



HILLINGDON  
LONDON

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## Audit Committee

**Date:** WEDNESDAY, 14 MAY 2025  
**Time:** 5.10 PM  
**Venue:** COMMITTEE ROOM 5 - CIVIC CENTRE

**Meeting Details:** The public and press are welcome to attend and observe the meeting.

For safety and accessibility, security measures will be conducted, including searches of individuals and their belongings. Attendees must also provide satisfactory proof of identity upon arrival. Refusal to comply with these requirements will result in non-admittance.

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### Members of the Committee

John Cheshire (Chair)  
Councillor Nick Denys (Vice-Chair)  
Councillor Tony Burles  
Councillor Henry Higgins  
Councillor June Nelson  
Councillor Philip Corthorne MCIPD

**Published:** Wednesday, 07 May 2025

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Putting our residents first

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# **Terms of Reference**

The Constitution defines the terms of reference for the Audit Committee as:

## **Introduction**

The Audit Committee's role will be to:

- Review and monitor the Council's audit, governance, risk management framework and the associated control environment, as an independent assurance mechanism;
- Review and monitor the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and/or weakens the control environment;
- Oversee the financial reporting process of the Statement of Accounts.

Decisions in respect of strategy, policy and service delivery or improvement are reserved to the Cabinet or delegated to Officers.

## **Internal Audit**

1. Review and approve (but not direct) the Internal Audit Strategy to ensure that it meets the Council's overall strategic direction.
2. Review, approve and monitor (but not direct) Internal Audit's planned programme of work, paying particular attention to whether there is sufficient and appropriate coverage.
3. Through quarterly Internal Audit summary reports of work done, monitor progress against the Internal Audit Plan and assess whether adequate skills and resources are available to provide an effective Internal Audit function. Monitor the main Internal Audit recommendations and consider whether management responses to the recommendations raised are appropriate, with due regard to risk, materiality and coverage.
4. Make recommendations to the Leader of the Council or Cabinet Member for Finance, Property and Business Services on any changes to the Council's Internal Audit Strategy and Internal Audit Plans.
5. Review the Annual Internal Audit Report and Opinion Statement and the level of assurance this provides over the Council's corporate governance arrangements, risk management framework and system of internal controls.
6. Consider reports dealing with the activity, management and performance of Internal Audit.
7. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to request work from Internal Audit.

## **External Audit**

8. Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
9. Monitor management action in response to issues raised by External Audit.
10. Receive and consider specific reports as agreed with the External Auditor.
11. Comment on the scope and depth of External Audit work and ensure that it gives value for money, making any recommendations to the Corporate Director of Finance.
12. Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.
13. Following a request to the Corporate Director of Finance, and in consultation with the Leader of the Council or Cabinet Member for Finance, Property and Business Services, to commission work from External Audit.
14. Monitor arrangements for ensuring effective liaison between Internal Audit and External Audit, in consultation with the Corporate Director of Finance.

## **Governance Framework**

15. Maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations and where necessary bring proposals to the Leader of the Council or the Cabinet for their development.
16. Review any issue referred to it by the Chief Executive, Deputy Chief Executive, Corporate Director, any Council body or external assurance providers including Inspection agencies.
17. Monitor and review, but not direct, the authority's risk management arrangements, including regularly reviewing the Corporate Risk Register and seeking assurances that appropriate action is being taken on managing risks.
18. Review and monitor Council strategy and policies on anti-fraud and anti-corruption including the 'Raising Concerns at Work' policy, making any recommendations on changes to the relevant Corporate Director in consultation with the Leader of the Council.
19. Oversee the production of the authority's Annual Governance Statement and recommend its adoption.
20. Review the Council's arrangements for corporate governance and make recommendations to the Corporate Director of Finance on suggested actions to improve alignment with best practice.
21. Where requested by the Leader of the Council or Cabinet Member for Finance, Property and Business Services or Corporate Director of Finance, provide recommendations on the Council's compliance with its own and other published standards and controls.

## **Accounts**

22. Review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements or from the external auditor that need to be brought to the attention of the Council.
23. Consider the External Auditor's report to those charged with governance on issues arising from the external audit of the accounts.

## **Review and reporting**

24. Undertake an annual independent review of the Audit Committee's effectiveness and submit an annual report to Council on the activity of the Audit Committee.

## **Formal duty of senior officers to attend**

Whilst Council officers will invariably attend meetings voluntarily, in fulfilling its role, and should it be required, the Committee may require the Head of Paid Service and/or any senior officer (third tier and above) to attend before it to explain in relation to matters within its remit and it shall be the duty of those persons to attend if so required.

Where any senior officer is required to attend the Committee under this provision, the Chairman will inform the Head of Democratic Services. The Head of Democratic Services shall inform the officer in writing or by email giving at least 10 working days' notice of the meeting at which he/she is required to attend. The notice will state the nature of the item on which he/she is required to attend to give account and whether any papers are required to be produced for the Committee. Where the account to be given to the Committee will require the production of a report, then the officer concerned will be given sufficient notice to allow for preparation of that documentation.

Where, in exceptional circumstances, the officer is unable to attend on the required date, then the Committee shall, in consultation with the officer, arrange an alternative date for attendance.

When calling senior officers under this provision, the Committee will remain bound by the Code of Conduct for Members and Co-opted Members, ensure questioning is conducted in a fair and balanced manner and not of a personal critical nature.

# Agenda

7      External Audit update

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# Agenda Item 7

## EXTERNAL AUDIT UPDATE: FINAL 2023/24 ACCOUNTS AND PROCESS FOR AUDITING THE 2024/25 ACCOUNTS

Committee name	Audit Committee
Officer reporting	Pete Carpenter; Director Pensions, Treasury & Statutory Accounts
Papers with report	Appendix 1 – 2023/24 Final Statement of Accounts Appendix 2 – 2023/24 Final Audit Results Report Appendix 3 – Pension Fund Audit Planning Report for 2024/25
Ward	All

### HEADLINES

This report provides the final 2023/24 Statement of Accounts and Audit Results Report and sets out the high level process for the Audit of the 2024/25 Accounts.

### RECOMMENDATIONS:

#### That the Audit Committee:

1. Note the final position regarding the Statement of Accounts and Audit Results Report for 2023/24 for ratification;
2. Note the high-level process that will be followed regarding the delivery and audit of the 2024/25 Accounts; and
3. Note the draft plan for the Audit of the 2024/25 Pension Fund Accounts.

### SUPPORTING INFORMATION

The Ministry of Housing, Communities and Local Government has announced measures to tackle the backlog of local government audits and have proposed backstop dates for the publication of audited accounts. These are set out in the following table:

2024/25: 27 February 2026  
2025/26: 31 January 2027  
2026/27: 30 November 2027  
2027/28: 30 November 2028

The backstop legislation has resulted in significant numbers of Councils receiving “Disclaimer Opinions” due to time constraints and number of audits required to be delivered to comply with the legislation resulting in Auditors collectively not having the time to complete Audits and therefore issue “Disclaimer Opinions”.

A total of 216 disclaimed audit opinions have been issued by auditors to local government bodies because of the “final” backstop date for the 2023-24 financial year. This is 47.1% of all local government Audits in England.

## **Conclusion of the 2023/24 Statement of Accounts Audit**

The Audit Committee on the 11 February 2025 delegated authority to the Corporate Director of Finance (in consultation with the Chair and incorporating any views from other Members of the Audit Committee) to approve the final 2023/24 Statement of Accounts and Audit Results Report on behalf of the Committee and to report back to the next Audit Committee meeting on these matters for ratification.

Following the additional public consultation period the 2023/24 Statement of Accounts was signed off on the 27 March 2025. The revised public inspection period closed on 13 March. The updated Accounts are attached for reference. The Council received a “Disclaimer Opinion”.

In terms for the 2023/24 Audit Results Report, any changes to the initial report that the Committee received in February are highlighted in blue. The main changes that the External Auditor highlights are:

- The changes to Appendix A reflecting the final status of work pre-signing;
- The observations around the AGS which led to the small delay in signing;
- Switch of the misstatement in relation to Hillingdon First from uncorrected to corrected (reflecting this being adjusted); and
- Management responses being added to the control recommendations.

Significant work, in terms of testing and reflected in the updated blue text, was undertaken in relation to the Assurance ratings set out in Appendix A. This work is not lost and will be built on as part of the 2024/25 audit process.

## **The 2024/25 Audit Process**

The 2024/25 Audit is not initially looking to rebuild the Council's position following two years of “Disclaimer Audits”. It will be very much transaction based to assure on what happened during the 2024/25 financial year. External Auditors are still awaiting an updated auditing framework from the Government which will set out how they need to proceed in “rebuilding the Council's position when they have “Disclaimer Opinions”.

EY will provide a verbal at the Committee meeting on this and the planning they have been undertaking for the 2024/25 audit of the Council's accounts.

Initial planning for the 2024/25 Pension Fund Audit has been completed, and this is attached for review and comment. Unmodified opinions received were for the years 2022/23 and 2023/24

## **Other Audits**

Grant Thornton have completed both the 2023/24 Teachers Pension End of Year Certificate and Pooling of Housing Capital Receipts audit assurance work. No major issues have arisen from these audits.

EY have completed the Housing Benefit Assurance Process 2022/23 audit and submitted to the Department for Work and Pensions on 05 February 2025.

## **FINANCIAL IMPLICATIONS**

In September 2024 the PSAA launched a consultation on the fee scale for 2024/25 audits. Following consultation, PSAA has published the 2024/25 scale of audit fees for bodies that have opted into its national auditor appointment scheme. The fee scale is confirmed as a 9.5% increase on the 2023/24 scale fees to cover the additional audit work required under revised standards and a contractual inflationary increase payable to audit firms for 2024/25. The new audit work relates to revised auditing standard ISA (UK) 315 (risks of material misstatement) and linked work on ISA (UK) 240 (fraud). The fee values for 2024/25 are £433,673 for the Council audit and £92,572 for the Pension Fund.

EY have advised in February that there would be scale fee variations in respect of the 2023/24 audit. This has not yet been fully quantified.

The final fee for the 2022/23 HBAP audit is £111,885 which is a significant increase on the previous year. The main reason for the increase in fees is due to the significant level of extending testing required for the 2022/23 audit compared to the previous year.

The fees for Grant Thornton in respect of the Teachers Pension and Pooling audits were within approved budget estimates.

## **LEGAL IMPLICATIONS**

The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to Public Sector Audit Appointments (PSAA) on a transitional basis under powers contained in the Local Audit and Accountability Act 2014.

## **BACKGROUND PAPERS**

NIL.

## **APPENDICES**

Appendix 1 – 2023/24 Final Statement of Accounts

Appendix 2 – 2023/24 Final Audit Results Report

Appendix 3 – Pension Fund Audit Planning Report for 2024/25

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# **London Borough of Hillingdon**

## **Statement of Accounts for the year to 31 March 2024**

# London Borough of Hillingdon

## Statement of Accounts for the year ended 31 March 2024

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# Leader's Statement

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## 1. Leader's Statement

### Introduction by Councillor Ian Edwards, Leader of the Council

Welcome to Hillingdon's Statement of Accounts for 2023/24, which shows the council's financial performance in delivering high quality services to residents during the year and outlines the council's financial standing at 31 March 2024.

The Council has maintained frontline services to residents, with an approach based on sound financial management and continues to put residents first. Residents saw an increase of 2.99 per cent applied to their Council Tax for 2023/24, with the rise maintaining Hillingdon's approach of one of the lowest rates of Council Tax in Outer London. In addition, the Council also levied the Social Care Precept at 2 per cent. The Council offers a safety net for residents facing financial difficulty in the form of the Council Tax Reduction Scheme. The Council was able to do this whilst all frontline services were maintained despite government funding increasing at a rate lower than inflation and an increasing demand for services from a growing population.

