

Appendix 2: Informing the audit risk assessment for London Borough of Hammersmith and Fulham 2025/26

Audited body: London Borough of Hammersmith and Fulham

Year ended: 31 March 2026

Inquiries of management and others

Response provided by:

Role: Chief Accountant

Date: 25/02/2026

The purpose of this report is to contribute towards the effective two-way communication between the external auditors and the Audit Committee, as 'those charged with governance'. It consists of a set of questions posed by the auditor's to the Council's Finance Team in order to obtain an understanding of the arrangements in the following areas.

Appendix A:

- General Enquiries of Management,
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern; and

Appendix B:

- Accounting Estimates

The responses are provided by management of the Council.

Appendix A

Agenda

Responses

General inquiries	
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2025/26.	In late November 2025, there was a cyber incident which meant the finance system was down until mid-January 2026. It is not expected that there will be an impact on the financial statements as work is being done to ensure all transactions which took place off the ledger during the downtime will be posted before the end of the financial year. 2025/26 has seen continued economic uncertainty and the ongoing impact of inflation above Bank of England's target rate and higher interest rates. For the financial year, the Council has managed these impacts and remained within budget. The medium-term financial outlook remains challenging following the government's Fair Funding Review and the Council continues to monitor and manage these challenges through its medium-term financial strategy (MTFS).
2. Have you considered the appropriateness of the accounting policies adopted by LBHF ? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Yes – the Council has reviewed the accounting policies and will undertake full professional valuations once every five years on a rolling five-year cycle. Annual indexation will be applied in the intervening years to keep asset values materially up to date which replaces the previous requirement to revalue whenever assets materially changed in value. Indexation is designed to approximate movements in value using published market-based indices.
3. Is there any use of financial instruments, including derivatives? If so, please explain	Yes – as set out in the Financial Instruments note to the Accounts; there are no derivatives.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No – management are not aware of any significant transactions outside the normal course of business that would materially impact the accounts.
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	The impact of the current economic climate continues to be closely monitored. Assets have been valued with due regard to these risks and in accordance with RICS or other industry guidelines. As at the valuation date, we are not aware of any specific impact on the value of the assets within the portfolio.
6. Are you aware of any guarantee contracts? If so, please provide further details	We are not aware of any material guarantee contracts.

7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	The Council is involved in a range of complex regeneration programmes and procurements. These are always subject to potential claims and these will be evaluated as and when they arise but are not expected to have a material effect on the financial statements.
8. Other than in-house solicitors, can you provide details of those solicitors utilised by LBHF during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council has an internal Legal Department, supported by external solicitors and barristers procured via the LBLA framework. Where expert advice is sought, solicitors and barristers will be commissioned outside of that framework as necessary. Two firms of solicitors are working on open litigation/ potential litigation. Browne Jacobson on adult social care matters and Sharpe Pritchard on employment tribunal claims.
9. Have any of the LBHF 's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	There were no reported instances of fraud or non-compliance from service providers for 2025/26 that would impact the material accuracy of the financial statements.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<ul style="list-style-type: none"> • Link Asset Services - The Council has consulted with Link who have provided treasury advice and in relation to general treasury investment. • PwC – The Council subscribes to a tax advice helpline for provision of advice regarding indirect taxation (typically VAT and SDLT). • Wilks Head & Eve – year-end property valuation • Analyse Local – Collection Fund provisions • Hymans Robertson LLP – Pension Fund Actuary • LGFutures – Collection Fund in-year monitoring and year-end accounting entries <p>Major capital and regeneration projects typically require procurement of professional advice concerning, amongst other things (and as relevant), legal and property consultation etc. Details are available from relevant services and project managers.</p>
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Expected Credit Losses on debtors are provided and reported against debtor lines using an appropriate methodology based on the nature of the debt. The Council's investments are generally short-term money market investments with no material risk (usually AAA rated). See Accounting Estimates summary within the Statement of Accounts for further information.

