year, this is in line with 2024/25 and so is deemed reasonable. Plans have been balanced with savings and efficiencies, avoiding any draw on reserves in 2025/26 and beyond. Savings plans are already agreed and in place for £4.0m with the remaining £1.3m (25%) being finalised in early 2025/26. This element of our recommendation has been progressed, but yet to complete and is reflected in our Improvement Recommendation.
4. The HRA 10-year Financial Plan a range of indicators, including those to monitor key affordability and financial. Additional sensitivity analysis is undertaken including stress testing and this will be incorporated in future reports to Cabinet. Therefore, this element of the recommendation remains in progress, we acknowledge the progress and downgrade the stress testing and scenario planning element to an Improvement Recommendation.
5. The Council set a target of 100% stock condition completion by the end of 2026. All of the stock condition surveys for leaseholders have been completed, with 74% of tenanted and leaseholder stock having received a condition survey in the past 3 years and 2211 homes targeted for 2025 and 2026 respectively, to meet the target. Phase 3 of the programme launched in April 2025 and is progressing, following a change in methodology and data collection software. SLT Improvement Board receive regular reporting on metrics to understand performance of the number o surveys completed, future forecasts, decent home standard performance data, EPC data and other relevant metrics, as well as recruitment to the in-house team to improve skills in data collection and reporting. This element of the recommendation has been achieved.

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Financial sustainability

Improvement Recommendation 1

IR1: The Council should:

1. Review its assumptions on contingencies included within the HRA budget and 10-year Financial Plan for reasonableness and optimism, considering historic performance and analysis of future financial pressures.

2. Prioritise identifying the savings included in the 2025/26 budget, and 10-year Plan, in full, which are vital in achieving and maintaining a sustainable financial position within the HRA.

3. Ensure the results of scenario planning, sensitivity analysis and stress testing undertaken to achieve the 2025/26 budget and 10-year Plan are presented to Members for consideration in their decision making as part of the budget setting process

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Financial sustainability (

Area for Improvement identified: Building resilience into cash position

Key Finding: Cash balances have reduced by £115m, to £44.6m in 2024/25, the Council has used balances to fund the capital programme and limit reliance on external borrowing, reducing the future revenue impact of interest payments

Evidence: Using the accounts we can use to assess liquidity, these are cash, cash equivalents, bank overdrafts and short term investments. At the end of 2024/25 the Council has £44.6m of cash, cash equivalents, bank overdrafts and short term investments. This compares to 20% of current liabilities, therefore there is not a sufficient ratio of cash to cover current liabilities should they fall due. When considering all current assets, not just cash, the liquidity ratio improves to 50% coverage. However, this remains a challenging position. In comparison for 2024/25 the liquidity ratio was 0.96 and therefore significantly stronger, with almost the same amount of current liabilities and assets.

Impact: In reality it is unlikely all current liabilities would fall due simultaneously, due to different payment dates associated with individual creditors (which accounts for the majority of the current liability balance). However, the Council may want to seek ways to improve its liquidity position to fully adhere to its treasury strategy, which places this objective at the forefront of its decision making. This would also strengthen the balance sheet and contribute to financial resilience. It is a fine, and challenging, balance to achieve sufficient liquidity whilst also reducing the revenue impact of borrowing.

Improvement Recommendation 2

IR2: The Council should explore ways it can replenish cash balances to build resilience in the position, strengthen the balance sheet and improve its liquidity position, whilst also balancing the need to manage borrowing to support the Capital Programme.

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Financial sustainability

Grant Thornton insight

Strengthening Outturn Reporting

Within the year-end outturn report, the Council clearly articulates the reasons for all variances, with a focus on those variances which are negative compared to budget. These are reported at individual service level within departments, to aid with transparency and accountability. However, the most effective outturn reporting we see, also includes information on the actions to be taken, with a target date and assigned to a responsible owner, to address areas of below target performance. We have not observed this detail being included within the reporting at the Council and is an area to consider to provide additional transparency and accountability, and support improved financial performance through targeted response.

Grant Thornton insight

Extending Reserves Strategy

The Council's Reserve Strategy currently forecasts reserves balances to 2027/28, whereas the Medium Term Financial Plan (MTFP) spans from 2026/27 to 2028/29. Members would benefit from the MTFP and Reserves Strategy being planned on the same basis and time horizon, in order to assist Members in making well informed decisions and be able to confidently determine whether the reserves position is a finally sustainable one, based on the Council's medium term plans.

Grant Thornton insight

Post Implementation Reviews

The Council has informal mechanisms in place to learn lessons from previous savings schemes which have effectively delivered, and apply learning to the future programme. Review of savings which have not, or have only partially, delivered is undertaken in-year. This includes consideration of the likelihood a of a scheme delivering in full, or partially in later years, should milestones be amended. However, these reviews are not formally documented or shared with individuals teams, or Members. In general, we observe, that where a formal programme of post implementation reviews take place, probability of successful savings scheme delivery is increased.

Grant Thornton insight

Budget Risk Quantification

The Council effectively identifies risk that may emerge within the year, within its budget documentation. Notable practice we observe within the sector seeks to quantify these risks. The Council set aside a corporate contingency within their annual budget, which can be called upon to manage risks as part of their budget reduction programme, or to address unforeseen budget pressures emerging in year. The budgeted level of contingency for 2025/26 and across the remainder of the MTFS is £9m. Quantifying risks within the documentation, for transparency, would inform Members of the sufficiency of this level of contingency. Council Officers have undertaken benchmarking to assure themselves of this.

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Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	Risk management is an area we identified opportunities for improvement, as part of our 2022/23 work, continuing in 2023/24, full details are included on page 47. The Council has updated arrangements which have substantially addressed our recommendations. Notably, the Risk Management Strategy has been updated in March 2025, covering the period 2025-2028. This clearly sets the framework by which the Council identifies, understand, records and monitors risk, with roles and responsibilities throughout the organisation. A Risk Management Toolkit has also been developed, to complement the Strategy, to aid Officers in its implementation. This is supported by training sessions and e-learning materials. During the year, presentation of the risk register has been limited to March 2024 and March 2025, to Audit Committee, with no updates to Cabinet. This has been due to the refresh of the Strategy. In year updates to the Committee have made it clear no changes to risks, or their scores, were made in the intervening period, effectively updating Members, but providing little opportunity for discussion. This is expected to be rectified in 2025/26, however Senior Leadership Team, have continued to monitor and discuss risks monthly at their SLT Assurance Board. Now that the new framework is in place the Council intend to progress the remaining opportunities for improvement, as highlighted by our 'insight' on page 26. The Council continue to be well supported by their Internal Audit Function who set a flexible, risk-based Audit Plan, for the first 3-months of year, working with Members and Officers to update and adapt the plan to emerging circumstances over the year. This resulted in a planned 26 pieces of work for the 2024/25 year, of which 88% (23) were completed at year-end, with two in draft and one undergoing additional testing to complete the full plan. The Council performs well with regards to its internal control environment, with 91% of audits receiving positive assurances, and overall positive opinion from the Head of Internal Audit for the year. At the end of 2024/25, the Council has progressed the majority of its recommendations from Internal Audit, however 13 medium-priority recommendations remained outstanding, each with a status update and revised implementation date. While there is some delay in actioning these recommendations, there is an effective process in place to monitor and these follow up. The Council ensures that it keeps its policies in relation to fraud and corruption updated, the latest policies coming into effect at the start of the year. The Council effectively monitors, and reports, fraud activity in line with its policies, via the Audit Committee bi-annually. Between 1 April 2024 and 31 March 2025, the Council processed 92 new referrals, concluded 441 investigations. This resulted in 112 positive outcomes with a notional value of over £780,000.	G

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Governance – commentary on arrangements

Grant Thornton insight

Strengthening Risk Management Arrangements

Our work has highlighted that Risk Management arrangements are updated and improved on an iterative basis, and will continue to be progressed in 2025/26. Areas that we believe could further strengthen arrangements, many of which the Council intends to, or is already progressing, are:

- Enhancing the reporting template of the Corporate Risk Register to include details of current and proposed actions related to each risk, enabling assessment of the effectiveness of actions in mitigating the risks
- Oversight, by Cabinet Members, at least annually of the Corporate Risk Register to ensure decision makers are aware of the Strategic Risks to inform their decision making.

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	The budget setting process is consistent with prior year, using the roll-forward approach and adjusting the 2024/25 baseline budget for known pressures, service investments and changes in assumptions. The budget process continues to be co-ordinated by Finance Officers, in collaboration with individual Service Leads. Senior Leadership Team (SLT) and Cabinet Members have reviewed and challenged all budget proposals and the Oversight Board and relevant Policy and Accountability Committees have scrutinised the budget, prior to final approval by Full Council. The process remains comprehensive and includes adequate time for consultation. The Council has introduced trend analysis within the budget setting report, specifically in relation to areas of financial pressure from increasing demand (social care, education and temporary accommodation). An area of notable practice is the Council's self assessment of performance of its budget setting arrangements against the CIPFA Financial Management Code. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. Of the 7 criteria, the Council assessed its 2025/26 budget to achieve 5 Green Rated and 2 Amber Rated criteria, a high level of compliance overall.	G

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Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
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	Cabinet have received quarterly budget monitoring reports in September 2024, December 2024 and April 2025, with the outturn report being received in September 2025. Although Cabinet receive quarterly monitoring sufficiently regularly, with variances and actions to respond well explained, and within an appropriate timeframe, the outturn report is received 6 months after the year end. We have provided our insight into this on page 30. However, supplementary arrangements to review financial performance via different internal forums support the Council in ensuring effective oversight of the in-year and year-end position. The Council's Treasury Management Strategy Council and Cabinet responsibilities for monitoring the treasury position via a mid-year and annual report. In addition, the Audit Committee is responsible for ensuring effective scrutiny of the Treasury Strategy and associated policies. Both Audit Committee and Cabinet have received the Treasury Management Annual Report in September each year. However, only the Audit Committee have received the mid-year report. To ensure compliance with its own reporting requirements, we have raised an Improvement Recommendation (IR3).	A
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	Cabinet decisions are supported by sufficiently detailed papers to support sufficient challenge and debate of key issues. Cabinet are supported in their decision making by a series of arrangements including Member briefings, recommendations passed from weekly SLT meetings, individual Cabinet Member Portfolio Boards and Political Cabinet meetings. Each ensure that a comprehensive level of challenge takes place prior to a decision reaching Cabinet, ensuring that issues are fully understood before approval. Furthermore, the Policy and Oversight Board acts as the Council's Overview and Scrutiny function. In 2024/25 this was delivered through eight Policy and Accountability Committees (PACs), covering all major service areas, meeting once a quarter. Effective scrutiny should consider a range of views. This is achieved via the membership of the Policy and Oversight Board, which includes the Chairs of each of the PACs, an Opposition Member, five elected non-executive Members, reflecting the proportionality of the Council's political structure. Committees are also able to co-opt Members with particular expertise as required, to assist in their work. We identified opportunities for improvement in 2023/24, in relation to the Council's Audit Committee arrangements, full details are on page 48. The Council has effectively progressed the recommendation and it is considered addressed.	G

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Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Council has a well-established Corporate Procurement Team. The Contracts Assurance Board meets weekly to ensure governance compliance, consider new future procurement legislation, discuss the major medium-term procurements that are in progress and to update policies. In addition, Commissioning, Transformation and Partnership functions have been brought together under a newly created Director post to provide additional resource in this area and a central point of oversight for contracts and procurement activity, aimed at ensuring compliance with the Council's Contract Standing Orders and the Procurement Act, which came into effect 28 February 2025. The Council has seen a significant reduction in waiver activity in 2024/25, of 70% compared to prior year. Trends in this area are managed and monitored by the Procurement and Commercial team and reported to Finance and Corporate Services Performance Board monthly, as well as oversight from the Contract Assurance Board. SLT receive an update on waiver performance each year, and in 2025/26 the Council intends to improve oversight arrangements by presenting an assurance report, including a position on waivers, to Audit Committee annually. The first report is anticipated to be presented at the December 2025 Audit Committee. The reduction has been attributed to procurement leads and specialists working more closely with service areas and a more disciplined approach to implementing procurement governance arrangements. We have also considered the Council's performance in relation to breaches of legislation, data security breaches and standards or Member and Officer behaviour. These are all transparently reported in the Council's Annual Governance Statement, which notes that the Council has been compliant with all relevant legislation and regulatory requirements in 2024/25, including the General Data Protection Regulation (GDPR) and the Data Protection Act 2018.	G

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Governance

Area for Improvement identified: identifying and delivering recurrent savings

Key Finding: Appendix B of the Council's Treasury Management Strategy Statement states that Cabinet will received both a mid-year and annual outturn report on Treasury Management. Cabinet have received the outturn report in September each year, however the mid-year report has only been received by the Audit Committee.