Our people, our environment and our heritage continue to be at the heart of what we do, key achievements for the last financial year include:

- As the cost-of-living crisis continued to impact our residents into 2023/24, the Council continued to offer support through administering Government schemes and supported low-income households with local discretionary schemes. Support to residents included the cost of living payments, winter fuel payments, Household Support Fund, free school meal vouchers, the Holiday Activities and Food Programme.
- During October 2023, the council inaugurated an accessible cycle hub in Uxbridge. This hub offers specially adapted cycles for individuals with health, learning, and physical conditions. The project, funded by the council, not only provides storage facilities for these specialist cycles but also offers cycling instructors to facilitate sessions as needed.
- The council's Children's Services has been judged as one of the best in England, following an 'Outstanding' Ofsted report in November 2023. Inspectors praised "excellent council staff" and "exceptional practice" for enhancing the lives of children and families in Hillingdon.
- December 2023 saw the opening of a second fully refitted and inclusive family hub in Hayes. The former ASHA Day Care Centre, near Coldharbour Lane, has been remodelled into a multifunctional site which incorporates a wide range of integrated services for families and children.
- In January 2024, a new decarbonisation programme got underway at the Civic Centre, Uxbridge with the arrival of 10 air source heat pumps, as the council continues to make strides towards its target for its operations to be carbon neutral by 2030. The Civic Centre is the first of four buildings earmarked for a carbon-reduction makeover, with the air source heat pumps and a high-capacity heat recovery cylinder delivered as part of an initiative that will see 12 more heat pumps installed on the roof of the building's main plant room, a further 12 in the goods yard, and four more at the rear of the site's Middlesex Suite.
- The Council has once again retained the top spot for its green spaces with the borough's total coming to 67 awards (66 of which are maintained by the council) – this is the most flags held by any local authority for the eleventh year running.

This Statement of Accounts clearly demonstrates Hillingdon's commitment to putting its residents first, which has led to another year of tremendous effort to support residents during the cost of living crisis. As at 31 March 2024 general balances of £26.8 million are held and further earmarked reserves set aside for member initiatives and risk cover. Whilst this resilience provides a level of cover for Hillingdon, the inflationary environment and demand led and demographic pressures are continuing to have an impact on the Council's financial position and is the main driver for the Council's saving requirement in the short to medium term, which is a position facing the whole of the Local Government sector. Hillingdon will continue to protect front line services and target transformational efficiency within the Council's budget strategy.

Cllr Ian Edwards

Leader of the Council

# Narrative Report

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This document sets out the annual accounts of the London Borough of Hillingdon for the year ended 31 March 2024. The accounts are in the format for local authority accounts set by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The purpose of this narrative report is to provide a guide to the most significant matters reported in the financial statements. Included within this document are a number of technical terms that are specific to local government finance and a glossary has been provided to assist the understanding of the financial statements.

## 2.1 Organisational overview and external environment

Hillingdon, situated on the western edge of Greater London, is the second largest London borough, covering a total area of about 42 square miles. It is just 14 miles from central London and bordered by the counties of Buckinghamshire, Hertfordshire and Surrey, as well as the London Boroughs of: Hounslow, Ealing and Harrow. Hillingdon is home to Heathrow, one of the world's busiest airports, which normally caters for more than 60 million passengers a year. The borough, Hillingdon, has some of the best sports and fitness facilities in London including: Hillingdon Sports and Leisure Complex with 50 metre indoor competition pool; leisure pool; outdoor lido; 100 station gym; athletics stadium and 400 metre running track; 3G floodlit pitches, sports hall and more. There are also 16 libraries; 3 theatres (1 open air), and over 200 green spaces covering approximately 1,800 acres, including Ruislip Woods; the Nature Reserve, and Lido. The Council's vision is 'Putting Our Residents First'. This underpins its actions and decision-making process and is achieved by applying the following themes:

Our People - Putting our residents first and at the heart of all that we do, promoting civic pride.

Our Natural Environment - We will protect and enhance the borough's natural environment.

Our Built Environment - We will continue to improve our buildings, roads and footways and ensure that new buildings fit with the surrounding environment.

Financial Management - Maintain the solid approach to financial management that has delivered our success to-date and which will be vital going forward.

The London Borough of Hillingdon was one of the 32 London Boroughs created by the London Government Act 1963. It was formed by the amalgamation of the Borough of Uxbridge and the Urban Districts of Hayes/Harlington, Ruislip/Northwood and Yiewsley/West Drayton. The new borough came into existence on 1 April 1965, when the new Council started work. As well as taking on the work of the four previous district authorities, the Council became responsible for local services such as education, libraries, and children's services. These had previously been run by the Middlesex County Council, which ceased to exist on 1 April 1965. Hillingdon's purpose-built Civic Centre opened its doors to the public in 1977.

The London Borough of Hillingdon provides care and support to older people in residential nursing homes and for youngsters in residential children's and foster homes. The Council provides housing through ownership and maintenance of over 10,000 houses and flats held for Council tenants. The Council maintains a large proportion of the road networks within the borough, as well as collecting waste from homes and businesses. In addition, the Council runs a number of refurbished public libraries; deals with planning applications, and provides sports and leisure facilities. Instead of reducing services, the Council has made steps to invest in facilities available to residents because of sound financial management and a comprehensive Capital programme.

The Council employs approximately 2,500 staff inclusive of part time staff and has a population of around 305,900 (according to the 2021 Census). Hillingdon is an ethnically diverse borough with 33.3% of residents from Asian ethnic groups, 7.8% Black ethnic groups, 4.4% Mixed or Multiple ethnic groups, 48.2% White ethnic groups and 6.3% from other ethnic groups.

Hillingdon is rich in wildlife and wildlife habitat, including waterways; lakes; meadows, and nature reserves. Ruislip Woods has been designated London's first National Nature Reserve; whilst nearby Ruislip Lido boasts 60 acres of water. The borough also offers a host of sporting activities, including sports centres, many with newly refurbished gyms and two exceptional 18-hole and one 12-hole golf courses, including a championship standard course at Stockley Park. The arts and entertainment thrive, with The Beck professional theatre in Hayes, The Compass Theatre in Ickenham, and various other venues.

# Narrative Report

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## 2.2 Financial Performance

### General Fund

The financial challenges facing the Council due to years of the Government's austerity programme and increased demand for services continued throughout 2023/24, with this position compounded by the wider economic environment and the current level of exceptional inflation, whilst also managing ongoing legacy issues driving by the global pandemic. Councils are starting to see Central Government funding increase, but this funding is still lagging behind pre-austerity levels, with 2023/24 compounded by inflation significantly outstripping increased funding, despite this, Hillingdon was still able to continue to maintain cash discounts against Council Tax for the over 65s in receipt of this benefit on 31 March 2023 for another year in 2023/24, without impacting on front-line services to the public. In addition, the Council was able to manage significant increases in demand for services and keep fees and charges significantly cheaper than neighbouring boroughs on a per capita basis.

These are financially challenging times for local authorities to deal with, and respond to a number of significant national pressures, within a significantly reduced funding envelope. Particular pressures for Hillingdon include the increased cost of adult social care, children's placements, homelessness, asylum seekers and ensuring it has an experienced workforce to deliver the best services it can to its residents.

Despite the challenges faced by the Council, of the savings target of £22,762k, £17,895k are either banked in full or classed as 'on track for delivery', while £4,867k were covered by alternative measures during 2023/24, the percentage of savings banked in 2023/24 has increased from the level achieved in 2022/23, with that year being impacted by high inflation and ongoing legacy impacts from the pandemic. This balancing of local demand for services and financial constraints has been successfully managed through the Council's Business Improvement Delivery (BID Transformation) Programme.

The Council's net revenue budget for 2023/24 totalled £263m, excluding those services such as schools and housing benefit, which are funded by specific funding streams. This net budget was supported by a combination of central government grant and locally raised Council Tax and Business Rates. The main driver for the funding increase of £12m from 2022/23 includes locally generated income from Council Tax, which was budgeted to grow by £6,261k as a result of the Council Tax increase, with a further increase in Government funding of £6,747k, with Business Rates generating an additional £4,054k as a result of the Council's rating list recovering from the pandemic. This position is being offset by a reduction in one-off income of £3,409k, primarily driven by the Council's ability to reduce the reliance of Earmarked Reserves.

Throughout the year, monthly budget monitoring reports were reviewed by Cabinet, enabling corrective action to be taken in response to emerging pressures, whilst continuing to deliver on the Council's priorities for residents. Strong financial management, coupled with an ambitious BID Transformation Programme, delivered an improved position against budget at outturn.

General Fund revenue budgets reported an overall underspend of £6k (£127k under spend in 2022/23) against planned expenditure budgets based on normal activities.. The General Fund balance totalled £26.8m at year-end (£26.8m in 2022/23). Underspends across the Council were mainly driven by a favourable variance against the Council's Treasury activities, offset by pressures within Residents Services. The General Fund balance of £26.8m (£26.8m in 2022/23) plus controllable earmarked reserves of £8.3m (£20.1m in 2022/23) are moderately above the minimum reserve balance level set for 2024/25 of £32m.

The reduction of £11.8m in controllable earmarked reserves was due to a number of net drawdowns, including £4m to support movements in inflationary pressures, £1.1m to manage costs of securing alternative social care placements in the event of supplier failure and £1m to support the implementation of the new financial ERP system. A new HRA acquisitions and developments reserve for £6.8m has been created from the costs recovered from the Packet Boat House settlement.

Since April 2013, local authorities have been able to retain a proportion of business rate growth income from their area. Until 2017/18 this proportion was 50% retention, with 30% of this value retained locally by the Council. In November 2017, Leaders of London local authorities collectively approved the principle of a Business Rates Retention Pilot Pool for the capital. In 2020/21 the Government ended the pilot status for the London Pool, however London Authorities continued to pool benefits without the pilot status but benefit from maximising the top-up and tariff system. However, due to the impact of the pandemic on the London-wide rating list the pool made a small loss, the decision was therefore taken not to pool Business Rates across the capital since 2021/22.

# Narrative Report

The outturn for the General Fund revenue budget is set out below:-

<b>General Fund Services</b>	<b>Outturn 2023/24</b>
	<b>£'000</b>
Finance	33,071
Health and Social Care	97,373
Children, Families & Education	73,689
Property, Highways & Transport	8,932
Residents' Services	28,942
Corporate Services	25,956
<b>Service Operating Budgets</b>	<b>267,964</b>
Funding	(267,970)
<b>Outturn Total</b>	<b>(6)</b>

Details on how the General Fund outturn position for management decision-making links through to the Comprehensive Income and Expenditure Statement (CIES) surplus for the year, in accordance with accounting standards, can be seen in the Expenditure and Funding Analysis (EFA) note which precedes the CIES.

## Housing Revenue Account

The Housing Revenue Account (HRA) delivered an in-year drawdown from its HRA general balances of £0.1m. As a result, HRA general balances total £15.1m at 31 March 2024 (£15.2m 31 March 2023). In addition, the HRA holds £3.2m in the major repairs reserve (MRR) (£2.1m 2022/23) to fund future capital works.

There have been 49 Right-to-Buy sales of Council dwellings as at the end of March 2024 (58 in 2022/23) which resulted in a gain on sale of assets when comparing the sale price to the Social Housing value in the Council's accounts.

## Capital Investment

The Council's programme of capital investment for 2023/24 totalled £127.3m (£110.7m in 2022/23) and was funded from a range of sources. These sources of funding included grants, contributions from revenue resources, proceeds from asset sales, and prudential borrowing.