Fraud inquiries	
<p>1. Has LBHF assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Although there is an on-going risk of fraud being committed against the Council, arrangements are in place to prevent and detect fraud. These include work carried out by Internal Audit and the Corporate Anti-Fraud Service on overall fraud risk across the Council which is reported to the Audit Committee on a regular basis. This includes considering the annual internal audit and counter fraud work programmes (which includes proactive anti-fraud reviews), reviewing the Council's anti-fraud policies and reporting on fraud caseloads and outcomes, including cases of interest.</p> <p>There is on-going communication between external audit and responsible officers on emerging technical issues. Financial monitoring also highlights areas of variance within the capital and revenue budgets, which helps management identify areas of material misstatement within the accounts.</p> <p>The Council maintains a fraud risk register which identifies possible frauds to which the authority is exposed. It estimates both the possible impact of a given fraud and the likelihood of it occurring. This register helps the Council to fully understand its fraud-threat landscape, remain alert to emerging issues, and ensure that risks are appropriately reviewed and managed on a regular basis. For example, we have added a new strategic risk, Economic Crime and Corporate Transparency Act, and risks associated with the new offence, "Failure to prevent fraud".</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The Council has a robust framework of internal controls and effective processes and policies to prevent; fraud, bribery, money laundering etc. However, there will always be certain Council services naturally carrying a higher inherent risk than others. For example, fraudulent welfare benefit claims or the misuse of disabled parking badges can lead to financial loss. Similarly, any service area that involves the handling of cash carries an elevated level of risk, although this is mitigated where possible by the ongoing reduction in cash usage.</p> <p>Internal Audit and the Corporate Anti-Fraud Service assess fraud risk across the Council and report to the Audit Committee regularly. This involves reviewing annual audit and counter fraud programmes, examining anti-fraud policies, and reporting on fraud cases and outcomes. The Council has continued to review new and emerging fraud risks.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within LBHF as a whole, or within specific departments since 1 April 2025? If so, please provide details</p>	<p>For the first half of the financial year, 1 April 2025 to 30 September 2025, the Council processed 102 new referrals and concluded 132 investigations. Conclusions ranged from sanctionable offences to preventative measures, to actions to deter fraud, or to no further action if no wrongdoing was found.</p>

	<p>Of the concluded cases, 79 resulted in positive outcomes, preventing fraud worth an estimated £779,530 and a notional loss of £607,423. An additional £409,000 was identified for recovery via court-issued confiscation orders under the Proceeds of Crime Act.</p>
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Counter fraud plans, policies and performance are reported to the Audit Committee who receive reports on internal and external fraud investigated by the Council. This report is intended to brief members of the Committee in respect of work undertaken by the fraud service. The Committee receives detailed reports from the anti-fraud service every six months.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within LBHF where fraud is more likely to occur?</p>	<p>As set out in the response to question 2, above, there are areas within the Council where the inherent risk of fraud will always be higher than other, for example locations handling cash. The fraud risk register helps to ensure these areas are reviewed and fraud risks appropriately managed.</p> <p>The Council reports fraud risks and detected instances of fraud through periodic fraud reporting to the Audit Committee.</p>
<p>6. What processes do LBHF have in place to identify and respond to risks of fraud?</p>	<p>The Council's Anti-Fraud & Corruption Strategy 2024-27 sets out the Council's overall policy on fraud and corruption and states that if fraud, corruption or any misconduct directed against the Council is suspected, this should be reported immediately. The Council's strategy aligns to the national strategy published by the Local Government Association (LGA).</p> <p>The Council has a dedicated specialist resource known as the Corporate Anti-Fraud Service (CAFS). The Service consists of trained managers, investigators, and intelligence officers. They investigate fraud allegations and conduct proactive fraud reviews of Council services. The Committee receives detailed reports from the anti-fraud service every six months.</p> <p>The Council publishes guidance for staff for identifying and reporting suspected fraud. This includes a dedicated and anonymous 'whistleblowing' process.</p> <p>Additionally, we are members of the London Fraud Hub which enables us to upload datasets to the Hub to be matches against other members data to spot anomalies that may indicate fraud or error. This is a new project that we hope will develop our counter fraud data analytics.</p>
<p>7. How do you assess the overall control environment for LBHF, including:</p>	<p>Internal controls, including segregation of duties, are in place and these controls are reviewed regularly as part of the work carried out by Internal Audit and CAFS.</p> <p>The majority of transactional finance services are carried out at Hampshire Integrated Business Centre which has in built system controls and provides separation of duties from Council officers. The</p>

<ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness of the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Council receives a ISAE 3402 Type 2 Report on the suitability, design and operating effectiveness of controls at the IBC and also an annual confirmation from the IBC of their awareness of any fraud. Other internal controls are in place for transactions processed within the Council.</p> <p>Not applicable – internal controls are in place.</p> <p>The other controls in place include access control, supervisor review/authorisation, reconciliation, training and policies and procedures.</p> <p>No - there are not any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>None not already covered elsewhere in our risk assessment responses.</p>
<p>9. How does LBHF communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Council's Internal Audit & Corporate Anti-Fraud Service reviews policies, procedures and governance arrangements across the Council's Services and promotes a culture of zero tolerance in respect of fraud, corruption and mismanagement.</p> <p>Fraud awareness training is available to service areas where a need has been identified and a fraud internet page informs staff of emerging fraud risks, encourages fraud reporting and maintains awareness and includes the various channels for reporting fraud, including the fraud hotline and an online reporting form.</p> <p>Staff are encouraged and, indeed, expected to raise any concern that they may have, without fear of recrimination. This supported by an anonymous 'whistleblowing' process. The guidance is available on the council's intranet pages. Staff can report any suspected fraud or irregularity. The Council also has an independent confidential reporting system called SAFECALL.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>There will, naturally, be posts which are at a higher risk of fraud and corruption than others; these will typically be posts which:</p> <ul style="list-style-type: none"> are involved in the granting of financial aid, relief and benefits etc. have access and authority to set up new customers and access to cash and bank accounts have responsibility for the award of significant contracts

	<p>We have a variety of specific controls in place including separation of duties, access control and independent reconciliation for the areas highlighted. In addition, global controls include the governance structure (as set out in the constitution), the Contracts Assurance Board, the Corporate Revenue and Capital monitoring processes and anti-bribery and anti-fraud policies. Procedures are regularly reviewed and internal controls tested and assessed through the internal audit process to ensure that they are sound enough to prevent or detect fraud insofar as is possible.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>The risks are mitigated by the register of interest, the annual related parties declaration and examination of these relationships and transactions in the Statement of Accounts.</p>
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Fraud risks and outcomes are reported to Audit Committee on a six-monthly basis. The Director of Audit, Fraud, Risk and Insurance has the ability to report directly to the Chair of the Audit Committee or the Chief Executive where appropriate.</p> <p>A comprehensive risk register is maintained by the Council and is reviewed each quarter. This risk registers consider all risks including fraud. A risk update report is presented to the Audit Committee each quarter and as an annual risk report, covering the Council's risk strategy and management action.</p> <p>For the first half of the financial year, 1 April 2025 to 30 September 2025, the Council processed 102 new referrals and concluded 132 investigations. Conclusions ranged from sanctionable offences to preventative measures, to actions to deter fraud, or to no further action if no wrongdoing was found.</p> <p>Of the concluded cases, 79 resulted in positive outcomes, preventing fraud worth an estimated £779,530 and a notional loss of £607,423. An additional £409,000 was identified for recovery via court-issued confiscation orders under the Proceeds of Crime Act.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>The Council's whistleblowing policy encourages and protects employees who report suspected wrongdoing or malpractice within the Council, especially when it involves a potential public interest. It provides a safe and confidential process for raising concerns, ensuring that whistleblowers are protected from retaliation and that the reported issues are appropriately investigated.</p> <p>Since 1 April 2025, CAFS has not received any new fraud referrals via the Council's whistleblowing policy, but staff continue to consistently report potential fraud through other means, such as the CAFS hotline or investigation mailbox.</p>