Evidence: The 2023/24 outturn report went to Cabinet 9 September 2024, prior to Audit Committee in November 2024. The Mid-Year Report went to Audit Committee 9 December 2024, however we have not identified this being taken to Cabinet. The 2024/25 outturn report is expected to be taken to the 15 September Cabinet. Officers confirmed going forward the mid-year review will additionally be submitted to Cabinet, following our enquiries. In addition, the 2023/24 outturn report was presented to the November Audit Committee, around 8 months after the year end, 6 months for Cabinet. Timeliness of the reporting could be improved.

Impact: Under current reporting arrangements the Council has not adhered to its strategy, although no specific treasury issues have been identified as a result of this. The Council intends to update its reporting arrangements in 2025/26 to ensure compliance. These are internal arrangements only, no non-compliance with laws and regulations has been observed.

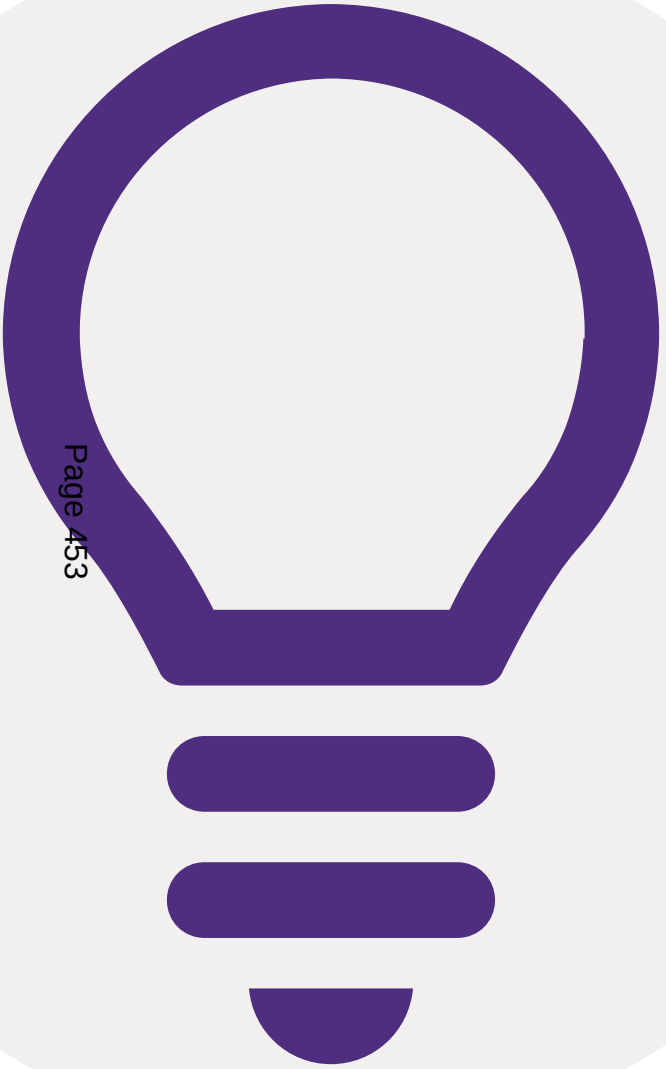
Improvement Recommendation 3

IR3: As intended, the Council should ensure it adheres to the reporting requirements set out in its Treasury Management Strategy. Specifically, ensuring that Cabinet and Audit Committee receive both a mid-year and year-end outturn report. In reviewing arrangements the Council may also wish to consider the effectiveness of its current arrangements in ensuring timely reporting of the position to these Committees.

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Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of budget monitoring, but could challenge itself to go further, based on the best arrangements we see across the sector



What the Council is already doing

- Cabinet have received months 2, 6, and 9 financial monitoring reports (revenue) in September 2024, December 2024 and April 2025. There is a 3-month lag between the period being reported upon, and the date the report is presented for quarterly reporting. However, outturn reporting to 31 March 2025, is received in September, 6 months after the year end.
- Political Cabinet receive the outturn report in July 2025.
- The Council has a number of Power BI dashboards which allow the Finance Teams and budget holders to access budget monitoring information in real time.

What others do well

- We usually see a time-lag between the date of financial reporting being received by Cabinet Members, and the date to which it relates, being around 2-3 months. This ensures that actions to respond to any underperformance can be taken in a timely manner. The Council's current time-lag for the outturn report is much longer, although we have observed supplementary arrangements ensuring financial performance is reviewed before the relevant Cabinet meeting, as noted.

The Council could consider

- Reviewing, with Members, whether current financial reporting arrangements are effective and fit for purpose, specifically regarding timeliness.

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	The Strategic Leadership Team (SLT) are responsible for overseeing delivery of the Council's Corporate Plan objectives, they monitor performance against a series of 40 KPIs reporting regularly via update reports, with information from the Council's Corporate Indicator Dashboard. They are assisted in their role by individual departmental Performance Boards and the Policy and Programme Management Office. This non-financial performance monitoring is still not reviewed in a public, Member focussed forum, such as Cabinet meetings. This is an opportunity for improvement we have highlighted since our work in 2022/23 and therefore our prior year recommendation remains unaddressed (see page 49). The Council is considering formalising non-financial performance reporting to Policy and Oversight Board, as the Council's Scrutiny function, in 2025/26, which would strengthen arrangements. Overall, non-financial performance is adequate with 76% of KPIs on, or close to, target (green or amber-rated). SLT reporting includes detailed analysis and narrative for both red and amber-rated indicators, helping to identify areas for improvement and understand the reasons behind underperformance. A formal Data Quality Policy (adopted in April 2024) and a supporting data quality framework sets the standards and guidelines for accuracy, completeness, timeliness, and consistency of the data that underpins performance reporting. The requirements of this policy is implemented via built-in data quality checks within the council's performance software, review by Data Stewards, departmental managers, and the Business Intelligence Service, with Internal Audit providing independent checks as required. To provide context to performance data services regularly benchmark costs and performance against similar bodies as part of business cases, investment plans, transformation and change activity and service strategy development. In addition, the Council has nominated several Members to engage with various Local Government Organisations to participate in discussions and contribute to policy development on issues affecting the sector as a whole, as well as the Council specifically.	A

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement	In July 2025, the Council received a report which set out findings from a Local Government Association (LGA) Finance Peer Challenge (FPC) conducted in April 2025. Overall, the report identified the strong financial governance in the Council including effective political/officer leadership, being ambitious and financially well run, strong focus on vfm and 'ruthless financial efficiency', good record on commissioning/contracting and awareness of future financial challenges. A number of constructive, forward-looking recommendations were made aimed at achieving best practice, as opposed to indicating any weaknesses in arrangements. Key themes included capacity to deliver transformation agenda, enhancing financial scenario planning, strengthening scrutiny/audit functions through regular training and sharing best practice with the sector. The Council has already developed an action plan to progress the recommendations, reporting Policy and Oversight Board quarterly. At July 2025, all actions are green-rated and on track to deliver within their target delivery date. External regulator reports also indicate high standards within relevant. The latest Ofsted Report from May 2024, relating to Children's Services, received an overall rating of 'Outstanding', an improvement on the previous rating of 'Good'. The Care Quality Commission's (CQC) review of Adult Services in May 2025 rates services as 'Requires Improvement', however it notes several strengths within the report, alongside areas for improvement. A detailed action plan has been developed which seeks to action all recommendations made by the CQC, which will be monitored throughout 2025/26 to completion. Our prior year report highlighted a weakness in arrangements in relation to the quality of the Council's Housing Service. The Council has implemented a series of governance arrangements and is on an upward trajectory towards achieving minimum standards within the service. We have therefore downgraded the existing Key Recommendation to an Improvement Recommendation to acknowledge progress to date, with the need to demonstrate improved outcomes being achieved consistently.	A

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
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	The Council uses co-production extensively across all departments, involving residents and staff from the outset in shaping services and decisions. The Council has used this approach to develop the Hammersmith and Fulham Plan, which set the Council's vision and priorities between 2023-2026, and continues to use co-production to refine priorities and develop supporting policies to deliver objectives. Co-production is monitored by the Policy and Oversight Committee, and the Co-production Matters Group, which includes residents, community organisations, councillors, and staff. The Council uses tools including the resident insight and feedback form, to implement the approach, and operates several resident-led co-production groups, such as the Digital Accessibility Group and the Disabled People's Housing Strategy Implementation Group, which directly influence service design in specific activities. The Council's Upstream Strategy, supports the Council in adapting its planning rules to support innovation, regeneration, builds affordable homes and workspaces, and creates programmes like the Upstream Pathway Bond to help local people get jobs and training. The Council works with other innovation districts around the world to share ideas and attract investment through this Strategy. Oversight for the Upstream Strategy is provided by the officer Industrial Strategy Delivery Board (ISDS), monitoring reports highlight where projects are advancing, where delays have occurred, and where interventions may be needed, using clear RAG ratings and milestone tracking.	G
commissions or procures services, assessing whether it is realising the expected benefits	The Council has robust contract management arrangements, including weekly reviews by the Contract Assurance Board, oversight by the Strategic Leadership Team, quarterly supplier performance reporting, and annual reconciliation of supplier payments. Improvements are underway, such as the introduction of mandatory KPIs for new contracts, automation of spend reporting, and enhanced training and risk assessment tools, which are expected to embed in 2025/26. In November 2024 Members approved, in principle, establishing a housing company. It's purpose being to pursue property acquisitions to increase provision of affordable homes, bring complex and expensive HRA voids back into use and address the increased demand for Temporary Accommodation. Pending completion of a full business case process, Members have continued to be informed of progress of the project. As at the start of 2025/26 a full review of each strand of the business case was being undertaken by Officers, discussions with authorities with experience in setting up housing companies initiated and relevant expert advice sought.	G

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Improving economy, efficiency and effectiveness

Area for Improvement: Housing Service standards

Background: In the prior year we identified a weakness in arrangements leading to the key recommendation that 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 Finding: The Council has implemented a series of governance arrangements to support it in improving the quality of the service provided, allowing effective monitoring of performance, highlighting where actions need to be targeted. These include a Housing Task Force who meet quarterly to discuss and recommend actions to improve outcomes, policy and engagement. A Housing Improvement Board, an SLT based Board, who receive regular performance reports on key Housing related metrics such as performance against Decent Homes Standard, health and safety, stock condition survey and energy efficiency targets within the Council's housing stock. A Complaints Board monitors internal and Ombudsman complaints data, weekly, supported by a Complaints Dashboard, which highlights trends.

Evidence: The Council's stage 1 complaints have decreased between January 2025 and July 2025, open complaints total 143 at this date, lower than 2023 and 2024 data, an improving trajectory. Stage 2 complaints have remained stable between August 2024 and July 2025, with 72 open cases at July 2025, representing a steady stream of closed and incoming cases. Specifically, housing management and homelessness complaints, are not yet reduced to 2023 levels and should continue to be an area of focus for the Council.

74% of Stock Condition Surveys have been completed with a plan in place to complete the remaining by the end of 2026, in line with the target for 100% by this date. Following this existing programme the Council intends to implement a rolling programme of reviews from 2027 to ensure that all properties are surveyed every 5 years. 95% of stock meet the Decent Homes Standard with 5% non-complaint in 2025. Works are underway to circa 610 properties ensure that the decent homes' requirement is met by 2026 across the portfolio.