An under spend of £64.9m is reported against the 2023/24 General Fund capital programme, consisting of £3.5m cost underspends and £61.4m re-phasing for various projects and programmes that are continuing into future years.

Investment during 2023/24 on the General Fund totalled £66.1m and HRA £61.2m. Significant General Fund investment included a further £6.2m towards the construction of the new Platinum Jubilee Leisure Centre in West Drayton, due to be completed in 2025/26. A further £6.3m on towards installing solar panels on four council buildings. A further £8.6m has been contributed towards several expansion projects to increase provision for pupils with special educational needs (SEND). There was also significant spend of £8.01m highways infrastructure and street lighting.

In 2023/24, new affordable housing construction within the HRA was continued at the redevelopment of the former Maple and Poplar Day centre in Hayes to provide 34 modern homes. A further £9.7m was invested in the Hayes Estate Regeneration schemes. A further £17.7m was invested in acquisitions of numerous properties to increase the number of available Council housing stock, and £23.6m in improvements to the existing council housing stock.

# Narrative Report

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## Investment Strategy

The Council lends money to, and has a 100% shareholding in one subsidiary, Hillingdon First Ltd. This is classed as an "Investment for Service Purposes". The objective is to deliver a financial return to the Council and provide housing and/or a commercial unit for sale or rent. This will be achieved by generating long-term sustainable revenue streams through the delivery of high-quality housing to meet the need of Hillingdon's residents. The Hillingdon First Ltd shareholder agreement and memorandum of association sets out in detail the governance arrangements and provides details of the operating framework, controls and reporting requirements. As at 31 March 2024, the Council holds £4.2m in equity at fair value in Hillingdon First Limited, an investment made in 2019/20. The council intends to make further loans as necessary and in accordance with the council's treasury management and investment strategies. The accounts of Hillingdon First Limited are not included in these financial statements as they are not considered of sufficient materiality to require inclusion for group accounting purposes.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. While one of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. To limit these risks, upper limits on the sums invested in each category have been set. Furthermore, the Council is protected against any loss through a charge over the assets of Hillingdon First Ltd.

The Council assesses the risk of loss before entering into and whilst holding service loans. The Council aligns loan durations with each specific development. A specific loan agreement will be drawn up for each development using the agreed schedule as a framework. Hillingdon First Ltd will be required to provide full development scheme details to the Shareholder Committee (acting on behalf of the Council as shareholder) before the loan facility can be drawn down for specific expenditure on that development.

Over the period 2020-23 the Council provided financial support totalling £1,681k in the form of soft loans (ie lower than market rates) to Greenwich Leisure Limited (GLL), with whom it holds the leisure operating contract. The purpose of this was to support the contractor during the pandemic and thereby protect public service objectives in the delivery of leisure services. The opening carrying value of the loan as at 1<sup>st</sup> April 2023 was £1,240k (in 2022/23 a total loss of £441k was recorded in the CIES representing the present value of the interest foregone over the life of the loan (£439k) and expected credit losses (£2k), resulting in a lower amortised cost than the outstanding principal. In 2023/24 the carrying value of the loan increased by £64k to £1,304k as at 31<sup>st</sup> March 2024, due to crediting CIES £66k interest and £2k expected credit loss charge.

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## Treasury Management

The Council takes a very prudent strategic approach in investing its cash balances to ensure money is invested at a very low level of risk. The strategy for investing funds first considers the security of the deposit, the liquidity of investments and then the return on the investment.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024.

The Council adheres strictly to counterparties that have been agreed through the Treasury Management Strategy, consisting of other local authorities, instant access funds, and institutions with a credit rating A- or above. The total investment income received this year was £4,001k (£2,392k in 2022/23). Investment income returns for the year on internally managed cash yielded 4.92% (2.13% in 2022/23). The Council also continued as part of its investment strategy to invest £15m in more strategic pooled funds that return dividends, with an average return of 4.15% (3.43% in 2022/23). Rising market interest rates in recent years have reduced the fair value of bonds held within these strategic pooled funds, and previously up to 31st March 2023, an adverse movement of £1,507k had been reported. This has improved with a gain of £438k in 2023/24 and the fair value as at 31st March 2024 is now a loss of £1,069k. The DLUHC IFRS 9 pooled investment fund statutory override for English authorities for fair value gains and losses on pooled investment funds is due to expire with effect from 1st April 2025. Under the regulations, gains and losses resulting from unrealised fair value movements relating to treasury pooled investment funds, that otherwise must be recognised in profit or loss under IFRS 9, are not charges to the revenue account, and must be taken into an unusable reserve account.

Although internal borrowing continued to be utilised during the year, external borrowing was also required during 2023/24 to ensure liquidity was maintained. Overall the total loan portfolio increased by £32.5m with total loan balances at year-end of amounting to £356.2m (GF £158.6m, HRA £197.6m). New loans of £50m were taken under the HRA to take advantage of the concessionary PWLB rate for HRA capital financing, of which £20m were short term (12 months). There was no new long term General Fund borrowing with borrowing throughout the period consisting of £64m temporary local authority loans, offset by £70m which matured resulting in a net £6m reduction in temporary loans.

Over the year the Council's loan portfolio had an average interest rate of 3.31% (2.60% 2023/24) reflecting increases in market rates. Interest paid over the year totalled £10.26m (GF £4.87m, HRA £5.39m), an increase of £1.46m from 2023/24.

## Change in Accounting Practice

There were no material changes to the 2023/24 Code resulting in any meaningful alteration in accounting policies. The adoption of IFRS16 Leases is mandatory for local authorities from 1<sup>st</sup> April 2024, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

## Property, Plant and Equipment

A net gain on disposal of £6.8m has been recognised in the Comprehensive Income and Expenditure statement, comprising mainly a gain of £6.7m related to HRA Right-to-Buy sales. However, this profit is an accounting profit only, as social housing is accounted for in the balance sheet at 25% of its market value to comply with social housing valuation methodology in London, as a result replacement of these housing units would be more expensive. In 2023/24 there were gross capital receipts amounting to £13.8m (£8.6m in 2022/23) obtained on thirteen General Fund sites.

## 2.3 Non-Financial Performance

### Environment

The council has retained its status as one of the greenest boroughs in the country after receiving 67 Green Flag Awards – the most held by any local authority. It is the eleventh year running the council has achieved the top spot for its green spaces through the national- and international – awards scheme which recognises and celebrates most beautiful and well-managed parks in the UK and beyond.

The council's award-winning rain gardens in Eastcote, which help prevent localised flooding, were given a £12,000 makeover with hundreds of new plants during Spring 2023. During the past few winters, the plants have been affected by the cold, with some dying off. Almost 1,000 new plants have now been restored to the 15 rain gardens following the

# Narrative Report

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work in May 2023, with species including hebe (a favourite of bees), miscanthus, panicum, stipa, pennisetum and various grasses.

In January 2024, a new decarbonisation programme got underway at the Civic Centre, Uxbridge with the arrival of 10 air source heat pumps, as the council continues to make strides towards its target for its operations to be carbon neutral by 2030. The Civic Centre is the first of four buildings earmarked for a carbon-reduction makeover, with the air source heat pumps and a high-capacity heat recovery cylinder delivered as part of an initiative that will see 12 more heat pumps installed on the roof of the building's main plant room, a further 12 in the goods yard, and four more at the rear of the site's Middlesex Suite.

## Leisure and Culture

In July 2023, works completed to transform the play area in Fassnidge Park, Uxbridge, as part of the council's four-year £1.6 million refurbishment programme. In total, 23 playgrounds on housing estates and in parks across the borough will see their ageing play equipment replaced with modern, accessible and inclusive facilities.

Also completed during summer 2023 were Albion Road playground, Hayes, where new equipment includes a three-way see-saw, fireman's pole, an extra wide slide, double tower multi-play unit and a wheelchair-accessible roundabout, and St Peter's Road playground in Cowley, where equipment includes a new climbing agility unit, cradle seat swing, springer, inclusive see-saw, and a junior multi-unit specifically for younger children.

On Friday 29 September 2023, the council celebrated the opening of Harmondsworth Recreation Ground's newly renovated tennis courts. This marked the completion of a £240,000 investment programme, which saw the council invest £60,000 and secure a £181,175 grant from the Lawn Tennis Association (LTA) and the government to revitalise 15 of the borough's tennis courts.

In October 2023, the council opened an accessible cycle hub in Uxbridge which will give people with health, learning and physical conditions the opportunity to use six specially adapted cycles. The £57,000 council-funded project not only provides specialist cycles and storage facilities, but also cycling instructors who will facilitate sessions, as necessary.

## Schools & Children's Services

In December 2023, the council formally opened its second fully refitted and inclusive family hub in Hayes. The former ASHA Day Care Centre, near Coldharbour Lane, has been remodelled into a multifunctional site which incorporates a wide range of integrated services for families and children. The new hub includes children's centre groups and sessions, outdoor space for play, youth services, parenting programmes, SEND support, adult education opportunities and pre and antenatal maternity support for children, young people and their families. Services can be offered in person or online, giving visitors access to counselling, mentoring, health visitors, a sexual health clinic, baby groups and much more.

Also in December 2023, the council had completed work at two primary schools to enhance facilities and create additional places for children with special educational needs (SEND). The council has created a new and bespoke specialist resource provision (SRP) at the school, offering group and therapy rooms, classrooms for Key Stage 1 and 2, a utility space, toilets and a welcome space. This will provide an additional eight students with autistic spectrum conditions (ASC) with support.

The council's Children's Services has been judged as one of the best in England, following an 'Outstanding' Ofsted report in November 2023. Inspectors praised "excellent council staff" and "exceptional practice" for enhancing the lives of children and families in Hillingdon.

On Friday 23 February 2024, the council celebrated the completion of improvement works at Hillside Infant School in Northwood and held an event to mark the steel frame being installed as part of school expansion works at Meadow High School in Uxbridge. The council has invested £800,000 into the installation of new flat roofs and skylights at Hillside Infant School. The new roofs will significantly reduce heat loss and deliver long-term energy savings, and the new rooflights will allow more natural light into the building.

## Social Care

The remarkable achievements of care experienced children and young people were celebrated at the council's fun filled and glamorous annual KICA event on Sunday 17 September 2024. Four hundred children, carers and friends were brought together to recognise the children and care leavers' determination and successes at the special ceremony at Stockley Marquee at Stockley Park Golf Course.

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## Protecting Residents

Two more council car parks have been given lighting upgrades to improve safety for visitors and make them more energy efficient. Work at the Cedars car park in Uxbridge and Blyth Road car park in Hayes completed during Summer 2023. The new 24-volt intelligent lighting system will cut energy costs and carbon emissions and tackle residents' concerns about safety by ensuring, bright, evenly distributed light at night.

## People Resources

The Council is continuing to recruit and develop existing staff onto apprenticeship programmes across a range of services, with 110 apprentices across the Council in 2023/24.

## 2.4 Risks and Opportunities

With pressure on resources available increasing as a result of reduced funding, demographic changes and inflation pressures there could be a risk to future service provision. The Hillingdon Improvement Programme (HIP) is aimed at delivering a range of key improvements to the way the Council works and improving services to our residents. Since its introduction, it has delivered impressive savings across the Council and championed a variety of initiatives.

Strong financial management and a commitment to putting our residents first, are at the core of the HIP programme and underpins all projects. Our Business Improvement Delivery (BID) programme aims to deliver services that resident's value, and to identify and improve the way the Council works. Reviews with services during 2023/24 to assess efficiencies and potential changes in ways of working, formed the basis of the MTFF for 2024/25 and are being facilitated and supported by the wider Transformation team. These, coupled with longer term strategic reviews, form the Transformation programme to meet the requirements of the MTFF.