14. Have any reports been made under the Bribery Act? If so, please provide details	No reports have been made under the Bribery Act in 2025/26.
Laws and regulations	
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does LBHF have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Policies and procedures are established across the organisation to ensure compliance with laws and regulations. This includes an Employee and Members Code of Conduct. These are available via the Council's intranet.</p> <p>All decision reports require legal implications to be completed which include compliance with laws and regulations. The Council has an in-house legal team and a Monitoring Officer who considers legality, conduct and the proper operation of the Council's constitution and governance arrangements. The Monitoring Officer (also the Director of Legal Services) is part of the Strategic Leadership Team.</p> <p>Management are not aware of any changes to the Council's or Pension Fund's regulatory environment that may have a significant impact on the Council's or Pension Fund's financial statements.</p>
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Fraud risks and outcomes are reported to Audit Committee on a six-monthly basis. The Director of Audit, Fraud, Risk and Insurance has the ability to report directly to the Chair of the Audit Committee or the Chief Executive where appropriate.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2025 with an on-going impact on the 25-26 financial statements? If so, please provide details	Not to management's knowledge.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	At present, there is no claim or active litigation that would materially impact the financial statements.
5. What arrangements does LBHF have in place to identify, evaluate and account for litigation or claims?	The Council's Legal Services are provided by the legal team. They review outstanding litigation and correspondence to identify and assess the likelihood and quantum of outstanding and potential claims. The legal team uses a mixture of in-house lawyers, external solicitors and barristers (as set out earlier). The Council's Finance Board are also asked to disclose any litigations and claims they are aware of as part of year-end out-turn processes.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	There have been no such reports in 24/25 or 25/26.

Related parties	
<p>1. Have there been any changes in the related parties including those disclosed in LBHF's 25-26 financial statements?</p> <p>If so, please summarise:</p> <ul style="list-style-type: none"> • the nature of the relationship between these related parties and LBHF • whether LBHF has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions 	<p>It is not anticipated that there will be any significant changes from the previous year.</p>
<p>2. What controls does LBHF have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>All members complete a declaration of pecuniary interests under the Localism Act 2011 and the Code of Conduct (adopted July 2012) and it is the responsibility of members to inform Legal services of any new interests. The register of interests can be found on the Council's website.</p> <p>As part of the preparation of the financial statements, management also undertake a specific exercise each year to identify related party transactions and relationships and these are disclosed in the Statement of Accounts. Information for this disclosure is gathered from the Council's members and chief officers through a formal process.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Members are required to declare and to excuse themselves as necessary from decision making where they have a pecuniary interest (see Appendix B – Registering Interests, Part 5 pp.215-220 of the constitution: Constitution). Internal controls are in place to ensure that finance processes and procedures are followed when a payment is being made, including segregation of duties for authorisation and payment.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>To our knowledge, the Council has not engaged in any transactions which could be considered outside the normal course of business. Any significant transaction would however, be captured by standing authorisation processes and limits as set out in the financial procedure rules as part of the constitution.</p>