63% of the stock have a valid Energy Performance Certificate (EPC) in the last 10 years, and the remainder have been rated using modelling techniques to ensure gaps in assurances are limited. 68 properties in total have a rating (red rated) of F or below, which is 0.5% of the tenanted portfolio.

The Council engaged HQN as an independent reviewer to undertake a mock inspection, similar to that the Housing Regulator would undertake, and provide feedback on the quality of the Councils Housing service. This took place in November 2024. Feedback was positive from the inspection and noted good progress in the Council's improvement journey and inspection readiness. HQN supported the Council to develop an action plan, for the areas that could be strengthened. This generated 26 metrics, which the Council regularly monitors via the Housing Task Force and a live tracker. By July 2025, 17 actions were completed or on track and 9 not on track. Each has clearly articulated actions which aim to improve progress within the next period. Given this is a decline in performance from May 2025, when 21 were on track or completed, would suggest there is still the opportunity to improve pace of delivery of these actions as part of the Council's agenda to improve standards in the Housing Service.

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Improving economy, efficiency and effectiveness

Area for Improvement: Housing Service standards (continued)

The Council also tracks tenant satisfaction via a series of metrics (TSMs) on both their perception and management of the service. Of the 26 metrics in total, 24 have improved since the prior year. Small deterioration in performance has been identified in complaints handling (with 26.7% of tenants satisfied, compared to 29.7% in 2023/24), however as noted earlier, numbers of complaints are improving. The Decent Homes Standard non-compliance is also highlighted here.

During 2024/25 the Council reviewed and updated all policies related to the Housing Service to ensure these remained fit for purpose and could be easily accessed by relevant staff.

Overall, the Council has implemented a series of effective governance arrangements which allow it to effectively track the improvement journey of the Housing Service. The actions being taken to improve standards are beginning to take effect, with improvements in performance observed. In some areas the Council still requires some improvement, namely ensuring compliance of the full housing portfolio with the Decent Homes Standard, completing all stock condition surveys, , reducing housing and homelessness complaints and progressing mock inspection recommendations to completion. The trajectory to date has been positive, the Council should now seek to demonstrate a sustained level of high-quality service delivery within the department.

Improvement Recommendation 4

IR4: 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. Specifically the Council should target resources to ensure compliance of the full housing portfolio with the Decent Homes Standard, completing all stock condition surveys by the March 2026 target, reducing housing and homelessness complaints and progressing mock inspection recommendations to completion.

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Pension Fund

The Council is the administering authority for the London Borough of Hammersmith and Fulham Pension Fund. As part of our VfM work we are required to consider the Council's arrangements in respect of the Pension Fund.

We considered the Pension Fund's:	Commentary on arrangements	Rating
Financial Sustainability: sufficiency of funds to meet liabilities	The Pension Fund is revalued every three years by an independent actuary, to assess future liabilities and set employers' contribution rates. The most recent formal valuation, as at 31 March 2022, assessed the whole Pension Fund as being 105% funded (the value of the scheme's assets at 31 March 2022 was £1.325bn compared to the present value of the funded obligation at £1.267bn) . This is a strong position whereby the Fund is estimated to be able to meet its pension liabilities with its available assets. As of 31 March 2025, a funding update was provided by the fund's actuaries which assessed the Pension Fund continuing to be fully funded, with £235k more assets than its funding obligations. A full valuation will be conducted in 2025, but based on these current early estimates the Fund would continue to be in a similarly strong position.	G
Governance: appropriateness of governance arrangements	The Fund's governance arrangements consist of a Pensions Committee and Pensions Board. The Pensions Committee has delegated responsibility to manage the pension fund and is the decision-making body and they support the Pensions Board in their role to ensure compliance with LGPS regulations and legislation and to ensure the effective and efficient governance and administration of the Fund. The two have met sufficiently regularly, the Committee quarterly and the Board bi-annually, in 2024/25. Standing agenda items and ad hoc reports cover a range of issues in relation to risk, performance and compliance. The Pension Fund delegates its administration duties to Local Pension Partnership Administration (LPPA) and its performance is monitored via quarterly reports to the Pensions Committee. The LPPA has achieved 98.7% of its KPIs within the agreed target for the final quarter of 2024/25, having gradually increased each quarter from 97.5% at Q1. Risks are appropriately mitigated or managed, and this is clearly articulated through the Pension fund risk register. The Government published its 'Fit for Future' consultation response in May 2025. This confirmed that Funds should have all their assets under pool management by 31 March 2026. 70%% of investment are currently managed by the London CIV Pool. Officers are already in engagement with the London CIV over plans to achieve the 100% target and regular updates are being provided to the Pensions Committee. Effectiveness of arrangements to achieve the target date will be assessed in 2025/26.	

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Pension Fund

We considered the Pension Fund's:	Commentary on arrangements	Rating
Improving Economy, Efficiency and Effectiveness: annual report findings	We considered arrangements for implementing some key work streams and the impact on the Fund Administration teams. For 2024/25 these include: • **implementing the McCloud remedy** - implementation requires lots of complex calculations so could potentially impact heavily on administration teams. The Fund considers itself on track to implement the McCloud remedy. Work is in progress, with the Pension Team having identified the percentage of members being eligible for McCloud Remedy monies, with further analysis and testing ongoing and on schedule ahead of deadline of 31st August 2025. • **preparing for the Pensions Dashboard** - The Department for Work and Pensions (DWP) have designed an online platform (Pension Dashboard), public sector schemes are required to be connected by October 2025 per the guidance provided, with a statutory deadline of 31 October 2026. The fund considers itself on track to upload their pension administration data by the statutory deadline • **preparing and maintaining a Funding Strategy Statement** - In January 2025 the SAB, CIPFA and MHCLG produced "Guidance for Preparing and maintaining a Funding Strategy Statement (FSS)". The Pension Fund's updated FSS will be drafted following the 2025 actuarial valuation results and tabled for committee approval in February 2026. The Fund's Actuary has already provided FSS guidance for the LGPS, that the Fund has been following for several years, which covers many of the new requirements. As such the Fund is sufficiently prepared in the period between the guidance being released and formal approval of their FSS.	G

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05 Summary of Value for Money Recommendations raised in 2024/25

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Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	The Council should: 1. Review its assumptions on contingencies included within the HRA budget and 10-year Financial Plan for reasonableness and optimism, considering historic performance and analysis of future financial pressures. 2. Prioritise identifying the savings included in the 2025/26 budget, and 10-year Plan, in full, which are vital in achieving and maintaining a sustainable financial position within the HRA. 3. Ensure that the results of scenario planning, sensitivity analysis and stress testing undertaken to achieve the 2025/26 budget and 10-year Plan are presented to Members for consideration in their decision making as part of the budget setting process	Financial sustainability	**Actions:** A considerable amount of strategic financial work has been undertaken on the HRA since 2022/23 to strengthen the financial resilience and sustainability of the HRA and the 10-year Business Plan. We will continue to review the contingencies/balances as part of the HRA Budget and Business Plan update that will be reported to Cabinet in 2026. This will include additional sensitivity analysis and scenario/stress testing. **Responsible Officer:** Sukvinder Kalsi/Richard Shwe **Due Date:** March 2026
IR2	The Council should explore ways that it can replenish cash balances to build resilience in the position, strengthen the balance sheet and improve its liquidity position, whilst also balancing the need to manage borrowing to support the Capital Programme	Financial sustainability	**Actions:** The Council is undertaking weekly monitoring of the liquidity position and has reduced planned external HRA borrowing in 2024/25 due to the prevailing high interest rates. It is anticipated that additional planned HRA borrowing will be undertaken in 2025/26 as interest rates reduce and this will improve cash balances (these were £70m at the end of 5 September). **Responsible Officer:** Sukvinder Kalsi/Phil Triggs **Due Date:** March 2026

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Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR3	As intended, the Council should ensure that it adheres to the reporting requirements set out in its Treasury Management Strategy. Specifically, ensuring that Cabinet and Audit Committee receive both a mid-year and year-end outturn report. In reviewing arrangements the Council may also wish to consider the effectiveness of its current arrangements in ensuring timely reporting of the position to these Committees.	Governance	**Actions:** The Outturn Report is already reported to Cabinet and Audit Committee and Mid-Year Treasury Review will now also be reported to both Cabinet and Audit Committee in 2025/26. A review of the reporting timelines will be undertaken and is unlikely that this could be reduced further given the internal officer and member governance framework. The financial position is reported within 6 weeks to SLT/PC pending the formal reporting. **Responsible Officer:** Sukvinder Kalsi/Phil Triggs **Due Date:** March 2026
IR4	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. Specifically the Council should target resources to ensure compliance of the full housing portfolio with the Decent Homes Standard, completing all stock condition surveys by the March 2026 target and progressing mock inspection recommendations to completion.	Improvement economy, efficiency and effectiveness	**Actions:** The Council has already established for some years a Housing Task Force and Service Improvement Board. This will be continued as will our work on preparing for a possible formal Inspection following the mock inspection (although the Regulator appears satisfied with progress as part of our regular update meetings...the last of which was in June 2025). The limited HRA capital resources will necessarily be shared across new affordable housing, our statutory building safety/compliance work and on decent homes. The stock condition surveys are being progressed and accessibility issues may delay completion of this until the end of 2026. **Responsible Officer:** Richard Shwe/Sukvinder Kalsi **Due Date:** March 2026

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06 Follow up of previous Key recommendations

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Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	**Housing Revenue Account:** 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. 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.	2023/24	Full details of the Council's response to each element of the recommendation are included on page X	Partially addressed. Points a, b and e have been addressed in full. Points c and d have been progressed, and remain in progress.	Progress made to date is acknowledged and our Key Recommendation is replaced with an Improvement Recommendation (IR1)

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Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR2	**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.	2023/24	Full details of the Council's response to the recommendation is included on page 34-35	Governance arrangements in place to monitor the Council's performance against minimum standards in the Housing Service are now well established, embedded and consistently applied. In terms of outcomes being observed, the Council is on an upward trajectory towards minimum standards being met. The Council will now need to focus on ensuring these standards are achieved in full, across all of its KPIs, and are achieved consistently.	Progress made to date is acknowledged and our Key Recommendation is replaced with an Improvement Recommendation (IR4)

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07 Appendices

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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 Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer 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

Our work is risk-based and focused on providing a commentary assessment of the Council's Value for Money arrangements

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.

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 – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

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Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should include scenario planning as part of developing their annual budget	2023/24	The Council has included scenario planning within their MTFP, alongside the annual budget.	Recommendation addressed	None required
IR2	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.	2022/23	As noted in our work on Governance. The Council has updated and implemented a new Risk Management Strategy, from March 2025. An updated Corporate Risk Register was presented to Audit Committee in March 2025, reflecting the new Strategy, having been reviewed. Members will continue to review risks, quarterly, adding or removing risks as required. The Council has yet to fundamentally update the format of the CRR, and intends to do so in 2025/26, specifically to better articulate the impact of mitigating actions on the residual risk score of each risk. In addition, the CRR is not currently reviewed by Cabinet, which the Council will reconsider in 2025/26.	Partially addressed – parts a and b have been fully addressed with c in progress.	None required

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Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	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.	2022/23	a) Part 5 Principle 6 of the updated Constitution confirms that the Council develops and maintains an effective Audit Committee and Standards Committee which are independent of the executive and scrutiny functions. b) The Audit Committee consists of 3 members of the administration, 1 opposition member and 1 independent member, as set out in the updated Constitution. c) The Annual Report of the Audit Committee to Full Council is being prepared and will be presented to the Committee at its meeting in October for approval and presentation at the Full Council meeting thereafter.	Partially addressed – parts a and b have been fully addressed with c in progress.	None required

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Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	The Council should consider publicly reporting on performance indicators to ensure openness and transparency.	2022/23	No non-financial performance reporting has been reviewed by Cabinet, Audit Committee or other appropriate Committee in 2024/25. Performance, instead, is monitored by SLT with support from departmental Performance Boards and the Policy and Programme Management Office. Plans are being developed to formalise performance reporting to Policy and Oversight Board in 2025/26.	Recommendation unaddressed	To be followed up in 2025/26.