The Council incorporates a number of service specific Demand-Led Growth assumptions into its budget to provide for areas of expenditure where there is a greater degree of uncertainty or are subject to demographic pressures. In 2023/24, the Council utilised this budget resource for managing the impact of growing demand for Homelessness services, Waste disposal Levy, and Social Care demographic pressures. The Council has increased the approved budget by £9m for Demand-Led Growth in 2023/24, with demand-led services continuing to be impacted by the cost of living pressures and legacy impacts driven by the pandemic.

Going forward the Council is facing a number of significant risks to its financial position such as the following:

- Delivering a number of savings that are in early stages of development, including achieving the Target Operating Model as set out in the draft Cabinet budget report for consultation submitted to Cabinet in December 2024.
- Further potential demand pressures that may arise, particularly around social care costs and temporary accommodation.
- Macro-economic headwinds including inflation and interest rates

The Council has a significant Dedicated Schools Grant deficit (£50.6m) which is currently held on the Balance Sheet but not impacting on the level of general reserves. Should the statutory over-ride preventing it from affecting general reserves be withdrawn this would result in general reserves being negative.

## 2.5 Looking Ahead – Strategy and Resource allocation

Looking into the medium financial outlook, the underlying savings requirement is driven primarily by inflation as a result of the extreme inflation rates being experienced nationally and globally; with further pressures being driven by demand-led pressures, and capital financing costs. An uplift in funding is projected over this period as a result of steady growth in the Council Tax taxbase alongside an increase in Retained Business Rates as a result of an increase in the Business Rates multiplier for 2024/25, alongside releasing the benefit of the April 2023 revaluation. Following the Final Local Government Settlement for 2023/24, the Council's grant funding from Central Government increased by £6,747k in 2023/24 from the previous year, with the 2024/25 settlement confirming an additional £3,095k for 2024/25.

The combined effect of the medium-term forecast position is a headline savings requirement of £51.9m over the next five years to 2028/29, with the five-year budget strategy identifying a saving programme of £33.4m, leaving a budget gap of £18.5m, which represents a challenge on a similar scale to the £51.0m of pressures managed over the period from 2019/20 to 2023/24. In contrast to the previous five years, when reductions in funding were the single largest

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contributor to the budget gap, the projected gap is very much driven by growth in expenditure as a result of the exceptional inflationary environment forecast to last throughout 2023/24 and into 2024/25, partially mitigated through continuation of the increased government support from 2024/25 onwards, particularly for Social Care, although there remains a lack of clarity of Government funding beyond the current Spending Review that ends on 31 March 2025.

Demand-led service projections relate to Council services where the financial impacts are driven by demand levels, and in some services, the markets in which those services are procured. These items are projected to add £28,224k or approximately 21% to the 2023/24 budget for these functions from 2024/25 to 2028/29. Demand led pressures exist in the following areas in particular:

- Waste disposal costs
- Looked After Children services
- SEND transport
- Adult Social Care placements
- Homelessness

The budget for 2024/25 includes releasing no further funding from general balances but does propose to increase controllable balances by £1.5m per annum over the next 5 years. The current budget strategy leaves minimal controllable balances above the recommended minimum level available, to manage emerging risks.

A cumulative deficit of £50.6m is shown in the accounts on the retained element of the Schools Budget at 31 March 2024, with this balance being impacted by the suspension of the Council's contributions to the deficit included in the Safety Valve agreement, however, the Safety Valve agreement with the Department for Education is set to ultimately recover the deficit. This deficit primarily relates to funding as determined under the Department for Education's national funding formula, failing to keep pace with growing demand for high needs placements for pupils with Education, Health and Care Plans, following introduction of the 2014 Children and Families Act. The Council's Medium Term Financial Strategy continues to be developed on the Safety Valve Agreement that the Council has entered with the Department for Education (DfE) following Cabinet's ratification of the agreement at Cabinet in March 2022.

Based on the current medium-term outlook, there is a residual savings requirement of £51.9m over the period 2024/25 to 2028/29. Some of this savings requirement has been established through expected funding increases, predominantly within Council Tax and a multi-year saving programme, leaving a remaining budget gap of £18.5m still to be identified. Given the size of the budget gap going forward and size of the 2024/25 saving programme, delivery will need to be stepped up going forward. This will include the continued need for an expanded and accelerated BID Programme. Alongside the more strategic BID workstreams under development, the routine MTFS work streams such as zero-based budgeting and annual reviews of charging policies will continue.

Looking forward the Council's Capital Programme 2024/25 to 2028/29 has an approved budget of £377m, with £104m to be funded from prudential borrowing after prioritising use of grants and third-party funding, maximising application of developer contributions and where possible using capital receipts. Specific projects on the Capital Programme include a continuation of the Schools Expansions programme, a new leisure centre in West Drayton, Carbon Zero Initiatives, Civic Centre Transformation, street lighting replacements, expanding and improving CCTV coverage as well as investments into technology and highways.

Looking into the medium financial outlook the underlying savings requirement is driven primarily by inflation, with 2024/25 forecast to remain particularly high compared to recent trends, with further pressures coming from demand-led pressures and capital financing costs. An uplift in funding is projected over this period as a result of steady growth in the Council Tax taxbase and an increase in retained Business Rates from the increase in the multiplier in 2024/25. This increase in funding is not guaranteed, particularly with the uncertainty in the increase in the taxbase for Council Tax as the high inflation environment continues to impact on the construction industry and high interest rates continue to impact mortgages. These drivers also impact on the stability of the Business Rates rating list and their impact on industry and local businesses, as well as the long-term impact of the pandemic and the changes the pandemic has had on everyday life, hence there is a risk that the savings requirement will be higher than that stated in the current MTFS strategy.

## 2.6 Statements within the accounts

### General

The movement in the Balance Sheet of £72.3m in year largely consists of reductions to net liabilities related to defined benefit pension schemes and increases to long term assets due to a combination of valuation movements and additions and enhancements to the asset base from capital expenditure in year.

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Any minor movement in the underlying IAS19 pension assumptions results in a large swing in the overall deficit position. For 2023/24 an increase in the net discount rate from 4.75% (2022-23) to 4.80% (2023-24) has reduced the value placed on the Fund's liabilities and contributed to an overall favourable impact of £77,593k in reducing the net deficit on pension assets and liabilities recognised in the Balance Sheet.

**The core accounting statements comprise: -**

## **Comprehensive Income and Expenditure Statement**

This statement reports the net cost for the year of all functions for which the Council is responsible and demonstrates how that cost has been financed through income from taxpayers and general government grants. The income and expenditure is split by Council service. The surplus or deficit on this account represents the amount by which income is greater than, or less than expenditure.

The statement shows a deficit of £48.0m (£56.5m deficit in 2022/23) on the provision of services for 2023/24. Of this, a deficit of £64.2m relates to General Fund balances and a surplus of £16.2m relates to the Housing Revenue Account. Additional reserve movements, including earmarked and schools shows an overall drawdown of £7.5m.

To comply with statutory accounting requirements there are various items that are accounted for through the Comprehensive Income and Expenditure Statement such as depreciation, revaluation and impairment losses, and losses on disposal. These items are removed for the purposes of Council Tax setting as they are accounting items and do not affect the funding of services, as a result these items of expenditure are reversed out of the General Fund Balance in the Movement in Reserves Statement.

## **Movement in Reserves Statement**

This statement reconciles the outturn on the Comprehensive Income and Expenditure Statement to the balance on the Council reserves, established by complying with relevant statutory provisions, showing the true economic cost of providing the Council's services. The statement splits the Council's reserves into usable and unusable balances, and shows movement to and from them during the year. Usable reserves are those that can be applied to fund expenditure or reduce local taxation. Unusable reserves are those balances over which the Council has no direct control, which arise from differences in accounting and statutory reporting requirements.

Usable reserves increased by £1.9m to £119.0m in 2023/24. Within this movement there was an increase in General Fund balances of £6k and a decrease in HRA balances of £0.1m. There was a decrease in Earmarked reserves (including schools' reserves) of £7.5m, partly due to a net draw down of £4.0m in the Inflation Volatility reserve to manage inflation risks. A new HRA development and acquisitions reserve of £6.8m was created in 2023/24. Other movements included transferring unspent capital grants of £2.1m to the Capital Grants Unapplied Reserve to support future financing of capital projects.

Unusable reserves increased by £99.3m to £1.468bn in 2023/24, mainly due to the decrease in the Pension Fund liability of £77.6m, reflected in the Pensions Fund increasing by the same amount, and upward movement in property values increasing the Revaluation Reserve by £48.3m. There was an increase of £5.3m in the Capital Adjustment Account partly due to capital expenditure in year financed from capital grants and contributions. The Collection Fund Adjustment Account increased by £7.4m.

To support the Movement in Reserves Statement, Note 4 to the accounts shows the Adjustments between Accounting Basis and Funding Basis under Regulations. This note reverses the items of income and expenditure that are required to be credited or charged to the Comprehensive Income and Expenditure Statement, that do not affect the General Fund balance for Council Tax purposes. Total adjustments for 2023/24 were £49.1m within the General Fund, adjusting the General Fund position for Council Tax purposes to a surplus of £6k.

## **Balance Sheet**

This shows balances and reserves at the Council's disposal at year-end, together with its long-term indebtedness, net current assets employed in its operations and summarised information on non-current assets held. It excludes funds held in trust for others and Pension Fund assets that are reported in the separate Pension Fund accounts.

The total net worth of the Council in 2023/24 was £1.587bn (£1.515bn in 2022/23). The largest items within the Balance Sheet consist of long-term assets valued at £2.182bn, net pension liabilities of £183.1m and long-term borrowing of

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£246.3m. The main contributors to the movement came from the reduction in pension liabilities, and the increase in value of Plant Property and Equipment.

The Council maintains reserve balances to meet the cost of unforeseen demands or events and as a result keeps a minimum level of balances. As at 31 March 2024 the Council has £26.8m General Fund balances (£26.8m in 2022/23) and £10.1m Earmarked Reserves excluding schools' balances, held for specific purposes (£17.1m in 2022/23). Further details on Earmarked Reserves can be seen in Note 5 to the accounts.

## **Cash Flow Statement**

This summarises all movements in cash and cash equivalents arising from both revenue and capital transactions with third parties. It excludes funds held in trust for others and the Pension Fund. There was a decrease in cash and cash equivalents in 2023/24 of £13.6m.

## **Supplementary accounting statements comprise:**

### **Housing Revenue Account (HRA) Comprehensive Income and Expenditure Statement**

There is a statutory duty to account separately for Local Authority housing provision. The HRA Income and Expenditure Statement shows in detail the income and expenditure on HRA services included in the Council Comprehensive Income and Expenditure Statement. It includes the major elements of Council housing revenue expenditure on maintenance; administration; capital financing costs, and major income sources such as rents.

There was a surplus in 2023/24 on HRA services of £15.4m (£9.4m in 2022/23).

## **Statement of Movement on the Housing Revenue Account Balance**

This shows how the HRA Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year. It shows income and expenditure that is credited or charged to the HRA balance by statute or non-statutory practices, to reconcile the amounts charged to Housing tenants. For example, revaluation gains and losses on Council dwellings and gains/losses on disposal of asset are reversed.

Overall, the HRA was in deficit by £0.1m in 2023/24 (deficit of £0.2m in 2022/23), after adjustments made in the Statement of Movement on the HRA Balance and transfers to the Major Repairs Reserve.

## **Collection Fund Revenue Account**

The Collection Fund is a separate account into which amounts raised from local taxation are paid through Council Tax and Business Rates, and from which payments are made to precepting authorities including the Council itself. An in-year surplus of £5.5m is reported on Council Tax with a carried forward surplus of £2.3m.

An in-year surplus of £10.6m is reported on Business Rates, creating a surplus within the carry forward balance on NNDR to £23.2m.