Going concern	
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by LBHF will no longer continue?	LBHF has a medium-term financial strategy updated annually which will highlight funding gaps in future years and mitigating action will be taken to address these. In the unlikely event that statutory services can no longer be provided, the Section 151 officer will issue a Section 114 notice and no new expenditure will be permitted by the Council until a balanced budget can be set.
2. Are management aware of any factors which may mean LBHF that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	The Council has set a balanced budget for 2025/26, approved at Full Council in February 2025 however, the medium-term financial outlook both in respect of government funding and the wider economic climate remains significantly challenging. Despite these challenges, LBHF continues to have an adequate level of reserves and there is no indication at the current time that any statutory services will no longer be provided.
3. With regard to the statutory services currently provided by LBHF , does LBHF expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for LBHF to cease to exist?	LBHF expects to continue to deliver statutory service for the foreseeable future.
4. Are management satisfied that the financial reporting framework permits LBHF to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes. The MTFS process and the reserves strategy provided elsewhere show that the Council has firm control of its allocation of resources, even given the ongoing financial pressures. Clear reporting lines and management of longer-term commitments such as Capital spend, PWLB borrowing and Pensions mean the Council has a good handle on the management of items in the statements that have a long-term impact.
Accounting estimates	
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	There are a number of areas in which estimates require significant judgement, for example: depreciation, valuation of assets, provisions including Business Rate appeals, the recoverability of debtors, pension liabilities, and pension asset values. Apart from the changes in PPE valuation approach by introducing indexation (as per 2025/26 CIPFA guidance and as described in section "General enquiries"), the estimates processes have not changed significantly in 2025/26.

2. How does the Council 's risk management process identify and address risks relating to accounting estimates?	The Council and the Pension Fund identify and assess the major sources of estimation uncertainties as part of the preparation of the statement of accounts. Meetings are held with all service finance leads to determine any significant issues which may impact on this assessment.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Management consider the information available within the Council and information provided by staff and advice of external experts. The approach to significant estimates will form part of discussions at the Council's Finance Board and will be agreed by the Director of Finance.
4. How does management review the outcomes of previous accounting estimates?	Actual outcomes, when available, are compared to estimates to know and understand when estimates are materially different to actuals.
5. Were any changes made to the estimation processes in 25-26 and, if so, what was the reason for these?	PPE valuations- please see point 1 above.
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Management will periodically review the need for specialist skills in arriving at accounting estimates. The key areas remain property valuation, financial instrument valuation, assessment of pension asset/liability and estimation of business rate appeals provision and there are established processes in place for obtaining expert advice in these areas.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Significant estimates are, generally, assessed with the support of external expertise. Consideration of control activities, process, methods and models will form part of the contracting and instruction process. Relevant in-house experts and/or the relevant client function will review method statements and outputs etc in concert with corporate finance (and the expert as necessary) prior to the inclusion of estimates in the accounts. Corporate finance undertake reasonableness checks, such as analytical review of outputs and seek explanations for changes as necessary.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	See response to question 7 above.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> • Management's process for making significant accounting estimates • The methods and models used The resultant accounting estimates are included in the financial statements.	See response to question 7 above.

10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	They are reviewed on a regular basis and experts used where appropriate.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	The statements of accounts includes a disclosure on the assumptions made about the future and other major sources of estimation uncertainty which is reviewed by the members of the Audit Committee.

Appendix B – Accounting Estimates

Possible examples include land and buildings valuations, council dwelling valuations, investment property valuations, valuation of defined benefit net pension fund liability/asset, fair value estimates, level 2 and 3 investments, PFI liabilities, provisions, accruals, credit loss and impairment allowances, leases.

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	<p>Assets valued in accordance with CIPFA Accounting Code of Practice and RICS regulations. Where full valuations are carried out, the Valuer has arrived at their opinion of Current Value and Fair Value from referring to recent comparable market transactions. For specialised properties, the Current Value has been derived using Depreciated Replacement Cost methodology.</p> <p>From 2025/26, in line with CIPFA guidance, the Council have adopted indexation method for the assets which are not subject to full valuations in the financial</p>	<p>Valuation Procedure Note 2025-26 provides detailed guidance on asset selection, appropriate valuation methodologies used and roles and responsibilities for the year-end asset valuation process. Valuation and Property Services officers ensure accuracy and integrity of the property data kept on TechForge (site plans, rental income, lease and tenure information) by performing regular reviews and reconciliations. TechForge property data is annually reconciled with the Corporate Asset Register. All year-end valuation reports are reviewed by Corporate Finance and Valuation and Property Services officers to ensure that any material fluctuations in the property values are queried with</p>	<p>Yes, external valuers Wilks, Head & Eve (WHE)</p>	<p>Impact of current economic climate (higher interest rates and inflation), Brexit and the war in Ukraine have been considered by Wilks, Head & Eve in their revaluation report. These events continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning normally with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to ‘material valuation uncertainty’ as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. For more detail regarding the assumptions made in valuations, please refer to the valuation year-end certificates issued by WHE.</p>	<p>Yes, indexation used for OLB and SA assets not subject to full valuation in 2025/26.</p>