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LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Audit Committee

Date: 27 October 2025

Subject: Treasury Management Outturn Report 2024/25

Report of: Phil Triggs, Tri-Borough Director of Treasury & Pensions

Report author: Sophie Green, Treasury Manager

Responsible Director: Sukvinder Kalsi, Executive Director for Finance and Corporate Services

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SUMMARY

This report sets out the Council's Treasury Management Outturn for 2024/25 and is in line with the Council's Treasury Management Strategy Statement (TMSS) (as approved by Council on 12 February 2024). The details are subject to external audit review (in line with governance and regulatory requirements).

All local authorities were operating in a very challenging strategic financial environment during 2024/25 (continuing market uncertainty on interest rates and inflation). The Council operated within the Treasury Limits and Prudential Indicators during 2024/25 and met all its prudential indicators.

During 2024/25, the Council repaid £16m in loans across the PWLB and community municipal investment (CMI) and borrowed a further £35m. This increased borrowing from £269m to £288m and the average interest rate from 3.72% to 3.75%. It issued tranches 2 and 3 of the Hammersmith & Fulham Green Investment, which raised £1.5m for local climate projects.

Cash balances were £44.2m at 31 March 2025 (lower than 31 March 2024). These funds were kept liquid in Money Market Funds. The average interest rate also dropped from 5.62% to 4.75%, as the Bank Rate also reduced throughout the year.

The Treasury limits and Prudential indicators are set out in the TMSS as approved by Council on 12 February 2024.

RECOMMENDATIONS

1. To note the Treasury Management Outturn Report for 2024/25.

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.

Phil Triggs, Director of Treasury and Pensions, 24th June 2025
Verified by Sukvinder Kalsi, Executive Director of Finance and Corporate Services, 30th June 2025

Legal Implications

There are no legal implications in respect of this report.

Grant Deg, Director of Legal Services, 14th July 2025

Background Papers Used in Preparing This Report

Treasury Management Strategy Statement 2024/25 (approved by Council on 12 February 2024)

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 2025;
   - the borrowing strategy for 2022/25;
   - the borrowing outturn for 2024/25;
   - compliance with treasury limits and prudential indicators;
   - investment strategy for 2024/25; and
   - investment outturn for 2024/25.

3. The Council's debt, all held with the Public Works Loan Board (PWLB), with the exception of a £1.5m community municipal investment (CMI), and investment positions at the beginning and end of the 2024/25 year were as follows:

	31 March 2024 (£m)	Rate (%)	31 March 2025 (£m)	Rate (%)
General Fund (GF)	53.7	3.69	50.9	3.63
Housing Revenue Account (HRA)	215.5	3.73	237.4	3.78
Total Borrowing	**269.2**	**3.72**	**288.3**	**3.75**
Total Cash Invested	159.3	5.62	44.2	4.75
Net Cash Invested	**(109.9)**		**(244.1)**	

4. The table below shows the allocation of interest paid and received during the year 2024/25:

	Interest Paid (£m)	Interest Received (£m)	Net (£m)
General Fund (GF)			
External Interest	2.3	(7.2)	(4.9)
Internal Interest	1.8	(8.1)	(6.3)
Other*	0.0	(0.2)	(0.2)
GF Total	**4.1**	**(15.5)**	**(11.4)**
Housing Revenue Account (HRA)			
External Interest	7.7	(0.0)	7.7
Internal Interest	8.1	(1.8)	6.3
HRA Total	**15.8**	**(1.8)**	**14.0**

* 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 82.4% of the Council's external debt and the General Fund is responsible for the remaining 17.6%.

6. The table below shows the split of investments by duration as at 31 March 2025:

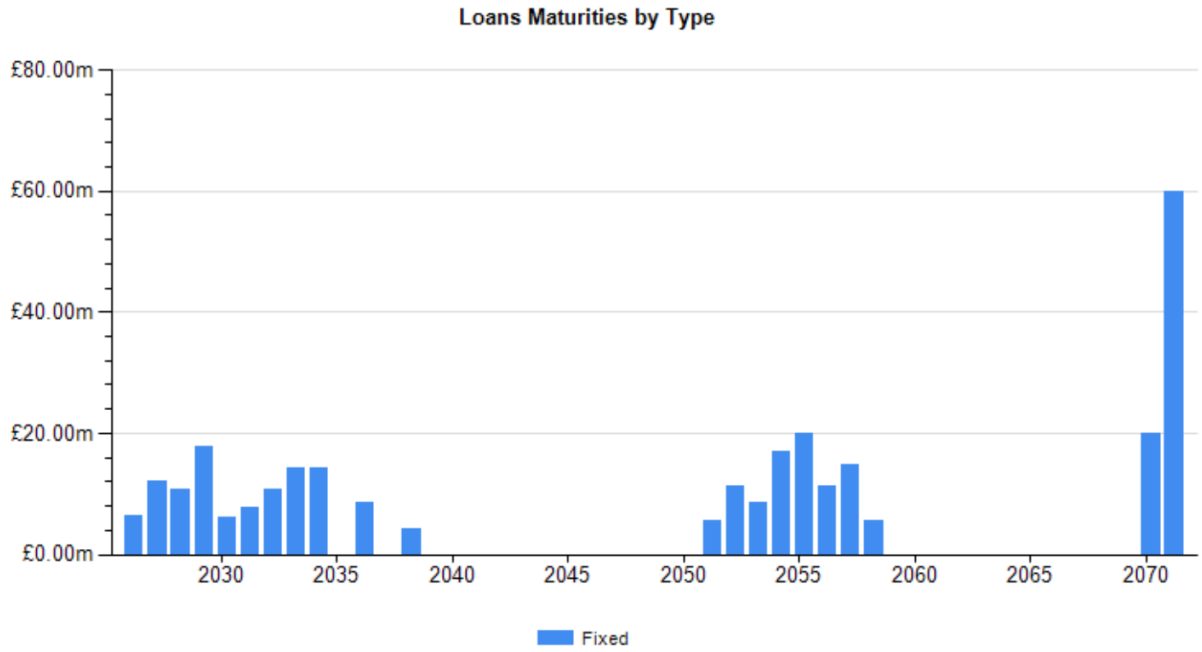
Maturity Period	Fixed (£m)	MMF (£m)	Total (£m)
Liquidity	0.0	34.2	**34.2**
< 1 Month	10.0	0.0	**10.0**
1 – 3 Months	0.0	0.0	**0.0**
3 – 6 Months	0.0	0.0	**0.0**
6 – 12 Months	0.0	0.0	**0.0**
Total	**10.0**	**34.2**	**44.2**

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 repaid £16m in loans across the PWLB and CMI. The Council also took out £35m of loans with the PWLB. This took borrowing from £269m at the beginning of the financial year to £288m at the end.

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 2025:



10. In 2024/25, the HRA PWLB debt of £237million remained below the HRA Capital Financing Requirement (CFR) of £459 million, which generates internal borrowing of £222 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 2025, 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 2024 CFR £m	31 March 2024 External Debt £m	31 March 2025 CFR £m	31 March 2025 External Debt £m
GF CFR (Excluding DSG funded Schools Windows borrowing)	163.1	0.0	205.6	0.0
GF CFR (DSG funded Schools Windows borrowing)	88.3	0.0	85.4	0.0
Total GF Headline CFR	**251.4**	**0.0**	**291.0**	**0.0**
Finance leases/PFI	14.3	0.0	16.8	0.0
GF Closing Total	**265.7**	**53.8**	**307.8**	**50.9**
HRA Closing Total	348.3	0.0	458.9	0.0
HRA CFR Total	**348.3**	**215.4**	**458.9**	**237.4**
Total CFR/External Debt	**614.0**	**269.2**	**766.7**	**288.3**

Treasury Investments

12. At 31 March 2025, the Council held £10million of its treasury investment portfolio in fixed term deposits with local authorities.

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 2025 amounted to £44.2 million invested in short-term deposits. This compares with £159.3 million short-term investments at 31 March 2024.

15. The table below provides an analysis of the cash deposits, together with comparisons from the previous year:

	31 March 2024 £m	31 March 2025 £m
Money Market Funds	42.3	34.2

Term Deposits	117.0	10.0
Total	**159.3**	**44.2**

16. During 2024/25 cash balances varied between £50million and £166million 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 5.22% compared with the average 7-day money market rate (uncompounded) of 4.91%. 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 2024/25 financial year.

		CPIH Index (UK, 2015 = 100)	CPIH 12-month rate (%)	CPIH 1-month rate (%)	CPI Index (UK, 2015 =100)	CPI 12-month rate (%)
2024	Mar	131.6	3.8	0.6	133.0	3.2
	Apr	132.2	3.0	0.5	133.5	2.3
	May	132.7	2.8	0.4	133.9	2.0
	Jun	133.0	2.8	0.2	134.1	2.0
	Jul	132.9	3.1	0.0	133.8	2.2
	Aug	133.4	3.1	0.4	134.3	2.2
	Sep	133.5	2.6	0.1	134.2	1.7
	Oct	134.3	3.2	0.6	135.0	2.3
	Nov	134.6	3.5	0.2	135.1	2.6
	Dec	135.1	3.5	0.3	135.6	2.5
2025	Jan	135.1	3.9	0.0	135.4	3.0
	Feb	135.6	3.7	0.4	136.0	2.8
	Mar	136.1	3.4	0.3	136.5	2.6

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 12 February 2024.

20. The table below provides a breakdown of the indicators and actual position for the year ending 31 March 2025:

Indicator	2024/25 Approved Limit	2024/25 Actual	Indicator Met?
Capital Financing Requirement	£784m	£767m	Met
Authorised Limit for external debt[1] External borrowing Other long-term liabilities Gross debt	£850m	 £288m £30m £318m	Met
Operational Debt Boundary[2]	£805m	£318m	Met
Capital Expenditure	£264m	£235m	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%	2%	Met
12 Mths to within 24 Mths	0%	15%	4%	Met
24 Mths to within 5 years	0%	60%	12%	Met
5 years to within 10 years	0%	75%	16%	Met
Over 10 years	0%	100%	65%	Met

[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.

[2] The Operational Boundary is the expected normal upper requirement for borrowing in the year.

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.

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, 24th June 2025.

Risk Management Implications

24. The purpose of this report is to present the Council's annual Treasury Management Outturn Report for 2024/25 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, 24th June 2025.

Procurement implications

27. There are no procurement implications arising from the information presented in this report.

Consultation

None.

LIST OF APPENDICES

NONE.

Agenda Item 7

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 27 October 2025

Subject: Risk Management Update

Report of: Director of Audit, Risk, Fraud and Insurance

SUMMARY

The purpose of this report is to provide members of the Audit Committee with an update on risk management across the Council.

RECOMMENDATION

For the Committee to review, note and comment on the report.

Wards Affected: None

H&F Values	Summary of how this report aligns to the H&F Values
• Building shared prosperity	*Good risk management helps to: maintain and promote the Council's reputation;*
• Creating a compassionate council	*Is an enabling tool to help protect residents and staff including some of the most vulnerable in society;*
• Doing things with local residents, not to them	*Place people, businesses and the wider community at the heart of everything we do;*
• Being ruthlessly financially efficient	*Ensure robust financial and information management and supports internal control, opportunity and innovation;*
• Taking pride in H&F	*Protect valuable assets and the built and natural environment.*
• Rising to the challenge of the climate and ecological emergency	*Enabling an approach to climate-sensitive decision making*

Financial Impact

The current and future strategic operating environment for local government represents a significant risk to the council with the ongoing challenge of delivering services with increased demand and legislative pressures. This is further impacted by wider economic factors leading to rising costs from inflation and reduced funding. This has seen the Council incur additional expenditure whilst at the same time seeing pressures in the level of resources and inherent demographic/legislative pressures.

There are no specific financial implications arising from this report. Services are expected to manage their risks within current budgets. Where additional funds are required to mitigate or manage risks, separate decisions reports will be required for the approval of unbudgeted expenditure. The council holds a corporate contingency budget and adequate levels of reserves to enable it to manage unforeseen costs.