The share of Collection Fund activity relating to the Council is reflected in the main statement of accounts, with the remainder being treated as agency activity on behalf of the Greater London Authority and Central Government. 75% of Council Tax and 30% of Business Rates activity relates to the London Borough of Hillingdon.

## **Pension Fund Accounts**

These show contributions to the Council's Pension Fund for members during the year, together with pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund at the end of the year. These accounts do not include any liabilities relating to payment of pensions and benefits in future years. The activity of the Pension Fund is not incorporated within the Council's core accounting statements.

## **This document also includes the following: -**

### **Notes to the Accounts**

The notes provide further explanation of figures contained in the core and supplementary accounting statements. The notes to the accounts include the Expenditure Funding Analysis, which precedes the core financial statements of this document to help the flow of information.

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## **Statement of Accounting Policies**

The accounts are produced in line with a set of policies and principles and can only be understood fully with awareness of these accounting policies.

## **Annual Governance Statement**

This statement is a report from the Leader of the Council and Chief Executive setting out the: systems; processes; culture, and values by which the Council is directed and controlled, and its activities through which it accounts to, engages with, and leads the community. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

## **Glossary of Terms**

The glossary provides a definition of key terms used to aid understanding the accounting statements.

# Statement of Responsibilities for the Statement of Accounts

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 Corporate Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

## Corporate Director of Finance Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code').

In preparing this statement of accounts the Corporate Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Local Authority Code.

The Corporate Director of Finance has also:

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

## Corporate Director of Finance Approval of Accounts

I certify that these accounts present a true and fair view of the financial position of the London Borough of Hillingdon, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), as at 31 March 2024 and its income and expenditure for the year then ended.



**Richard Ennis**  
Corporate Director of Finance  
26 March 2025

## Audit Committee Certificate for the Approval of the Accounts



John Chesshire, Audit Committee Chair  
Signed on behalf of London Borough of Hillingdon AUDIT COMMITTEE  
26 March 2025

# Independent Auditor's Report

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF HILLINGDON

### **Disclaimer of Opinion**

We were engaged to audit the financial statements of the London Borough of Hillingdon ('the Authority') for the year ended 31 March 2024. The financial statements comprise the:

- Movement in Reserves Statement;
- Movement in Unusable Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- related notes, including the Statement of Accounting Policies, the Expenditure and Funding Analysis and Notes to the Main Financial Statements 1 to 45;
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 9; and
- Collection Fund Account and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **Basis for disclaimer of opinion**

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2023 for the London Borough of Hillingdon was not completed for the reasons set out in our disclaimer of opinion on those financial statements dated 28 November 2024.

Due to the disclaimer of opinion on the prior year, delays in receiving draft financial statements and associated audit evidence and the limited time between the backstop dates we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Authority's financial statements for the year ended 31 March 2024.

In addition, the financial statements as approved by the London Borough of Hillingdon for the year ended 31 March 2023 included property, plant and equipment belonging to two schools which converted to academy status during the year ended 31 March 2022. These assets should have been derecognised by the Authority at the point the schools converted to academy status, but remained within the financial statements overstating property, plant and equipment at 31 March 2023 by £28.7 million. The Authority has derecognised these assets from the opening balances as at 1 April 2023 presented within the financial statements for the year ended 31 March 2024, but has not restated the prior period information.

# Independent Auditor's Report

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Therefore, we are disclaiming our opinion on the financial statements.

## **Matters on which we report by exception**

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Authority.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- 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 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We report to you if we are not satisfied that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Authority's arrangements for the year ended 31 March 2024.

## **Significant weaknesses in arrangements**

### ***In relation to financial sustainability***

#### *Our judgement on the nature of the weakness we have identified*

We have observed evidence which leads us to conclude that there is a significant weakness in the Authority's arrangements to identify and manage risks to its financial resilience and ensure it can continue to deliver services in a sustainable manner, including having insufficient reserves available to absorb its dedicated schools grant (DSG) deficit when the current statutory override ends.

#### *The evidence on which our view is based*

We have formed our view on the Authority's arrangements having

# Independent Auditor's Report

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- Reviewed the Authority's medium term financial forecasts (MTFFs) for the periods 2023/24 - 2027/28 and 2024/25 - 2028/29, budget outturn report for 2023/24 and monthly budget monitoring reporting both during and following the financial year under audit;
- Compared the financial health of the Authority against its peers, including via inspection of the Authority's scoring in the publicly available CIPFA Financial Resilience Index;
- Made enquiries of management and those charged with governance of the Authority.

## *The impact on the London Borough of Hillingdon*

The deterioration in the Authority's financial position increases the risk that the Authority will need to identify, develop and implement significant savings plans in order to maintain current levels of service provision. The Authority may need to reassess the services it provides and how it funds those services and take difficult decisions in the context of its financial position. Inaccurate forecasting of demand for services and the costs of providing them increases the risk that the Authority will continue to overspend against its budget, further depleting its already low level of reserves.

## *The actions the Authority needs to take to address the weakness*

We make the following recommendations to the Authority to address this significant weakness in the Authority's arrangements:

1. We recommend that the Authority builds upon the steps already taken to control its expenditure to identify specific deliverable savings over the short term and medium term (next 12-24 months) to protect its limited remaining reserves in the context of the forecast levels of funding.
2. We recommend that the Authority reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Authority should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.
3. We recommend that the Authority seeks to balance its schools budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Authority should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2026.
4. We recommend that the Authority review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Authority's annual budget, emerge and ensure future forecasting reflects the lessons learned.

## *In relation to governance*

### *Our judgement on the nature of the weakness we have identified*

We have observed evidence which leads us to conclude that there is a significant weakness in the Authority's arrangements with regards to the way the Authority records, processes and reports on the information it holds which undermines the ability of the Authority to take properly informed decisions, manage its risks and meet statutory reporting deadlines.

# Independent Auditor's Report

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## *The evidence on which our view is based*

We have formed our view on the Authority's arrangements having:

- Reviewed the Annual Report and Opinion of the Authority's internal auditor;
- Considered our observations during the performance of audit procedures over transactions and balances included in the Authority's financial statements, including the reasons for significant difficulties encountered in the execution of those procedures; and
- Made enquiries of management and those charged with governance of the Authority.

## *The impact on the London Borough of Hillingdon*

Weaknesses in the way the Authority records, processes and reports on the information it holds increase the risk that the Authority makes sub-optimal decisions based on inaccurate or incomplete information, and is not able to produce accurate financial and non-financial reporting to support effective evaluation and scrutiny of its performance.

## *The actions the Authority needs to take to address the weaknesses*

We make the following recommendations to the Authority to address this significant weaknesses in the Authority's arrangements:

5. We recommend that the Authority perform data quality assessments, using the Government Data Quality Framework or another suitable framework, of its key activities to enable it to better understand what its key data sources are, how it uses such data, the maturity of its data quality processes and any limitations in the data it uses;
6. We recommend that, having completed the data quality assessments, the Authority should develop actions plans to address any areas of weakness identified and ensure that implementation of those action plans is monitored and remedial action taken where necessary; and
7. We recommend that the Authority review the capacity and skill mix within the Authority's finance team to ensure that the Authority is able to support the production and audit of its financial statements within statutory timeframes, as this is a key enabler for supporting appropriate scrutiny of the Authority's financial performance by stakeholders.

## **Conclusion**

These matters are evidence of significant weaknesses in arrangements for:

- Financial sustainability, specifically how the Authority plans and manages its resources to ensure it can continue to deliver its services; and
- Governance, specifically how the Authority ensures that it makes informed decisions and properly manages its risks.

## **Responsibility of the Corporate Director of Finance**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the Corporate Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper

# Independent Auditor's Report

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practices as set out in the CIPFNLASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Corporate Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Finance is responsible for assessing the Authority'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 the Authority either intends to cease operations, or has no realistic alternative but to do so.

The Authority 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.

## **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## ***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether the London Borough of Hillingdon had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Hillingdon put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether the London Borough of Hillingdon had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Pension Fund financial statements**

On 17 March 2025, we issued our opinion on the Pension Fund financial statements for the

# Independent Auditor's Report

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year ended 31 March 2024 included within the Statement of Accounts.

## Certificate

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of the London Borough of Hillingdon.

## Use of our report

This report is made solely to the members of the London Borough of Hillingdon, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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.


Stephen Reid (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
London  
27 March 2025

# Independent Auditor's Report

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON ON THE PENSION FUND'S FINANCIAL STATEMENTS

### Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2024 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2024 and the amount and disposition at that date of its assets and liabilities as at 31 March 2024 and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, 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

In auditing the financial statements, we have concluded that the Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the 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 authority's ability to continue as a going concern for the period to 31 March 2026.

Our responsibilities and the responsibilities of the Corporate Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

### Other information

The other information comprises the information included in the London Borough of Hillingdon Statement of Accounts for the year to 31 March 2024, other than the financial statements and our auditor's report thereon. The Corporate Director of Finance is

# Independent Auditor's Report

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responsible for the other information contained within the Statement of Accounts 2023/24.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 financial statements or our knowledge obtained in the course of 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Matters on which we report by exception**

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- 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 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

## **Responsibility of the Corporate Director of Finance**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFNLASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and for being satisfied that they give a true and fair view. The Corporate Director of Finance is also responsible for such internal control as the Corporate Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director of Finance is responsible for assessing the 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 the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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

# Independent Auditor's Report

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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.

## ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Corporate Director of Finance.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and the Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Board minutes and other information.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk, we tested the consistency of investment income from the independent sources of the custodian and the fund managers to the financial statements.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the

# Independent Auditor's Report

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control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 London Borough of Hillingdon, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the London Borough of Hillingdon and its members as a body, for our audit work, for this report, or for the opinions we have formed.

*Debbie Hanson*

*Ernst & Young LLP*

*Debbie Hanson LLP (Key Audit Partner)*

*Ernst & Young LLP (Local Auditor)*

*Luton*

*Date 17 MARCH 2025*

# Statement of Accounting Policies

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## GOING CONCERN

The Council is required to prepare an annual Statement of Accounts which summarises the Council's transactions for the 2023/24 financial year and its position as at the year-end of 31 March 2024. The Statement of Accounts must be prepared in accordance with proper accounting practices as per the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 supported by International Financial Reporting Standards (IFRS).

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

The accounts are prepared on a going concern basis, assuming that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are approved.

The main factors that underpin this assessment and considered below include the Council's current financial position, projected medium-term forecast, and cashflow management process in the context of the ongoing impact of inflation and other external factors affecting the wider economy.

The narrative section 2.2. Financial performance contains detail of the Council's General Fund revenue budget outturn position. The Council maintained its record of operating within budget, reporting an underspend of £6k against planned expenditure budgets before transfers to reserves. The General Fund balance totalled £26.8m at year-end. This position is being driven by a favourable variance from the Council's Treasury activities offsetting an over spend of £3,125k within Residents Services (£425k overspend in 2022/23) Within this portfolio there are two areas that fall within the Council's Demand-Led Growth section of the budget strategy as a result of the impacts of demographics and volatility, with these two areas being Homelessness Prevention and Waste Disposal. Homelessness Prevention continued to experience a substantial uplift in demand throughout 2023/24, with a gross pressure of £2,986k being funded from earmarked reserves.

For context the Council's prudent minimum balance on the General Fund and controllable reserves is £32m for 2024/25. As at 31 March 2024 the Council held £35.1m comprising £26.8m General Fund balances and £8.3m controllable reserves.