	year. External valuers are used to determine the appropriate indices to be applied .	the external valuers who performed the valuations.			
Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Council dwelling valuations	Assets valued in accordance with CIPFA Accounting Code of Practice, RICS regulations and 'Stock Valuation for Resource Accounting Guidance for 2016'. Issued by DLUHC using Existing Use Value – Social Housing (EUV-SH) method of valuation	Please see previous for land and buildings	Yes, external valuers Wilks, Head & Eve	WHE valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards, except as identified above. Componentisation of dwellings using structure, externals, roof and M&E as major components was applied. Dwellings stock valued on beacon basis. For more detail regarding the assumptions made in valuations, please refer to the valuation year-end certificates issued by WHE.	No
Investment property valuations	Assets valued in accordance to CIPFA Accounting Code of Practice and RICS regulations, using Fair Value as a method of valuation.	Please see the above for land and buildings	Yes, external valuers Wilks, Head & Eve	Please see the above for land and buildings. In addition, Fair Value hierarchy was applied to the investment properties' valuations, as required by IFRS 13.	No
Depreciation	Straight line method using opening Gross Book Value (GBV) of depreciable element of the asset over estimated Useful Expected Life (UEL)	Working papers containing calculated depreciation charges for the year are distributed to the departments for a review prior to posting on the ledger to ensure they are within their expectations but also to check that the cost centres for the charges are accurate.	Corporate Capital accountant in liaison with project management to determine UELs of non-property related assets. Property related assets' GBV and UELs are determined by the external valuers as part of year-end valuations	For the assets valued in year in value over £5m which are not componentised in our fixed asset register, the external valuer is asked to value each material component separately. Corporate Finance use this information to recalculate depreciation charges based on componentisation and to assess if there is any material difference between the depreciation charged on the asset as whole and the depreciation charge for the componentised asset. Depreciation is calculated in line with the accounting policy.	No