A standing corporate risk, Financial Management and Medium-Term Planning, identifies the risks to balancing the budget in response to continued government funding and demand pressures faced by the Council and the sector more generally and is assessed as high risk. The in-year position is reported in the Corporate Revenue Monitor to Cabinet and includes financial risks. Other corporate risks also identify financial pressures arising from demand and complexity of service provision which need to be managed.

Comments verified by Sukvinder Kalsi, Director of Finance, 13 October 2025

Legal implications

There are no particular legal implications arising from this report.

Comments verified by Grant Deg, Assistant Director of Legal Services, 13 October 2025

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Background

1. To achieve the ambitions, outcomes and priorities set out in our Business Plan, it is essential that we continue to understand, manage and communicate the diverse range of risks and challenges that could threaten the organisation and vital services. Risks originate from a variety of sources, many of which are out of our direct control for example global events such as the coronavirus pandemic, the ongoing situations in Ukraine and Gaza, economic or market shocks, austerity or from climate change. More localised incidents can impact on residents, individuals, services and infrastructure.

2. It is paramount that all risks are clearly identified, managed and reported through the relevant channel. Risks can never be eliminated entirely but proportionate and targeted action can be taken to reduce risks to an acceptable level. Furthermore, the work of the Council's Policy and Accountability Committees is acknowledged as a source of robust and additional assurance for the management of risk across its services.

3. Effective governance and management of risks are particularly significant as funding for local government has diminished authorities' objectives and are becoming increasingly fundamental and relate, for instance, to continuing to meet statutory service obligations. Arrangements must therefore be effective in a riskier, more time-pressured and less well-resourced context.

4. Local authorities are required to maintain a sound system of internal control, including risk management, internal audit, and whistleblowing arrangements. Risk management is the application of Council strategies, governance, policies and processes to identify and manage risks that are unacceptable to the Council. Managing risk processes effectively enables the Council to safeguard against potential threats and take advantage of potential opportunities to improve services whilst continuing to provide better value for money for residents, visitors, local businesses and service users.

5. The Council is accountable to the public for its performance and financial management. This means that the Council naturally has a low appetite for risk, however as financial challenges continue the Council will need to take carefully considered risks to develop new and innovative ways to deliver services, support communities and ensure the long-term wellbeing of communities is not impaired by decisions made in the short term. This makes good risk management essential.

6. As part of its governance arrangements, the Council's approach to risk management requires Executive Directors, managers and staff, through their departmental management teams to; identify risks; assess the risk; agree and take action to manage the risk and; monitor, review and escalate risks.

7. The Council has robust risk management arrangements in place which feed into the Corporate Risk Register, which is set out in Appendix 1. This register contains the most significant cross-cutting risks that could impact on the outcomes that are set out in the Council's priorities. These risks can be internal or external facing. The Corporate Risk Register is reviewed on a regular basis by the Council's Strategic Leadership Team (SLT) and then presented to the Audit Committee.

8. Over the Autumn/Summer, work took place with risk owners and directors to amend the structure and content of the Register with the aim of providing a clearer and more targeted focus on current assurance over risks and on planned mitigations. This enables a better understanding of whether current and planned mitigations are providing the necessary effect or whether a different or further corrective action is required. The Register presented at this meeting shows this change including showing the process by clearly setting out the current position (including controls) and planned mitigations for each risk. In addition, changes include determination of the risk type, and a clearer mitigation action and its type.

9. This report provides the Committee with an updated Corporate Risk Register, presenting a suite of risks as reviewed by SLT.

Changes made to the Corporate Risk Register

10. SLT members and Risk Owners have reviewed the Corporate Risk Register and agreed a number of changes which are reflected in the updated Risk Register provided in Appendix 1.

11. SLT Assurance reviewed the Corporate Risk Register on 1 October 2025, with the following changes were agreed:

- Review of risk descriptions so they are more succinct, applied and clear.
- Introduction of a risk type to assist with monitoring the nature of risks being assessed and managed.
- Improved narrative around risk mitigation and progress.
- Refresh of all risk scores including introducing inherent risks (risk scores before treatment) and residual risks (projected score risks after treatment is successfully completed).

Note: Risk numbering from previous reports has not been changed (to aid consistency and reporting of trends in the Heatmap).

Changes to the register since the last report

- Risk 19 recognises the potential impact of the Fair Funding Reforms for 2026/27 and beyond which the Government has consulted on during the summer and will notify all councils in the Autumn of their grant funding for the next three years
- Risk 32 recognises the way in which the Council responded well, in conjunction with other London Boroughs, to the failure of a national provider during the summer to ensure continuity of service to vulnerable residents.

Risks now being tracked on directorate risk registers or merged on the Corporate Register

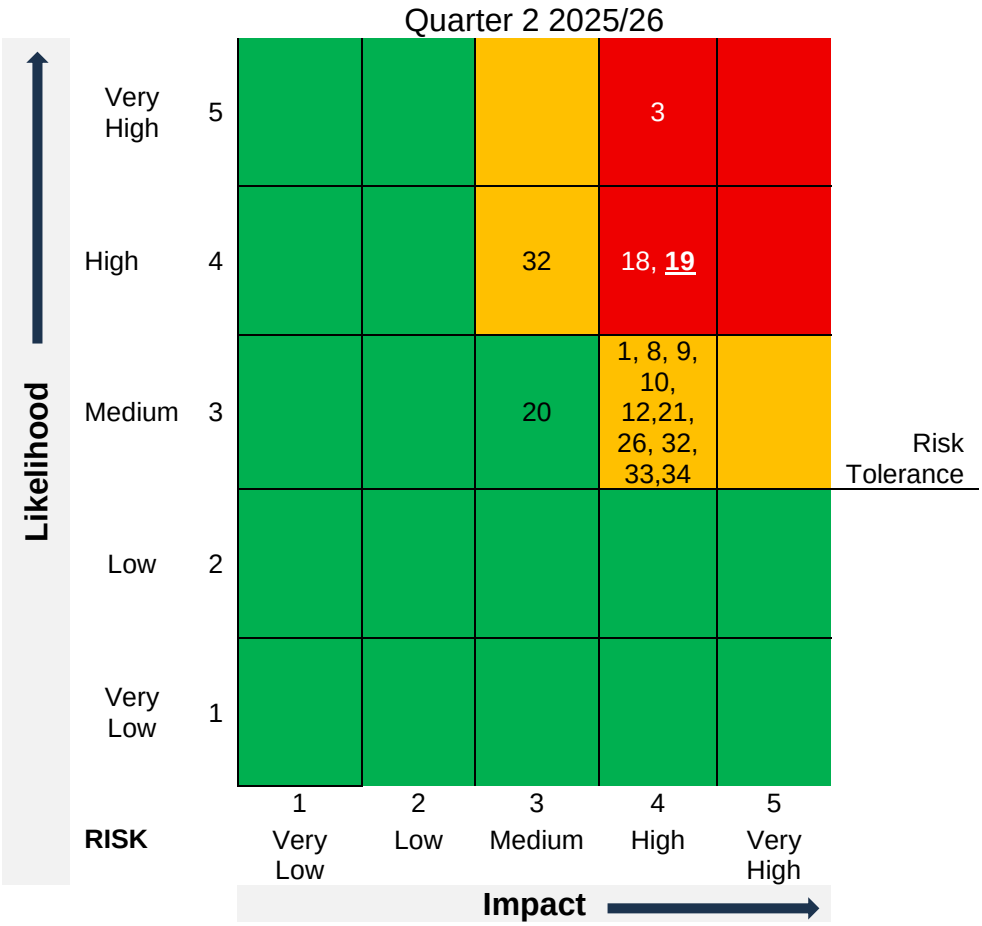
- Risk 20 (Social Care budget) now merged with risk 19 (impact of Fair Funding review for 2026/27) with local risks continuing to be tracked on directorate risk registers.
- Risk 27 (Housing Repairs management) now linked with risks 9, 10 and 18 and specific mitigations covered in the directorate risk register.
- Risk 31 (Failure to manage the negative impact of flooding, due to adverse weather conditions, on residents and businesses) now linked with risk 26 and specific mitigations also covered in the directorate risk register.

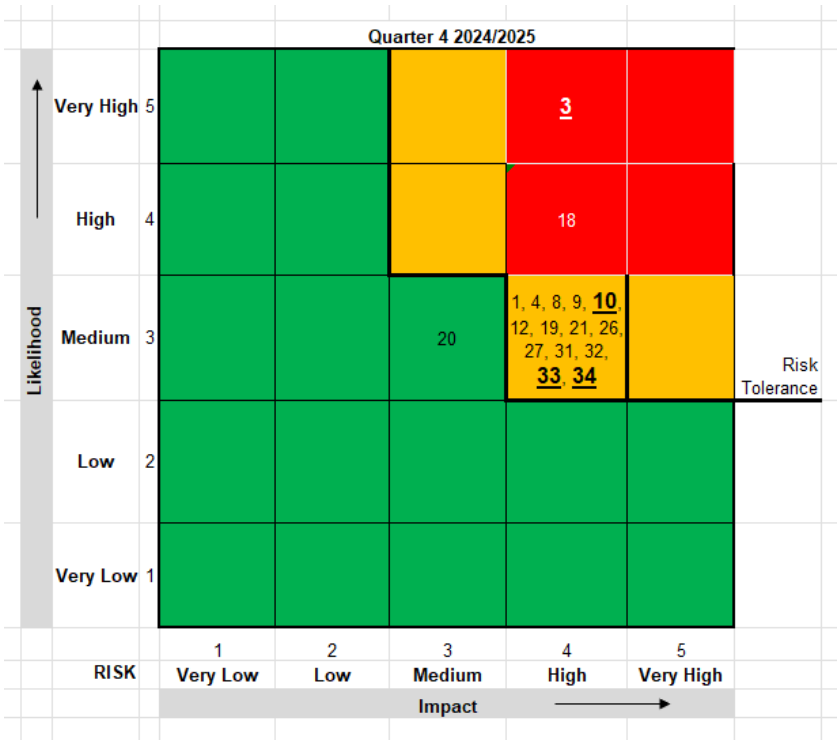
12. A briefing for Risk 3 will be provided to the Committee as an exempt item, as has been done at previous meetings when reporting on this risk.

Corporate risk register – heat map

13. The Corporate Risk Register is set out in Appendix 1 and summarised in the following Heat Map as at Quarter 2 for 2025/26, with the Heat Map for Quarter 4 for 2024/25 provided for comparison. Risks which have been subject to change since the Quarter 4 2024/25 Risk Register are shown in the larger bold underlined type:

OVERVIEW RISK HEAT MAP





Risk appetite

14. The Council remains accountable to the public for its performance and financial management. This means that the Council naturally has a low appetite for risk, however with the ongoing challenges faced by the Council, there is a need to continue to develop new and innovative ways to continue to deliver services, support and ensure the long-term wellbeing of communities is not impaired by decisions made in the short term. This makes good risk management essential.

15. There is ongoing pressure arising from the cost of domestic and business energy costs and fuel costs for activities such as transport and heating. Inflation has reduced from a very high level but the cumulative effect, along with the current level of interest rates continues to put pressure on local authority finances. The cost of living crisis will continue to drive increased demand for services where residents will need more support.

16. These factors impact on the Council in several ways including its staffing costs (including the level of pay awards and the national insurance increase for employers), the cost of borrowing (particularly where it is needed for ongoing/planned capital works), cost pressures on contractors providing Council services (staffing, fuel, materials). The impact will also be felt by partner organisations (such as schools and the voluntary and community sector, where officers will closely monitor the impact and consider any support the Council will be able to provide.

17. A key concern for the Council is the impact that the cost of living crisis being experienced by residents through inflation and rising energy costs as well as the ongoing economic uncertainty (including the potential for rising unemployment). A range of support measures are being offered to residents and officers will continue to assess the situation and consider what further actions can be taken.