The 2024/25 budget and five-year budget strategy was reported to Cabinet in February 2024. The General Fund budget for 2024/25 has been prepared in the context of a five-year strategy, which incorporates the impact of a comprehensive review of capital investment plans and strategic savings programme in the context of challenging economic circumstance globally, nationally and locally. With 2024/25 being the final year in the current Spending Review period and with no indication from Government on local authority funding from 2025/26 and beyond, there remains a significant amount of risk within the Council's funding position whilst the sector awaits an update from Government. The Council continues to operate in a high inflationary environment whilst residents deal with cost-of-living pressures, with the Council also continuing to see legacy impacts from the pandemic impacting on demand for Council services.

To mitigate pressures, the Council has identified a significant saving programme for 2024/25, with the Council including savings initiatives totalling £15.8m. As in previous years, savings proposals for the forthcoming financial year are specific in nature, with medium-term plans structured around wider strategic approaches to transformation of local services. Proposals have been developed within the themes of Service Transformation, Effective Procurement, Digital Strategy, Workforce, Managing Demand and Income Generation & Commercialisation and Zero Based Reviews.

During 2024/25 the Council has updated budget strategy projections against funding, inflation, demand led growth and corporate items, with this refresh setting out a budget gap for 2025/26 of £39.0m, rising to a cumulative impact of £62.1m by 2029/30. To date, the Council has identified savings of £32.6m in 2025/26, leaving a budget gap of £6.4m, with savings in later years increasing to a cumulative total of £65.2m by 2029/30 (including £5m Target Operating Model savings in 2025/26, rising to £25m by 2029/30). Reserves are forecast to reduce to £19.8m by the end of 2025/26, before increasing to £29.8m by 31 March 2030.

The Target Operating Model incorporates a full review of every service and how it operates, building on the work that started in the Zero-Based Budgeting reviews that set the groundwork for budget strategy development in 2024/25. The delivery of Target Operating Model savings are essential for the financial future of the Council.

The Council has not needed to request Exceptional Financial Support [EFS] from Government and is working hard to resolve its own financial pressures. Given the pressures and scale of financial savings, the Council's financial position is very challenging and whilst this is a national issue and systematic failure, it is the Council's responsibility to ensure

# Statement of Accounting Policies

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strong financial management to avoid this risk crystallising. If the savings are not delivered in broad terms EFS cannot be ruled out as is the case with many local authorities.

The Council proactively manages its cashflow, maintaining a daily forecast of available funds and ensuring that liquid cash and deposits of at least £10m are available at all times. Together with the reprofiling of funding and payments to government, this has continued to ensure that inflationary pressures have been managed within the available cash envelope. This minimum level of liquid cash is held in a combination of UK banks, Money Market Funds and HM Treasury's Debt Management Account Deposit Facility (DMADF), with additional deposits of around £15m held in Strategic and Long Dated Pooled Funds accessible within four working days.

The Council's cashflow forecasts project to maintain at least £10m in liquid cash and deposits at 31 March 2024 through to 31 March 2026. Liquid deposits are supplemented by the Council's ability to borrow short-term from other local authorities and ultimately borrowing from the Public Works Loans Board could be secured within five working days. The Council continues to retain significant borrowing headroom against the Capital Financing Requirement and would therefore have no operational or governance barriers to securing borrowing at short notice if required. The latest forecasting of capital financing requirements is that these are in line with budget projections and a strategy is in place to secure all required borrowing over the medium-term.

It is therefore noted that there is headroom within the General Fund to absorb the estimated financial impact of inflation in the short to medium-term with the Council proactively managing its financial position to make provision for actual and potential risks as part of the MTFS and budget monitoring processes. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

The going concern period of assessment is twelve months from the authorisation date of the financial statements.

## **CAPITAL**

### **1. 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 for administration purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### **Recognition**

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in the accounts, provided that the asset yields benefits to the Council for a period of more than one year and the cost of the item can be measured reliably. This excludes expenditure on routine repairs and maintenance of non-current assets that is charged directly to service revenue accounts when incurred.

#### **Measurement**

Assets are initially measured at cost, comprising:

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

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 will not increase the cash flows of the Council. In the latter case, 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 valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS). Property, Plant and Equipment are included in the balance sheet on the following basis:

# Statement of Accounting Policies

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- Community assets and assets under construction are included in the balance sheet at historic cost less impairment.
- Dwellings are carried at fair value, determined using the basis of existing use value for social housing.
- Surplus assets are measured at fair value, estimated at highest and best use from a market participant's perspective.
- All other asset classes are measured at fair value in its existing use. For land, buildings and assets which are not held for the purpose of generating cash flows, the fair value represents the amount that would be paid for the asset in its existing use. Where there is no market-based evidence of fair value due to the specialised nature of the asset, the asset is valued at its depreciated replacement cost.
- Plant and machinery forming an integral part of the property is included in the valuation of the buildings. Other plant, machinery, vehicles and mobile units have been given a value on the basis of historical costs as a proxy for current value.

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum, assets are valued 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 revaluation loss previously charged to a service).

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains) with any excess written down against the relevant service line in the Comprehensive Income and Expenditure Statement.
- 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 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.

A de minimis value of £10k has been set for capital purchases. This limit also applies to valuations. De minimis expenditure is charged to revenue but, where permissible and appropriate, it is financed as though it were capital expenditure.

The Council only includes maintained schools in its asset register and only where it owns or controls the assets; this includes foundation schools. Academies are external to local authorities and are not included. The Council does not own or control Voluntary Aided school assets as they are owned by the Diocese or Church of England and the value of these assets are not included in the Council's Balance Sheet.

The equity investment in the 100% wholly owned subsidiary of Hillingdon First Limited is classified as capital expenditure.

## **Impairment / Revaluation Loss**

An impairment review of all assets is undertaken at the end of each financial year. Losses arising from an impairment or revaluation loss are written off against any revaluation gain attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

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

## **Depreciation**

Depreciation is provided in the accounts in accordance with the International Accounting Standard (IAS) 16 and CIPFA guidelines. IAS 16 states that depreciation is to be provided on all Plant, Property and Equipment, other than for assets without a determinable finite useful life (i.e. freehold land, certain Community Assets and certain heritage assets) and assets that are not yet available for use (i.e. Assets Under Construction). The depreciation policy is that depreciation is

# Statement of Accounting Policies

calculated on a straight-line method and is based on the following useful lives approach unless specific information exists for an asset:

Infrastructure	40 years
Vehicles, Plant, Furniture & Equipment	3 to 30 years
Council Dwellings	Depreciated on straight line basis over maximum useful life up to 60 years
Other Land & Buildings	Useful life varies depending on the condition, type and usage of the asset, up to 60 years for buildings and infinite life for Land.
Surplus Assets	Useful life varies depending on the condition, type and usage of the asset
IT Equipment and Intangible Assets	5 to 7 years

Where an item of Property, Plant and Equipment has major components with useful lives different to the main asset, and the cost of that component is material (20% or £1m), the asset is split into component parts and depreciated separately. Where component assets are replaced, the carrying value of the asset is reviewed with an estimate made on the carrying amount of the old component being replaced to be written out.

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.

Depreciation is charged annually and is charged in full in the year of disposal and not in the year of acquisition. Assets under construction do not incur depreciation until they are complete. Depreciation is not charged on assets classified as held for sale.

## Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction expected within the following year, rather than through its continuing use, it is reclassified as an Asset Held for Sale. There must be a management decision that the asset will be sold and it must be actively marketed. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the net loss on disposal of non-current assets line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed or decommissioned, any loss or profit on disposal is recognised on the face of the Comprehensive Income and Expenditure Statement. 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 £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. 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 or Housing Revenue Account Balance in the Movement in Reserves Statement.

The flexibility over the use of capital receipts generated in the year in which they were received will be taken as per statutory guidance from the Department for Levelling Up, Housing and Communities to finance costs associated with service transformation and support the Dedicated Schools Grant safety valve agreement to reduce the deficit on the DSG.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Therefore, the loss or profit on sale is appropriated to the Capital Adjustment Account from the General Fund Balance via the Movement in Reserves Statement.

Council houses are sold at a discount in accordance with the legislative requirements. Some land and property may be sold at a discount or at nil value to housing associations in return for nomination rights (i.e. taking tenants from the Council's waiting list); other assets are sold at market value.

# Statement of Accounting Policies

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Commitments to make stock transfers are valued at estimated tenanted market value at the time the transfer is agreed, and an adjustment made to the non-current assets with any loss charged to the HRA Comprehensive Income and Expenditure Statement. An adjustment is made to non-current assets for any change to this valuation at the time of actual disposal.

Deferred credits on the Balance Sheet relate mainly to the sale of Council houses and reflect the amount of mortgage principal outstanding on sales, which will be transferred to capital receipts when paid.

**Grants and contributions:** Where grants and contributions are received that are identifiable for spend on Property, Plant and Equipment, the income is credited to the Comprehensive Income and Expenditure Statement under Taxation and Non-Specific Grant Income. These are then transferred to the Capital Grants Unapplied Reserve if not used and the Capital Adjustment Account when applied. If the grants have a condition for repayment and remain unapplied at the end of the year, they are held on the Balance Sheet as creditors.

## 2. Heritage Assets

The Council owns a number of heritage assets across the borough. The primary objective of holding these assets is for increasing the knowledge understanding and appreciation of the local history within the borough.

Where there is an open market, such assets will be valued at market value; assets with no marketable value will be held at replacement cost.

Where it is impossible to establish a value by either of these methods, the Council will consider other valuation methodologies such as insurable value; otherwise, the asset will be held at nil value but disclosed as a note to the accounts. Further details can be found in the Heritage assets note to the accounts.

Acquisitions of heritage assets can be made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at market value or other valuation methodology.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

## 3. 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, such as software licences, are only recognised on the Balance Sheet when they are purchased or where internally developed and the Council can demonstrate:

- The technical feasibility of completing the asset;
- Its intention and the availability of adequate resources to complete the asset;
- Its ability to use or sell the asset;
- How the asset will generate future economic benefits or deliver service benefits; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are included at historical cost and only re-valued in line with IAS 38, 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. Intangible assets are amortised over their useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line 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 net loss on disposal of non-current assets 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.

# Statement of Accounting Policies

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## 4. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are charged the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses on tangible non-current assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off; and
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a revenue provision in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## 5. Revenue Expenditure Funded from Capital under Statute

Revenue Expenditure Funded from Capital under Statute represents expenditure that may properly be capitalised, but which does not result in the creation of a non-current asset, for example housing association grants, capital expenditure on non-maintained schools and housing improvement grants. Such expenditure is taken to service revenue in the year in which the expenditure is incurred. Where the Council has determined to meet the cost of this from existing capital resources or by borrowing, a transfer to the Capital Adjustment account reverses the amounts charged to the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement so there is no impact on the level of Council Tax.

From 1 April 2016, extended to 31 March 2025 the Council is allowed under Guidance published by DLUHC to flexible use of capital receipts on areas of revenue cost which generate ongoing savings to the Council. In the case where revenue spend is identified as meeting the criteria to use flexible capital receipts, the Council will meet the cost of the reform through capital receipts generated during the same financial year. Where the Council has determined to meet this cost from capital receipts a transfer to the Capital Adjustment Account reverses the amounts charged to the Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement so there is no impact on the level of Council Tax.

## 6. Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are re-valued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Net 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.

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 £10k) the Capital Receipts Reserve.

## 7. Leases

Assets are acquired under finance leases when the risks and rewards relating to the asset transfer to the Council. All other leases are classified as operating leases.

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

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

# Statement of Accounting Policies

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## The Council as Lessee

### Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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

## Operating Leases

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

## The Council as Lessor

### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Net Loss on Disposal of non-current assets line in the Comprehensive Income and Expenditure Statement. 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 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 will be 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 Unapplied Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of

# Statement of Accounting Policies

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the interest in the property is used to write down the lease asset. 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 non-current assets 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.

## 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 relevant service 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.