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?																																	
<p>Valuation of defined benefit net pension fund liabilities</p>	<p>Estimation of the net liability to pay pensions depends on several complex judgments relating to the discount rates used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.</p>	<p>Officers challenge methods provided and agree reasonableness of estimates. The Strategic Investment Manager asks for confirmation of any significant movements in valuation assumptions, and the reasons why.</p>	<p>Yes – Actuary Hymans Robertson LLP</p>	<p>Actuary using financial assumptions that comply with IAS26. The longevity assumptions have changed since the previous triennial valuation of the Fund. The assumptions used are those adopted for the Administering Authority’s IAS19 report and are also different as 2025 was a Triennial valuation year though the new rates will not come into effect until 1 April 2026.</p> <p>Summary of assumption changes from the draft triennial valuation report:</p> <p>Summary of assumptions</p> <p>The assumptions used in this report were agreed by officers after consideration of our paper: London Borough of Hammersmith and Fulham Pension Fund - 2025 Valuation Assumptions Advice Paper, dated 23 May 2025. Table 6 sets out a summary of these assumptions. Additionally, sample pre-retirement demographics and life expectancies, assumptions regarding the CPI-RS benefit structure and detail on the model underlying the estimation of future investment return likelihoods are also set on the following pages.</p> <p>Table 6: Summary of assumptions</p> <table border="1"> <thead> <tr> <th></th> <th>31 March 2025</th> <th>31 March 2022</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>5.3% (83% prudence)</td> <td>4.4% (87% prudence)</td> </tr> <tr> <td>Benefit increases (CPI inflation)</td> <td>2.3%</td> <td>2.7%</td> </tr> <tr> <td>Salary increases</td> <td>3.3%</td> <td>3.7%</td> </tr> <tr> <td>Demographic assumptions</td> <td>VitaCurves</td> <td>VitaCurves</td> </tr> <tr> <td>Benefit longevity</td> <td>CMR 2024 model</td> <td>CMR 2021 model</td> </tr> <tr> <td>Longevity future improvements</td> <td>with core parameterisation, except: Initial addition = 0.20% (Male & Female) Long-term rate of improvement = 1.5% p.a.</td> <td>0% weight placed on 2020 and 2021 experience Initial addition = 0.20% (Male & Female) Long-term rate of improvement = 1.5%</td> </tr> <tr> <td>Commutation</td> <td>0% of maximum under HARRC limits</td> <td>0% of maximum under HARRC limits</td> </tr> <tr> <td>50/50 scheme</td> <td>0% of members elect to change scheme</td> <td>0% of members elect to change scheme</td> </tr> <tr> <td>Retirement age</td> <td colspan="2">Earliest age at which members can retire with unreduced benefits</td> </tr> <tr> <td>Family statistics</td> <td>Varying proportion have dependent at retirement/earlier death Dependent of a male is 3.5 years younger than him Dependent of a female is 0.6 years older than her</td> <td>Varying proportion have dependent at retirement / earlier death Dependent of a male is 3 years younger than him Dependent of a female is 3 years older than him</td> </tr> </tbody> </table> <p>The structure of the liabilities is substantially the same as at the latest formal valuation.</p> <p>Sensitivity analysis is undertaken on major assumptions (IAS 26).</p>		31 March 2025	31 March 2022	Discount rate	5.3% (83% prudence)	4.4% (87% prudence)	Benefit increases (CPI inflation)	2.3%	2.7%	Salary increases	3.3%	3.7%	Demographic assumptions	VitaCurves	VitaCurves	Benefit longevity	CMR 2024 model	CMR 2021 model	Longevity future improvements	with core parameterisation, except: Initial addition = 0.20% (Male & Female) Long-term rate of improvement = 1.5% p.a.	0% weight placed on 2020 and 2021 experience Initial addition = 0.20% (Male & Female) Long-term rate of improvement = 1.5%	Commutation	0% of maximum under HARRC limits	0% of maximum under HARRC limits	50/50 scheme	0% of members elect to change scheme	0% of members elect to change scheme	Retirement age	Earliest age at which members can retire with unreduced benefits		Family statistics	Varying proportion have dependent at retirement/earlier death Dependent of a male is 3.5 years younger than him Dependent of a female is 0.6 years older than her	Varying proportion have dependent at retirement / earlier death Dependent of a male is 3 years younger than him Dependent of a female is 3 years older than him	<p>No</p>
	31 March 2025	31 March 2022																																				
Discount rate	5.3% (83% prudence)	4.4% (87% prudence)																																				
Benefit increases (CPI inflation)	2.3%	2.7%																																				
Salary increases	3.3%	3.7%																																				
Demographic assumptions	VitaCurves	VitaCurves																																				
Benefit longevity	CMR 2024 model	CMR 2021 model																																				
Longevity future improvements	with core parameterisation, except: Initial addition = 0.20% (Male & Female) Long-term rate of improvement = 1.5% p.a.	0% weight placed on 2020 and 2021 experience Initial addition = 0.20% (Male & Female) Long-term rate of improvement = 1.5%																																				
Commutation	0% of maximum under HARRC limits	0% of maximum under HARRC limits																																				
50/50 scheme	0% of members elect to change scheme	0% of members elect to change scheme																																				
Retirement age	Earliest age at which members can retire with unreduced benefits																																					
Family statistics	Varying proportion have dependent at retirement/earlier death Dependent of a male is 3.5 years younger than him Dependent of a female is 0.6 years older than her	Varying proportion have dependent at retirement / earlier death Dependent of a male is 3 years younger than him Dependent of a female is 3 years older than him																																				