18. These and other factors are kept under regular review by SLT. This is done to ensure that ongoing impacts are recognised, and appropriate mitigations put in place to protect Council services and local residents.

19. This report provides assurance on the Council's corporate risk management arrangements, explaining the internal control arrangements in place at a strategic level. It provides one of the sources of assurance the Committee can consider when approving the Annual Governance Statement. It also enables the Committee to fulfil its roles under the Committee's Terms of Reference to review the adequacy of Council's Corporate Governance arrangements, including matters such as internal control and risk management.

LIST OF APPENDICES

Appendix 1 – Corporate Risk Register

Appendix 1 - Corporate Risk Register – October 2025

Ref	Risk Type	Corporate Objective	Description	Impact of Risk	Inher-ent Impact	Inher-ent Likelih ood	Risk Mitigation	Mitigation Action / Update	Residual Impact	Resid-ual Likeli-hood	Risk Owner
1	Governance, Compliance, Legal	Being ruthlessly financially efficient	The Council does not comply with new commercial, contract management and procurement legislation	Possible financial penalties, legal challenges, court proceedings, service disruption, extra costs and reputational damage	4	3	Reduce	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. A Procurement Forward Plan is also regularly considered by SLT, and work continues by Departments to refine their forward planning processes. The Council is also strengthening the reporting of performance against the main contracts in line with the new procurement regulations, with regular reports provided to SLT.	3	3	Sukvinder Kalsi
3	Technology	Being ruthlessly financially efficient	IT systems are compromised and / or unable to operate in the event of a cyber-attack or data breach.	Disruption or cessation of services to residents and affecting service resilience, potential financial losses and associated safeguarding risks from the loss of personal information.	4	5	Maintain	Continuing review and strengthening of infrastructure and application security arrangements and rigorous monitoring of third party suppliers/contractors. Emergency Planning sessions to test the council readiness and preparedness to maintain business continuity in the event of loss of access to systems. In conjunction with Defending Democracy Taskforce and National Cyber Security Centre engaging with key stakeholders to safeguard the councils' key democratic processes, systems and high-risk individuals.	4	5	Sukvinder Kalsi

Ref	Risk Type	Corporate Objective	Description	Impact of Risk	Inher-ent Impact	Inher-ent Likelih ood	Risk Mitigation	Mitigation Action / Update	Residual Impact	Resid-ual Likeli-hood	Risk Owner
8	Financial	Being ruthlessly financially efficient	Failure to identify and address internal and external fraud.	The consequences of failing to manage fraud risk include: Financial losses: Fraud can lead to significant monetary damages. Reputational damage: Fraud incidents harm resident trust and stakeholder relationships.	4	3	Reduce	Policies are reviewed bi-annually at SLT Assurance and the Audit Committee, with regular updates on fraud performance and outcomes reported to SLT and the Audit Committee. Refreshed Fraud Response Plan, with robust Anti-Money Laundering, Bribery and Whistleblowing policies in place. Fraud Awareness training is available to all staff on the Learning Platform and targeted training is also provided to teams. The Council is a member of the London Fraud Hub (LFH). The LFH matches a number of data sets across councils in London to highlight potential fraud cases for investigation. In addition, the Council has an internal fraud reduction, error and debt hub which provides further insights to potential fraud and other regulatory breaches.	3	3	David Hughes

Ref	Risk Type	Corporate Objective	Description	Impact of Risk	Inher-ent Impact	Inher-ent Likelih ood	Risk Mitigation	Mitigation Action / Update	Residual Impact	Resid-ual Likeli-hood	Risk Owner
9	Environ-mental	Taking Pride in Hammers mith & Fulham Doing things with, not to residents	Failure to ensure compliance with the statutory housing landlord duties including management of asbestos, electrical testing, fire risk, plant and equipment, water testing, legionella.	Significant risks to the health and safety of our residents, including loss of life. Possible financial penalties, court proceedings, service disruption, extra costs and reputational credibility.	4	3	Reduce	External and internal reviews are undertaken to ensure compliance with regulations (and reflected in records management). Compliance based fire safety works continue across properties in the Borough with the necessary Gateway 2 applications to the Building Safety Regulator for validation. Fire Risk Assessments (FRAs) are undertaken in line with fire safety management system.	3	3	Sukvinder Kalsi
10	Governance, Compliance, Legal	Taking Pride in Hammers mith & Fulham Doing things with, not to residents	Failure to comply with the new Building Safety Act and certification of 49 Higher Risk Buildings (HRB).	Possible financial penalties, court proceedings, service disruption, extra costs and reputational credibility.	4	3	Reduce	Responding to Building Safety Regulator (BSR) to certify our High Rise Blocks. Submission of information required by BSR and commissioned testing of the concrete in response to the requirements from the BSR. Additional staffing resources recruited to improve capacity and resilience.	3	3	Sukvinder Kalsi

Ref	Risk Type	Corporate Objective	Description	Impact of Risk	Inher-ent Impact	Inher-ent Likelih ood	Risk Mitigation	Mitigation Action / Update	Residual Impact	Resid-ual Likeli-hood	Risk Owner
12	People	Creating a compass-ionate council	Loss of key personnel in a highly competitive employment market	Loss of knowledge and skills that could have a major impact on the Council's ability to maintain delivery of services and to continue to improve/innov ate.	4	3	Reduce	Ensuring competitive terms and conditions for our workforce. Improving succession planning and long term work force plans. Establishing strong career pathways (particularly children's/adult social care) and working with local residents/businesses to promote LBHF as a prestigious employer and working across London Councils to broaden the appeal of local government in the employment market. Developing forward looking employment practices and apprentice programmes. The Council is committed to staff wellbeing, learning and development and continues to deliver online and virtual wellbeing and learning and development events including Get Ahead, World Class Managers, Aspiring World Class Managers and Emerging Leaders.	3	3	Nicola Ellis

Ref	Risk Type	Corporate Objective	Description	Impact of Risk	Inher-ent Impact	Inher-ent Likelih ood	Risk Mitigation	Mitigation Action / Update	Residual Impact	Resid-ual Likeli-hood	Risk Owner
18	Governance, Compliance, Legal	All Council Values	Management of complaints, requests for information, members enquiries are not completed according to our target timescales.	Reduced confidence by residents/ other local and national stakeholders in the Council and an adverse impact on our reputation within the sector. Potential additional costs to rectify service shortfalls and consequent impact on existing services.	4	4	Reduce	The Council has established a central team lead by a senior leader to oversee these matters (this includes a Disputes Resolution Team). Regular focus on complaints performance by the Chief Executive and SLT. Comprehensive and timely reporting of performance, analysis of complaints to inform amendments to operational policies. The use of modern technologies/workflow/case management systems to assign requests to officers to progress. Maintaining regular communications with sector Regulators (Housing Ombudsman, Local Government Ombudsman) to ensure an up to date understanding of the Council's performance, actions and plans.	4	3	Nicola Ellis

Ref	Risk Type	Corporate Objective	Description	Impact of Risk	Inher-ent Impact	Inher-ent Likelih ood	Risk Mitigation	Mitigation Action / Update	Residual Impact	Resid-ual Likeli-hood	Risk Owner
19	Financial	Being ruthlessly financially efficient	The continuing pressure on the public finances (including interest and inflation rates) and the adverse impacts from the proposed Fair Funding Reforms in 2026/27.	Impact on our ability to deliver our key statutory services and discretionary services. There will be wider implications on the work of the Council with our externally contracted services and may affect the morale of employees due to the uncertainties. Longer term effect on our overall financial resilience as reserves may be depleted.	4	4	Reduce	Continue to use the established and well-developed medium term financial planning process (for revenue, capital, HRA and treasury management) and the strong financial leadership by Members and Officers. Working with the sector (LGA/London Councils and MHCLG) to secure the long-term finances of the sector. Annual external audit validation of finances and periodic additional external review (e.g. by LGA in April 2025). Ensure the timely reporting of financial performance, identification of risks and implementation of recovery plans (the revenue, capital and HRA outturns for 2024/25 were in line with approved budgets and plans). Significant work is already in progress to ensure a balanced budget for 2026/27.	3	4	Sukvinder Kalsi

Ref	Risk Type	Corporate Objective	Description	Impact of Risk	Inher-ent Impact	Inher-ent Likelih ood	Risk Mitigation	Mitigation Action / Update	Residual Impact	Resid-ual Likeli-hood	Risk Owner
21	People	All Council Values	Corporate management of health and safety does not meet statutory and Council policy requirements.	Negative impact to staff wellbeing leading to impact on delivery of services to residents.	4	3	Reduce	Heath and Safety Board meet every eight weeks. Annual health and safety at work report highlighting the Council's activities and performance is presented to the Audit Committee. Staff training programmes and activities extended to include a risk assessment training course which has been added to the Learning Zone. Numerous teams across the council have successfully completed the course and achieved IOSH accreditation. Teams taking up the training include HR, Events, Housing, Fire Teams, and Adult Social Care. The Employee Protection Register reviewed and updated weekly or as required. Fire Marshal and First Aider Training continues and at present we have 145 Fire Marshals and 204 First Aiders across our sites.	3	3	Bram Kainth

Ref	Risk Type	Corporate Objective	Description	Impact of Risk	Inher-ent Impact	Inher-ent Likelih ood	Risk Mitigation	Mitigation Action / Update	Residual Impact	Resid-ual Likeli-hood	Risk Owner
26	Environ-mental	Rising to the challenge of the climate and ecological emergenc y	Failure on the part of the Council to mobilise its response to the Climate Change emergency.	Failure to meet climate commitments leading to impact on residents, negative findings, additional costs and reputational damage.	4	3	Reduce	The Climate Emergency Unit and climate strategy for a net zero borough by 2030 are in place along with a Climate Strategy Implementation Group to increase scrutiny and deliver actions quickly. Annual audit of the Council's carbon footprint in place and reported. Quick win workstreams to influence emissions through policy have been progressed, including emissions-based policies on parking, council fleet, energy procurement, and wider procurement. Engagement underway with local businesses and organisations through the H&F Climate Alliance. The Council has hosted Climate Education Networks for primary and secondary teachers under the UN accredited climate education programme. Flooding has expedited the need for a climate adaptation plan to prepare residents, businesses and the council for more extreme weather including heavy rainfall and heatwaves.	3	3	Bram Kainth

Ref	Risk Type	Corporate Objective	Description	Impact of Risk	Inher-ent Impact	Inher-ent Likelih ood	Risk Mitigation	Mitigation Action / Update	Residual Impact	Resid-ual Likeli-hood	Risk Owner
32	People	All Council Values	Failure to maintain services to residents or progress works or development because of provider failure or market failure. (This includes a legal requirement to step in where care agencies fail even if the council does not commission them)	Impact on residents wellbeing and safety, increased cost, reputational damage, adverse inspection outcomes.	4	3	Reduce	Departments have well developed business plans, and these are being refreshed. Risk assessment of markets and high-risk contracts being undertaken by Contract. This has been demonstrated in the Council's response to the failure of a national community equipment provider over the summer, which included establishing new arrangements to ensure continuity of service. Assurance Board to inform where alternative provision or arrangements may need to be planned. Forward Plan of major contract re-procurements over the next 18 months has been developed. Risk management plan established for any residents who may be impacted. Regular reports to SLT Assurance. Implementation of the new Procurement Act requirements including publication of a Pipeline plan of future procurements.	3	3	Sukvinder Kalsi

Ref	Risk Type	Corporate Objective	Description	Impact of Risk	Inher-ent Impact	Inher-ent Likelih ood	Risk Mitigation	Mitigation Action / Update	Residual Impact	Resid-ual Likeli-hood	Risk Owner
33	People	Creating a compass-ionate council	Failure to ensure and/or identify inadequate standards and delivery of care, protection of children and adults and associated data quality and information risks.	Impact on residents wellbeing and safety, increased cost, reputational damage, adverse inspection outcomes.	4	3	Reduce	Adult Social Care Transformation and Assurance Board operating to hold corporate leadership and oversight of the major programme to ensure sufficient pace in delivering the change agenda. Chaired by Exec Director of People. Programme priorities identified and agreed. Departmental Improvement Plan in place and overseen via the Transformation and Assurance Board. Action plan developed and being implemented in response to the CQC inspection. SEF signed off via Partnership Board along with SEND Action Plan for areas for development. Inspection briefing provided to key partners, and at All Staff Education and SEND Briefing. Inspection Readiness update provided to SLT Assurance.	3	3	Jacqui McShannon
34	People	Creating a compass-ionate council	Financial sustainability risk of the High Needs Block with demand and pressures exceeding the opportunities to mitigate.	Leading to impact on residents wellbeing and safety, increased cost, reputational damage, adverse inspection outcomes (leading to potential intervention), legal disrepair cases.	4	3	Reduce	Whilst funding is increasing at a higher rate in 2025/26 there is minimal headroom and wider system pressures following Operational Guidance of sustainable Special School MFG at 0%. High Needs Reference Group in place with Headteachers to support Phase 4.	3	3	Jacqui McShannon

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 27 October 2025

Subject: Internal Audit Progress Report (April to August 2025)

Report of: David Hughes

Responsible Director: Director of Audit, Fraud, Risk and Insurance

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Summary

This report summarises the work of Internal Audit included in the 2025/26 Internal Audit Plan up to the end of August 2025. Two audits have been finalised and both received positive assurance opinions. Two further audits have been issued in draft and will be finalised on receipt of the management responses.