## 8. Infrastructure Assets

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

### Recognition

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

### Measurement

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

### Depreciation

Sensitivity analysis was conducted to determine the appropriate useful life for all components of infrastructure assets on a weighted average basis, based on the minimum, midpoint and maximum useful lives as recommended by CIPFA and endorsed by the UK Roads Leadership Group Asset Management Board. It was concluded that 40 years is applicable. Annual depreciation is the depreciation amount allocated each year.

## REVENUE

## 9. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.

# Statement of Accounting Policies

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- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. Disclosures will be omitted if the information is not material.
- The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.
- Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the applicable exchange rate.

## **10. 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 working hours. Cash equivalents are investments that are held in instant access accounts, readily convertible to known amounts of cash with insignificant risk of change in value. Amounts held in fixed-term deposits not accessible within 24 working hours are not classified as cash equivalents, but as short-term investments. Any accrued interest will be treated in the same manner as the principal investment except for long-term investments with remaining terms in excess of 365 days; in these cases, accrued interest will be shown as short-term investments.

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

## **11. Changes in Accounting Policies and Estimates and Errors**

Changes in accounting policies are only made when required by proper accounting practices when 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 by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Due to the requirement to present the financial statements with figures rounded to whole thousands, the figures reported are subject to rounding errors which are negligible differences from the actual figures in the Council's ledger. Rounding errors in the accounts are kept to a minimum and do not materially affect the reliability of the information provided.

## **12. Employee Benefits**

### **Benefits Payable during Employment**

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave, paid sick leave, other leave and non-monetary benefits, where material, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. Any accrual made is required under statute to be 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 Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers.

# Statement of Accounting Policies

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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 year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements 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**

The Council participates in four defined benefit pension schemes-

- The Teachers' Pension Scheme;
- The NHS Pension Scheme;
- The London Borough of Hillingdon Pension Fund of the Local Government Pension Scheme (LGPS), administered locally by the Council; and
- The London Pension Fund Authority Pension Fund of the LGPS, which is a closed arrangement for former employees administered by the London Pension Fund Authority.

The accounts fully conform to the International Accounting Standard 19 (IAS 19) relating to Pension Fund liabilities. Both the Comprehensive Income and Expenditure Statement and the Balance Sheet reflect the effects of these requirements.

### Teachers' Pension Scheme

- The Teachers' Pension Scheme is unfunded and administered on behalf of the Department of Education (DfE) by Capita. The pension cost charged to the accounts is the contribution rate set by the DfE on the basis of a notional fund. The arrangements for the teachers' scheme mean that the liabilities for the benefits cannot be identified specifically to the Council. As such the scheme is accounted for as if it was a defined contribution scheme and no liability for future payment has been recognised in the Council's Balance Sheet. The Schools Budget line in the Council's Comprehensive Income and Expenditure Statement is charged with the employers' contributions made into this scheme.

### NHS Pensions Scheme

- The NHS Pension Scheme is unfunded and is administered by NHS Business Services Authority. The arrangements for the NHS scheme mean that liabilities for the benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Council's Balance Sheet. The relevant service line in Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

### The Local Government Pension Scheme

- The pension liabilities attributable to the Council under the LGPS 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices.
- The Pension Fund assets attributable to the Council is included in the Balance Sheet at fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

# Statement of Accounting Policies

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- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - Current service cost – the increase in liabilities as 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 years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Operating 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 – debited to the Financing and Investment Income and Expenditure line in 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.
  - Remeasurements comprising:
    - The return on assets – excluding amounts included in net interest on the net defined benefit liability (asset) the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – debited 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 as Other Comprehensive Income and Expenditure.
  - Contributions paid to pension funds – cash paid as employer's contribution 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 Pension 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 year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on 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 for 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.

## 13. Long Term Contracts

The Council has entered into a number of long-term contracts that have commitments beyond the period of account. These are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. Material future fixed commitments are outlined in a note to the accounts.

# Statement of Accounting Policies

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## 14. Private Finance Initiative (PFI) Contract

The Council has one PFI contract which relates to an Academy school. The asset is not recognised on the Council's Balance Sheet as it is leased out to the Academy under a finance lease. The PFI liability continues to be recognised in the Council's accounts.

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, 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 a finance lease)

## 15. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants, 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.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attaching 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 where 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/contributions) or Taxation and Non-Specific Grant Income (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 Grant Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grant Unapplied reserve are then transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Grant recognition will be considered and accounted for in accordance with the provisions of IFRS 15 and whether the Council is acting as a 'Principal or Agent'.

## Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) 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 fund a number of infrastructure projects to support the demands that development places on local areas. 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 small proportion of the charges may be used to fund revenue expenditure covering administration costs.

## 16. Inventories and Work in Progress

Inventories held by the Council are de-minimis and from 2020/21 are expensed through the Comprehensive Income & Expenditure Statement.

# Statement of Accounting Policies

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## 17. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council. The non-current assets of Voluntary Aided schools owned by faith organisations are found not to be controlled by the Council and as such the assets are not held within the Council's balance sheet under Property, Plant and Equipment.

## 18. Fair Value

Fair value measurement is defined by IFRS13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition is applied to all fair value measurement for non-operational property, plant and equipment, investment property as well as for financial instruments. Operational property, plant and equipment continue to be valued in line with its existing use. Fair value assumes the transaction to sell the asset takes place in the principle market for the asset or liability or in the absence of the principle market in the most advantageous market. When measuring non-operational property, plant and equipment, the fair value at highest and best use is adopted. Valuation techniques maximise known data and minimise the use of estimates or unknowns. This takes into account three levels of valuation inputs:

- Level 1 - Quoted prices
- 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

## 19. Contingent Liabilities

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

## 20. 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 where it is probable that there will be an inflow of economic benefits or service potential.

## 21. Provisions and Reserves

The Council is required to set aside money to cover future known or anticipated liabilities and each reserve or provision should be clearly identifiable as to its purpose and usage.

### Provisions

Provisions are established for any liabilities of uncertain timing or amount that have been incurred. Provisions are recognised when: -

- There is a present obligation (legal or constructive) as a result of a past event;
- It is probable that a cost will have to be met to settle the obligation; and
- A reliable estimate of the cost can be made.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and 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 a payment for expenditure against a provision is made, the expenditure is charged directly to that provision. All provisions are reviewed each year.

# Statement of Accounting Policies

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Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. 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.

## **Impairment Allowance**

No provision is made for debts that are secured except in exceptional circumstances. Of all remaining debts, and excluding financial instruments where an expected credit loss model is applied, the Council makes an impairment allowance based upon continuous reviews of likely recovery undertaken by service managers and supporting finance staff.

## **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund and/or HRA Balance. 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 transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council.

In-year deficits relating to Dedicated Schools' Grant will be transferred to the Dedicated Schools Grant Adjustment Account through adjustments between funding and accounting under regulations.

## **22. Financial Assets**

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

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

### **Amortised Cost**

Where the Council's business model is to hold investments to collect contractual cash flows these are classified as amortised cost. Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest. For 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 agreement.

The Council recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis. Lifetime losses using the simplified approach are recognised for trade receivables held by the Council. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Fair Value through Profit or Loss (FVPL)**

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

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

# Statement of Accounting Policies

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels shown described in item 18 Fair Values.

The Council has applied the statutory override to its long term strategic pooled fund holdings and any movements in the fair value will be reversed through the MIRS into an unusable reserve.

As the equity investment in Hillingdon First Limited is classified as capital expenditure any change in fair value will be adjusted through the MIRS into the Capital Adjustment Account.

## **Fair Value through Other Comprehensive Income (FVOCI)**

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Gains or losses arising from a change in the fair value will be reflected in the carrying amount of the instrument and updated in the Financial Instrument Revaluation Reserve.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with any accrued fair value change being released from the Financial Instrument Revaluation Reserve.

Financial guarantees entered into before 1 April 2006 are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Financial assets and liabilities are set-off against each other where the Council has a legally enforceable right to set-off and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

## **23. Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

- Amortised Cost - contains all of an authority's financial liabilities that are not 'held for trading' or derivatives.

The liability is maintained in the Balance Sheet at amortised cost. Initial measurement will be at fair value, normally the amount of the originating transaction, less transaction costs where material. The effective interest rate is then calculated, 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. Annual charges to the Comprehensive Income and Expenditure Statement are made for interest payable and are based upon the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet for most borrowings is the outstanding principal payable plus any accrued interest.

## **24. Redemption of Debt**

The Council sets aside resources each year for the repayment of historical debt. Debt held by the Council is distinguishable into three types of loans:

**(a) Maturity loans** - where the principal is repaid in full on the date the loan matures and interest is paid every 6 months. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.

**(b) Equal Instalment of Principal (EIP) Loans** - where an equal instalment of principal based on the life of the loan is repaid every six months. Interest is paid every six months based on the outstanding balance. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.

**(c) LOBO (lender's option, borrower's option) loans** - where the principal is borrowed at a fixed rate of interest for a specified period of time, after which the lender has the option to change the rate of interest and the borrower has the option to continue with the loan at the new rate or repay the principal before maturity without penalty. If the lender does not change the rate, the principal is repaid in full on the date the loan matures. In the interim, interest payments are made every six months. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.

# Statement of Accounting Policies

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Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Net 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 calculated by discounting the revised contractual cash flows with the original effective interest rate. This 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/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.

## **25. Minimum Revenue Provision**

Where the Council finances its capital programme through borrowing it must set aside resources annually through a Minimum Revenue Provision (MRP). This is within the revenue budget to repay the debt in later years. MRP will generally be charged over the useful life of the assets, beginning in the year after the asset becomes operational. In all cases the Council will consider the most prudent method of providing for debt repayment. The HRA makes a form of MRP to pay down its self-financing settlement debt over the 30-year business cycle on which the settlement is based as a provision for repayment of debt.

## **26. Collection Fund**

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and national non-domestic rates (NNDR). The key features relevant to accounting for Collection Fund activity in the core financial statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes income on behalf of the major preceptors and itself.
- While the income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

As the collection of Council Tax and NNDR income is in substance an agency arrangement, cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors as do the risks. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers and local Business Ratepayers.

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES 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.

## **27. VAT**

Income and Expenditure excludes any amounts relating to VAT, as all VAT collected is payable to HM Revenue & Customs. VAT is included in the Income and Expenditure statement whether of a capital or revenue nature only to the extent that it is irrecoverable.

## **28. Events after the Reporting Period**

Events after the reporting period 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:

# Statement of Accounting Policies

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

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

## 29. Exceptional Items and Prior Year Adjustments

Exceptional items are included in the cost of the service to which they relate or on the face of the Income and Expenditure Statement if required to give a fair presentation of the accounts.

Account is taken of material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors by restating the comparative figures for the preceding period. The cumulative effect of prior period adjustments is included within the Comprehensive Income and Expenditure Statement for the current period.

## 30. Assumptions Made About 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 as at 31 March 2024 for which there is significant risks of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>Assets are subject to a 5-year rolling valuation and assumptions are made by the specialist valuer regarding market indicators and other data available to assess an asset's value. Assets of high value are valued annually to reduce this risk.</p> <p>Investment properties are required to be measured at fair value, reflecting market conditions at the end of the reporting period. As with operational and surplus property valuations, investment property valuations are being impacted by current market uncertainty created by the Covid-19 pandemic.</p> <p>The carrying amount of Property, Plant and Equipment at 31<sup>st</sup> March 2024 is £2,182m.</p>	A fall in value of the Council's Property, Plant and Equipment would impact on the net worth of the Council, however, would not impact on the Council's usable balances. Fluctuations in the value of assets will not correlate with normal market conditions; however, a 1% movement in asset values would move the Council's balance sheet position by £21.8m.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The IAS19 balance sheet	The assumptions interact in complex ways. The actuaries review the assumptions triennially and changes are adjusted for in the accounts. Sensitivity analysis is represented in note 45 to the accounts.