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 2 investments	Where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.			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.	No
Level 3 investments	Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data, such instruments would include unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in. These funds are valued according to non-exchange based market valuations. As a result of this, the final realised value of investments may differ			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.	No

	slightly from the valuations presented in the accounts.				
Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Fair value estimates	No estimates are required, the amortised cost valuation is taken at 31st March. The associated fair value where applicable is calculated based on 31st March discount rate.				
Provisions	<p>NNDR Appeals provision - Detailed analysis of information on rateable values</p> <p>Current and potential provisions are reviewed annually and if there is a likelihood (greater than 50%) that the Council will have to meet the costs, a provision is created.</p>	<p>NNDR Appeals provision - The Analyse Local estimation model has been rigorously tested during development by comparison to previously settled proposals and appeals.</p> <p>Key Council departments (including Finance leads, Legal and Insurance) are consulted as part of the year-end closedown process. Information is obtained on whether the Council has any potential provisions or need to continue with the provision on its balance sheet.</p>	<p>NNDR Appeals provision – Yes</p> <p>Other Provisions – Council employs its own experts in areas such as Legal and Insurance who are able to advise on any new or current provisions</p>	<p>NNDR Appeals provision - Alternative estimates were not considered.</p>	<p>NNDR Appeals provision - No</p>

Accruals	Significant accruals are mostly based on documented (third party) evidence and where this is not available, an analytical calculation is done to arrive at the appropriate accrual.	Documented (third party) evidence or analytical calculation.	No	Alternative estimates were not considered	No
Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Credit loss and impairment allowances	Historic risk of default	Regular reporting	Yes	N/A - no accounting entries made due to small value.	No
Leases (Right of Use Assets and Lease Liabilities)	The Council has adopted IFRS 16 Leases accounting standard in 2024/25. As a result, the methodologies used to calculate lease liabilities have been modified in line with the standard and CIPFA Code of Practice in 2024/25. The Council will continue to use IFRS 16 as basis for accounting for Leases in 2025/26 and future years.	Property leases information is taken from TechForge and NEC property database which are maintained by the property management services. Information for all other leases is collected from various lease records which are maintained by the relevant departments (including LBHF maintained schools). In addition, annual completeness checks have been done. These completeness checks include: - Review of all material new contracts registered on the Contracts portal to identify any direct or embedded leases. - Reconciliation in material terms between Leases Register and rental payments on SAP ledger. - Comparison between Leases Register and properties not on Fixed	Yes, the Council will use external valuers Wilks, Head & Eve to value newly recognised right of use assets resulting from peppercorn leases. All other estimates in relation to lease liabilities and right of use assets values have been calculated by corporate accountant using assumptions verified by the relevant service management and internal experts from the property management services.	Yes, for the temporary accommodation PSL leases which are holding over (i.e. expired but the asset is still in use by the Council with no clearly defined lease extension period), sensitivity analysis has been performed to establish how various estimated extension periods affect changes in lease liability and corresponding asset values in terms of materiality.	No

		<p>Assets Register but LBHF is paying Business Rates for.</p> <p>- Email to all Service finance contacts to review current Leases Register and add any leases they are aware off that is not present on the register.</p>			
Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PFI Liabilities	The PFIs are valued based on the contract model and IFRS 16. They are accounted for as on-balance sheet assets and liabilities. The Liabilities are annually revalued to reflect inflationary index movements.	The discount rates used in valuing the liabilities are based on IRR calculated over the life of the PFI agreement as per the contract model.	No.	No	No