The status of the planned audits is shown in Appendix 1.

Recommendations

1. For the Committee to note and comment on the report.

Wards Affected: None

H&F Values

Our Values	Summary of how this report aligns to the H&F Priorities
Building a shared prosperity	Internal audit work covers a wide range of services including those which are delivered in partnership with local and national companies. Assurance may be required over governance arrangements to demonstrate the benefit to residents of co-delivered services.
Creating a compassionate council	Internal audit provides assurance that the Council's resources are managed appropriately to provide the most effective support to the most vulnerable residents.
Doing things with residents, not to them	Where engagement with residents is part of service development, internal audit will consider how well co-production and resident access is embedded in a process.
Being ruthlessly financially efficient	The work undertaken by Internal Audit helps to ensure that management have robust controls and practices in place to safeguard the Council's assets, controlling expenditure and maximising potential income to protect and invest in essential frontline services which are in place to meet the Council's priorities.

Our Values	Summary of how this report aligns to the H&F Priorities
Taking pride in H&F	Investment in public realm services such as waste collection, street cleaning and open/park spaces is significant. The internal audit strategy identifies services for cyclical review, including contract management for outsourced services and performance delivery for in-house services.
Rising to the challenge of the climate and ecological emergency	Internal Audit consider the impact of strategies, including, the Climate and Ecology Strategy, in several different reviews that form part of the Internal Audit Plan.

Contact Officer:

Name: David Hughes
Position: Shared Services Director for Audit, Fraud, Risk and Insurance
Telephone: 020 7361 2389
Email: David.HughesAudit@lbhf.gov.uk

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Internal Audit Work to September 2024

1. The Audit Committee are provided with updates at each meeting on progress against the Annual Audit Plan and on any limited or no assurance audits issued in the period .with the outcomes of completed audits considered as part of the Annual Assurance Opinion provided at the end of the year by the Shared Services Director for Audit, Fraud, Risk and Insurance.

Audit Outcomes (to 31 August 2025)

2. Four assurance levels are used when an audit is complete:
   - Substantial Assurance – sound system of control.
   - Satisfactory Assurance – generally sound system of control with some weaknesses.
   - Limited Assurance – Weaknesses in the system of internal control and/of the level of non-compliance puts objectives at risk.
   - No Assurance – Control weaknesses and/ or significant non-compliance with basic controls leaving processes/ systems open to significant error or abuse.

3. Recommendations made are categorised as follows:
   - High – recommendations represent fundamental control weaknesses which expose the Council to a high degree of unnecessary risk.

- Medium – recommendations represent significant control weaknesses which expose the Council to a moderate degree of unnecessary risk.
- Low – recommendations show areas where there are opportunities to implement good or better practices, to improve efficiency or further reduce exposure to risk.

4. Two audits have been finalised in the period:
   - Registrar Service (Substantial Assurance)
   - Housing Health & Safety – Electrical (Satisfactory Assurance)

5. One advisory review of Facilities Management Health & Safety has also been finalised.

6. Appendix 1 shows the status of planned audits, as at the end of August 2025.

Follow ups

7. Four follow up reviews have been completed in the period which confirmed that 18 (90%) of the recommendations made had been fully implemented, with 2 (10%) not fully implemented.

8. Follow up work is undertaken when most of the recommendations made are expected to have been implemented as indicated in an agreed management action plan. Sometimes recommendations cannot be fully implemented in the anticipated timescales. In these cases, where appropriate progress is being made to implement the recommendations, these are identified as "in progress." Recommendations will be followed up until all high and medium priority recommendations are implemented or satisfactory progress in implementing them can be demonstrated. Where appropriate, the follow up is included in the next full audit of the area.

9. Details of high and medium priority recommendations not fully implemented at the time of the follow up review are contained in Appendix 2. Appendix 3 shows previously outstanding recommendations which have now been confirmed as implemented.

Consultation

10. The report has been subject to consultation with the Strategic Leadership Team.

Legal Implications

11. This is a regular update report on the position of internal audits as against the Internal Audit Plan.

12. Regulation 3 of the Accounts and Audit Regulations 2015 sets out the Council's responsibility for ensuring that it has a sound system of internal control which:

    a. facilitates the effective exercise of its functions and the achievement of its aims and objectives;

b. ensures that the financial and operational management of the authority is effective; and,
c. includes effective arrangements for the management of risk.

13. Regulation 5 requires the Council to ensure that it undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, considering public sector internal auditing standards or guidance.

14. The Constitution gives the Executive Director of Finance and Corporate Services responsibility for complying with the Regulations. The Audit Committee has responsibility for advising on strategic processes for risk, control and governance and the Statement on Internal Control. This report fulfils the obligations in the Regulations and the Constitution.

15. There are no other legal implications arising from this report.

Implications verified by Grant Deg, Director of Legal Services on 9 October 2025.

Financial Implications

16. The Internal Audit Plan for 2025/26 will be delivered within the approved revenue budget for the service. Actions required as a result of audit work, and any associated costs, are the responsibility of the service managers and directors responsible for the areas which are reviewed.

17. Any resource implications from the implementation of the recommendations by services will have to be contained within the relevant Directorate approved budgets.

Implications verified by Sukvinder Kalsi, Executive Director of Finance and Corporate Services on 7 October 2025.

Risk Management

18. The Internal Audit Plan is developed and delivered to cover the key risks faced by the Council, to provide assurance on the key controls in operation and the effective management of key risks.

Implications verified by Moira Mackie, Head of Internal Audit on 25 September 2025.

List of Appendices:

Appendix 1 Audit Plan 2025-26 Status Report.
Appendix 2 Status of recommendations not fully implemented at the time an audit is followed up.
Appendix 3 Previously reported recommendations outstanding now implemented.

Internal Audit Progress Report (1 April to 31 August 2025)

Completed Audits

Two reports were finalised in the period.



One audit was in an area associated with a risk contained in the Corporate Risk Register (February 2025):

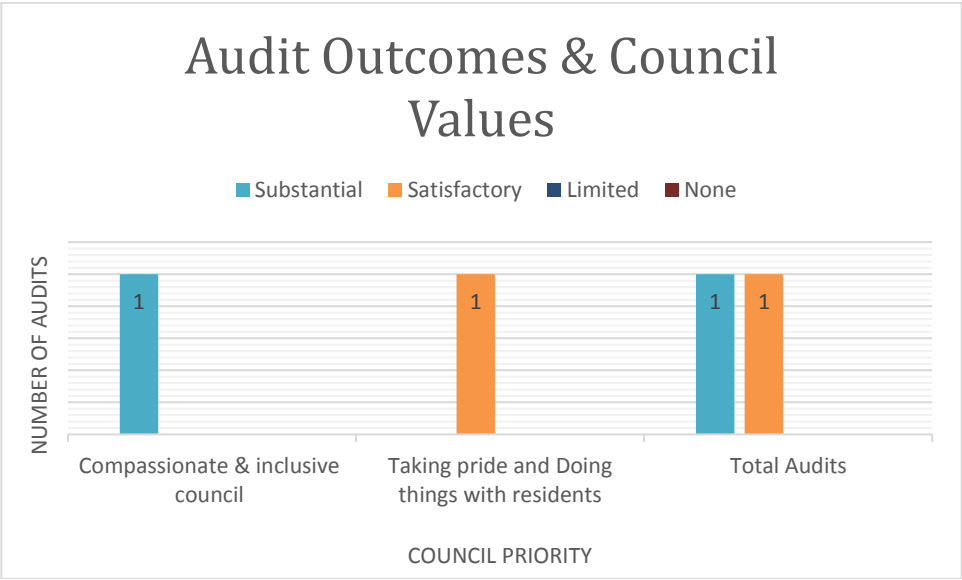
- Housing Health & Safety – Electrical (satisfactory assurance) – Risk 9.

The other audit was related to non-corporate risks:

- Registrar Service **(substantial assurance)**

The completed audits are aligned to the Council's Values as follows:

- Compassionate & inclusive council (Registrar Service)
- Taking pride in H&F and Doing things with residents (Housing H&S - Electrical)



Draft Reports

Two draft reports have also been issued in respect of the following where responses are awaited:

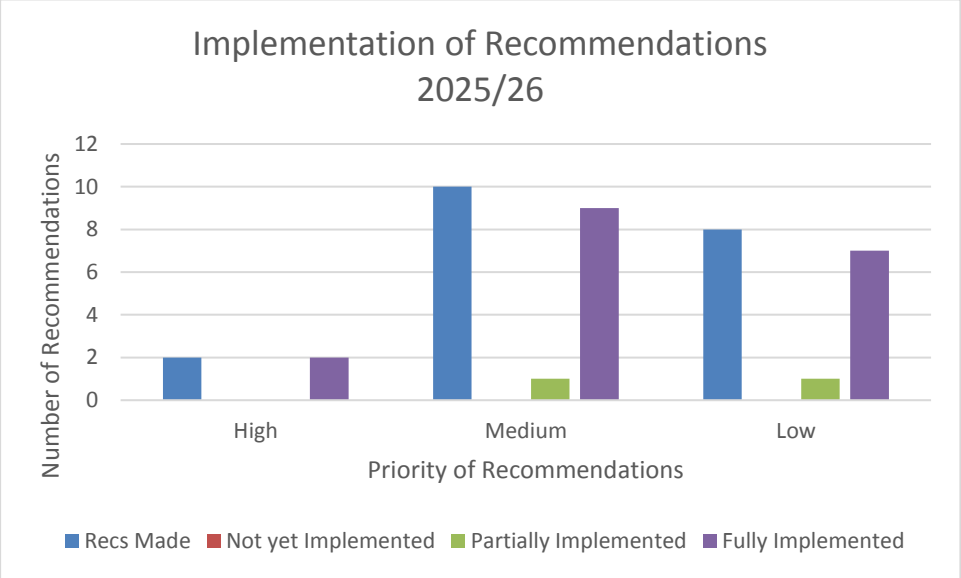
- St Paul's CofE Primary
- St Mary's RC Primary

Completed Follow up Reviews

Follow up reviews have been completed in the following areas:

- HRA Cost Apportionment (1 high and 2* medium priority recommendations)
- Direct Payments (Children's) (2 medium and 1 low priority recommendations)
- Jack Tizard School (1 medium priority recommendation)
- Kenmont Primary School (1 high, 5 medium and 7* low priority recommendations).

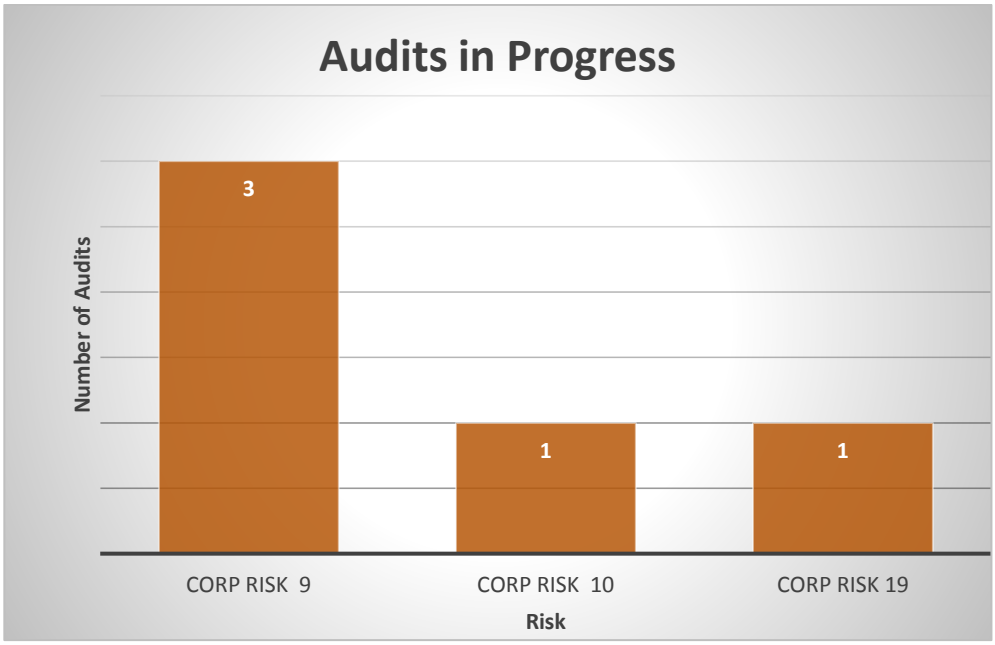
Eighteen recommendations (90%) were fully implemented with two recommendations (*one medium and one low priority) partially implemented.



Audits in Progress

We are currently reviewing areas where data is available that could be used in continuous audits such as purchase card expenditure, expenses data. In addition, five audits are in progress at the time of reporting which are in areas associated with risks contained in the Corporate Risk Register (February 2025):

- Housing Health & Safety: Gas, Lift Maintenance and Fire Safety – all Risk 9
- Building Control – Risk 10
- Housing Rents - Risk 19



The audits in progress are aligned to the Council's Values as follows:

- Compassionate & inclusive council (Building Control)
- Taking pride in H&F and Doing things with residents (Housing Health & Safety: Gas Safety, Lift Maintenance and Fire Safety)
- Ruthlessly financially efficient (Housing Rents).

Audits not yet due

The Audit Plan for 2025/26 was reviewed by the Committee in March 2025. To ensure that the Annual Audit Plan is more responsive to changing risks and challenges, it has been developed as a '3 plus 9-month' Plan. The Plan is reviewed and updated following discussions with Directors, taking into account changing risks and priorities. The revised Plan is reported to the Committee on a regular basis and any significant changes in the coverage of the Plan will be highlighted.

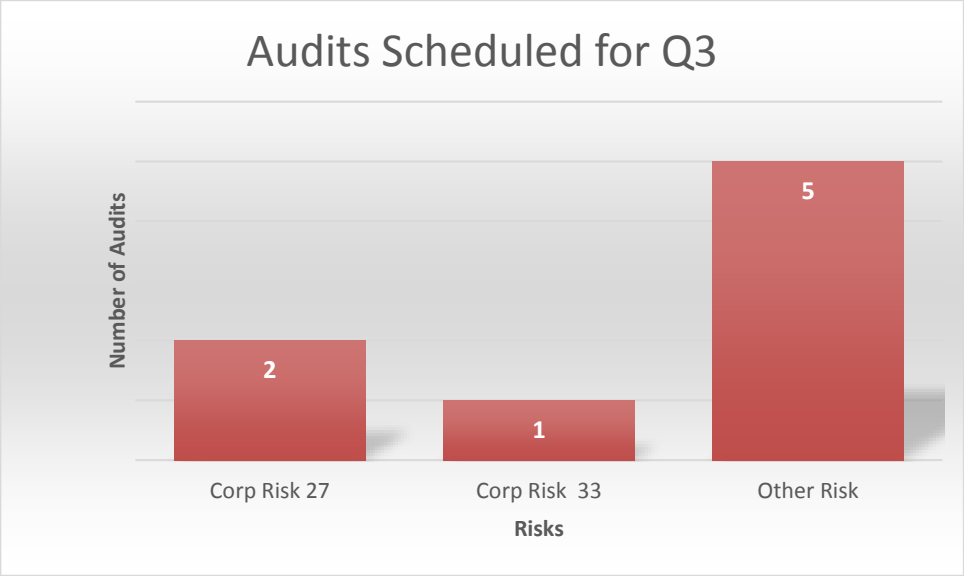
Audits scheduled to commence in Quarter 3

Eight audits are currently scheduled to commence in Quarter 3 with three of the audits in areas associated with risks contained in the Corporate Risk Register (February 2025):

- Disrepair and Housing Repairs – both Risk 27
- Direct Payments to Adults- Risk 33

Five audits are related to other non-corporate risks such as governance and financial control:

- Coroner Service
- St Stephen's Primary School
- James Lee Nursery School
- Procurement Cards
- Food Safety



The audits scheduled to commence in Quarter 3 are aligned to the Council's Values as follows:

- Compassionate & inclusive council (Coroner's Service and Direct Payments to Adults)
- Taking pride in H&F (Food Safety)
- Taking pride in H&F and Doing things with residents (Disrepair and Repairs)
- Ruthlessly financially efficient (St Stephen's and James Lee schools and Procurement Cards)

Audits scheduled to commence in Quarter 4

Three audits are currently scheduled to commence in Quarter 4:

- Flora Gardens Primary School
- Leaseholder – Debt Management
- Social Care Transitions

Other audits for inclusion in Quarter 4 have not yet been confirmed.

APPENDIX 2

Implementation of Recommendations 2025/26

The high and medium priority recommendations not fully implemented at the time of the initial follow up are summarised in the table below and further follow up will be undertaken to confirm implementation.

Department & Auditable Area	High	Med	Recommendation(s) in progress / not implemented and original implementation date	Revised Date	Status (31 August 2025)
ASC Supervision (Satisfactory) Audit Issued: Aug-2021 Initial follow up: Sep-2023 Next follow up: In progress (Oct 2025 but delayed accommodating the CQC inspection)	0	2	1) Line managers should be reminded of the importance of completing and submitting their supervision monitoring form (due Nov-2021). 2) The Council should seek to undertake reporting of supervision to senior management monthly. KPIs should be introduced, which can be used to measure current performance (due Oct-2021).	1) Oct-2025 2) Nov-2025	1) Plan to complete and submit monitoring forms was instigated, however put on hold due to the Principal Social Worker (PSW) post being vacant. Now a Principal Social Worker is in post the recommendation is due to be implemented. 2) Plan for KPIs to build into monitoring & reporting systems was put on hold due the PSW vacancy. Now that a PSW is in post the recommendation is due to be implemented. Follow up to be restarted now CQC inspection has been completed.
Place **Community Safety Anti-Social Behaviour** (Satisfactory) Audit Issued: Nov-2023 Initial follow up: Sep-2024 Next follow up: Due Q2 2025/26	0	2	1) Review ASB and Community Trigger policies & procedures to ensure they reflect updates to the Anti-Social Behaviour, Crime and Policing Act where necessary, and to ensure that they reflect best practice (due Apr 2024). 2) Review the Community Trigger Procedure and decide whether to keep the timescales as currently written and if they are feasible or adjust the Procedure so that it aligns with their current process. Service should introduce a mechanism to monitor steps taken in community trigger review to provide an opportunity to the team to identify potential delays prior to occurring (due Oct 2023).	1) Oct-2025 2) Sep-2025	1) ASB Policy and Hate Crime Policy has been drafted and is awaiting sign-off on 24 July by Lead Members to allow for resident consultation. Current ASB Case Review Policy and process is being reviewed and updated. 2) This work is scheduled as part of the overhaul of the ASB and Hate Crime procedures. There is a project manager in place to assist with the development of the ASB policies and procedures, of which this work is a feature. Further follow up in progress.

APPENDIX 2

Department & Auditable Area	High	Med	Recommendation(s) in progress / not implemented and original implementation date	Revised Date	Status (31 August 2025)
Schools Cambridge School (Satisfactory) Audit Issued: Jun-2024 Initial follow up: Apr-2025 Next follow up: Sep-2025	0	2	1) The school needs to improve on raising POs in advance of purchases. 2) The leavers overpayment had not been recouped and actions required to reduce the risk of a re-occurrence.	July 2025	1) The school is increasing the number of orders raised in advance of purchases and approval is obtained before all purchases. 2) Governors have been informed and a plan for recouping overpayments is to be agreed and improvements still being made to the process to avoid future instances. Further follow up in progress.
Place Climate Action Plan (Satisfactory) Audit Issued: Feb-2024 Initial follow up: Apr-2025 Next follow up: Sep-2025	0	5	1) Roles and Responsibilities across Departments assessed as not implemented. 2) Monitoring Departmental Progress against the Action Plan assessed as partly implemented. 3) Budget Process assessed as not implemented. 4) Clarity of Leadership Roles assessed as partly implemented. 5) Key Performance Indicators (KPIs) for Cabinet and SLT assessed as not implemented. Due by: Oct-2024	All in June 2025	1) Monthly meetings with key services to be formalised & responsibilities for actions laid out in the Climate Action Plan to be delegated. 2) Service will quantify their progress against the Climate Action Plan in addition to using new and existing KPIs and qualitative updates. Revised implementation date is 31st May 2025 3) Service will measure the impact of existing governance mechanisms to incorporate climate considerations into day-to-day spending of the Council. This will be used to identify further measures, and/or support, required. 4) Further engagement with political members. 5) Reviews of KPIs & their coverage of the Climate Action Plan will continue, including opportunities to better reflect action / inaction in key areas. Development of SMART targets beyond Net Zero 2030 has been proposed. Further follow up in progress.

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Department & Auditable Area	High	Med	Recommendation(s) in progress / not implemented and original implementation date	Revised Date	Status (31 August 2025)
Corporate Services (Finance) HRA Cost Apportionment (Satisfactory) Audit Issued: Dec-2022 Initial follow up: Nov-2024 to Jun-2025 Next follow up: Jan-2026	0	1	The HRA Finance Team should formalise a process of recording notes of the decisions made via email or calls to change apportionment methods. This should be recorded with sufficient detail to allow, where applicable, the Cost Apportionment Model to be updated. Due by: Nov-2023	Dec-2025	The recommendation has been partly implemented: • There is an audit trail in the form of emails, meetings, working papers setting out the discussions and periodic review of the cost apportionment model. These all contribute to the final annual iteration of the model. • However, the audit trail and steps taken in reviewing the model each year would be easier to demonstrate and follow if formal minutes were taken at meetings. These minutes should clearly set out the decision made with sufficient detail to explain the rationale for the change as well as confirming the bases of apportionment and that they align with the available guidance. **Further action required** • The review process next year to include formal minutes setting out clearly the changes made and the rationale for doing so. • This should include clear evidence of formal sign off by senior management. Further follow up due in Jan-2026.

Previously reported outstanding recommendations now implemented

Since the last report to the Committee, we can confirm implementation or acceptable actions have been taken in respect of the following high and medium priority recommendations which were previously reported as either partially or not implemented, and no further follow up is required:

Audit	High Priori	Medium Priority	Recommendation(s) previously outstanding	Confirmed as implemented
Children's Direct Payments (Satisfactory) Original audit: Nov-2023 Follow up: Jul-2024 Follow up: Jun-2025	0	2	1) Service should review Direct Payment Policy to reflect the actual process in practice. (due Mar-2024). 2) Should consider an action plan documenting and scheduling the reviews for all direct payments. Timeliness of the 6-month monitoring reviews should be monitored to provide opportunity to identify where further resourcing may be needed to complete the reviews (due Dec-2023).	June 2025