# Statement of Accounting Policies

	<p>is based on financial market values and future market expectation indicators as at 31 March 2024 to comply with the accounting standard. The financial markets at the accounting date will have taken worldwide economic considerations into account.</p> <p>Net assets of the fund available to fund benefits at the end of 31<sup>st</sup> March 2024 are £1,065m.</p>	
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## 31. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice requires that the Council discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question. Disclosure requirements are expected to be included in a subsequent edition of the Code. New or amended standards introduced into the 2023/24 Code of practice include :–

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

The Council does not expect these changes to have a material impact upon the financial statements.

The implementation of IFRS 16 relating to Leasing becomes mandatory from 1 April 2024. The estimated impact of the accounting standard on the financial statements for 2024/25 are as follows:

- Creation of Right of Use Assets and associated lease liabilities of £6.6m on Balance Sheet.
- Increase to the Council's Capital Financing Requirement of £6.6m and future MRP of £6.6m
- Annual lease payments will be split between interest and MRP to pay down the lease liability over the leases' terms. In 2024/25 lease payments are estimated at £3m consisting of £2.7m MRP and £300k interest.
- The Right of Use assets will be depreciated over the asset's estimated life which may be higher than the lease term. In 2024/25 this is estimated at £660k.

The leases identified as falling under the scope of IFRS16 include the staff car leasing salary sacrifice scheme, temporary accommodation, the device refresh programme and school leases where the asset' fair value is greater than £10k. Work is ongoing to identify all leases and the above estimates are subject to change.

# Main Financial Statements

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The various financial statements that follow are prepared on an accruals basis and follow best practice recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA) and International Financial Reporting Standards (IFRS) as defined by the Code of Practice on Local Authority Accounting in the United Kingdom. Further details of these requirements are detailed in the Statement of Accounting Policies.

These statements are published in accordance with the Accounts and Audit Regulations 2015. They summarise the overall financial position of the Council and in particular include the following:

## **Restatement of 2022/23 Published Accounts**

This note provides an overview of changes to the Financial Statements from the published Statement of Account in 2022/23 as a result of changes in reporting requirements. This statement reconciles the position reported to management and that reported in the CIES.

## **Expenditure and Funding Analysis**

This note shows how council funding has been used in providing services in comparison to those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

## **Comprehensive Income and Expenditure Statement**

The first of the core financial statements. This shows the expenditure and the income relating to all the services provided by the Council and how the net cost of these services has been financed by local taxpayers and government grants.

## **Balance Sheet**

This sets out the assets and liabilities of the Council as at 31 March 2024 but excludes the assets and liabilities of pension and trust funds.

## **Movement in Reserves Statement**

This statement sets out the reserves held by the Council, split into usable and unusable reserves, and shows how they have moved during the year.

## **Cash Flow Statement**

This consolidated statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. The statement excludes any transactions of the pension and trust funds.

## **Notes to the Main Financial Statements**

A selection of notes provided to support the information in the main financial statements with additional detail of movement breakdown and analysis.

# Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA), aims to demonstrate to council tax and rent payers how the funding available to the Council for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates and other service departments.

Since the production of the 2022/23 Statement of Accounts the Council structure has altered with certain service departments now reporting to different portfolios. As such the statement below shows the movement of funding used to provide services relating to the General Fund, from the originally published 2022/23 Statement of Accounts to the new Council structure.

The reported outturn position to Cabinet in 2023 is reflected in the table below alongside the restatement required to align the comparator cost of service to the management structure as at 31 March 2024, for the opening EFA position. The EFA then shows how these figures feed through to the Comprehensive Income and Expenditure Statement.

<b>Restatement of 2022/23 Published Accounts</b>			
<b>Council Structure as per 2022/23 Statement of Accounts</b>	<b>Published EFA - Total Net Expenditure Charged to GF &amp; HRA Balances £'000</b>	<b>Restated as per Council Structures 31 March 24 £'000</b>	<b>Restated EFA - Charged to GF &amp; HRA Balance Total Net Expenditure £'000</b>
Funding	746	Funding	746
Finance	39,363	Finance	39,363
Health and Social Care	60,404	Health and Social Care	60,468
Children, Families & Education	88,595	Children, Families & Education	88,531
Property, Highways & Transport	24,365	Property, Highways & Transport	24,365
Residents' Services	38,092	Residents' Services	38,092
Corporate Services	34,386	Corporate Services	34,386
<b>Total General Fund</b>	<b>285,951</b>	<b>Total General Fund</b>	<b>285,951</b>
School Budget	1,066	School Budget	1,066
HRA	13,155	HRA	13,155
<b>Total Other Funds</b>	<b>14,221</b>	<b>Total Other Funds</b>	<b>14,221</b>
<b>Net Cost of Services</b>	<b>300,171</b>	<b>Net Cost of Services</b>	<b>300,171</b>

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

# Expenditure and Funding Analysis

2023/24	Total Net Expenditure Charged to GF & HRA Balances £'000	Adjustments between the Funding & Accounting Basis (Note 1A) £'000	Earmarked Reserve Adjustments (Note 5) £'000	Adjustments between Funding & Other Income and Expenditure on the Provision of Services (Note 1B) £'000	Net Expenditure in Comprehensive Income and Expenditure Statement £'000
					General Fund
Funding	(267,970)	(7,422)	8,692	266,700	0
Finance	33,072	2,433	(11,285)	(924)	23,296
Health and Social Care	97,372	2,381	7,033	(50,507)	56,279
Children, Families & Education	73,689	23,306	2,363	(22)	99,336
Property, Highways & Transport	8,933	17,392	742	0	27,067
Residents' Services	28,942	(617)	6,292	(400)	34,217
Corporate Services	25,956	3,516	25	0	29,497
<b>Total General Fund</b>	<b>(6)</b>	<b>40,989</b>	<b>13,862</b>	<b>214,847</b>	<b>269,692</b>
<b>Other Funds</b>					
Schools Budget	436	28,901	0	0	29,337
Housing Revenue Account	85	1,638	(6,811)	(5,150)	(10,238)
<b>Total Other Funds</b>	<b>521</b>	<b>30,539</b>	<b>(6,811)</b>	<b>(5,150)</b>	<b>19,099</b>
<b>Net Cost of Services</b>	<b>515</b>	<b>71,528</b>	<b>7,051</b>	<b>209,697</b>	<b>288,791</b>
Other Income and Expenditure on the Provision of Services	0	(31,130)	0	(209,697)	(240,827)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>515</b>	<b>40,398</b>	<b>7,051</b>	<b>0</b>	<b>47,964</b>

## Movement in Balances 2023/24

Opening General Fund and HRA Balance  
 General Fund Declared Surplus  
 HRA Deficit  
 Schools Reserve Movements  
 Other Earmarked Reserve Movements  
**Closing General Fund and HRA Balance at 31 March 2024**

£'000
70,958
6
(85)
(436)
(7,051)
<b>63,392</b>

# 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 directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022/23	Total Net Expenditure Charged to GF & HRA Balances (Restated) £'000	Adjustments between the Funding & Accounting Basis (Note 1A) (Restated) £'000	Earmarked Reserve Adjustments (Note 5) (Restated) £'000	Adjustments between Funding & Other Income and Expenditure to the Provision of Services (Note 1B) (Restated) £'000	Net Expenditure in Comprehensive Income and Expenditure Statement (Restated) £'000
					General Fund
Funding	(254,456)	(14,785)	23,108	246,880	746
Finance	24,929	(328)	2,873	11,888	39,363
Health and Social Care	96,717	6,731	907	(43,888)	60,468
Children, Families & Education	66,288	17,464	4,780	0	88,531
Property, Highways & Transport	10,667	13,580	118	0	24,365
Residents' Services	29,634	8,774	95	(411)	38,092
Corporate Services	26,094	7,548	744	0	34,386
<b>Total General Fund</b>	<b>(127)</b>	<b>38,984</b>	<b>32,625</b>	<b>214,469</b>	<b>285,951</b>
<b>Other Funds</b>					
Schools Budget	2,728	(1,562)	0	(100)	1,066
Housing Revenue Account	165	18,674	0	(5,684)	13,155
<b>Total Other Funds</b>	<b>2,893</b>	<b>17,112</b>	<b>0</b>	<b>(5,784)</b>	<b>14,221</b>
<b>Net Cost of Services</b>	<b>2,766</b>	<b>56,096</b>	<b>32,625</b>	<b>208,685</b>	<b>300,171</b>
Other Income and Expenditure on the Provision of Services	0	(35,005)	0	(208,685)	(243,690)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>2,766</b>	<b>21,091</b>	<b>32,625</b>	<b>0</b>	<b>56,481</b>

## Movement in Balances 2022/23

Opening General Fund and HRA Balance	£'000
General Fund Declared Deficit	106,349
HRA Surplus	127
Schools Reserve Movements	(165)
Other Earmarked Reserve Movements	(2,728)
<b>Closing General Fund and HRA Balance at 31 March 2023</b>	<b>(32,625)</b>
	<b>70,958</b>

# Comprehensive Income and Expenditure Statement

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

Note	31 March 2024			31 March 2023		
	Expenditure	Income	Net Expenditure	Expenditure (Restated)	Income (Restated)	Net Expenditure (Restated)
	£'000	£'000	£'000	£'000	£'000	£'000
<b>EXPENDITURE ON SERVICES</b>						
Funding	0	0	0	746	0	746
Finance	114,266	(90,970)	23,296	129,073	(89,710)	39,363
Health and Social Care	159,017	(102,738)	56,279	145,615	(85,147)	60,468
Children, Families & Education	120,382	(21,046)	99,336	109,897	(21,366)	88,531
Property, Highways & Transport	33,595	(6,528)	27,067	30,168	(5,803)	24,365
Residents' Services	81,073	(46,856)	34,217	75,287	(37,195)	38,092
Corporate Services	31,282	(1,785)	29,497	36,682	(2,296)	34,386
Schools Budget	267,201	(237,864)	29,337	234,205	(233,139)	1,066
Housing Revenue Account	72,271	(82,509)	(10,238)	81,117	(67,962)	13,155
<b>NET COST OF SERVICES</b>	<b>879,087</b>	<b>(590,296)</b>	<b>288,791</b>	<b>842,790</b>	<b>(542,618)</b>	<b>300,171</b>
Other Operating Expenditure	6	841	841	824		824
Net loss/(gain) on disposal of non-current assets		(6,773)	(6,773)		(9,106)	(9,106)
Net Financing and Investment Income and Expenditure	7	23,262	(1,919)	21,343	25,569	(3,163)
Taxation and Non-Specific Grant Income	8		(256,238)	(256,238)		(257,814)
<b>Other Income and Expenditure on the Provision of Services</b>		24,103	(264,930)	(240,827)	26,393	(270,083)
<b>(SURPLUS)/DEFICIT ON PROVISION OF SERVICES</b>		<b>903,190</b>	<b>(855,226)</b>	<b>47,964</b>	<b>869,183</b>	<b>(812,701)</b>
(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets	43			(64,697)		(79,360)
Actuarial (gain)/loss on pension assets and liabilities				(84,437)		(397,534)
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(101,170)</b>		<b>(420,413)</b>

# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held.

Reserves are reported in two categories:

The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and requirement to maintain any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves are those that the Council 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 were 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	31 March 2024 £'000	31 March 2023 £'000
Property, Plant & Equipment	9	1,960,801	1,910,915
Infrastructure Assets	9	187,054	184,543
Heritage Assets	9	6,529	5,729
Intangible Assets	9	1,453	1,271
Investment Properties	9	4,267	4,687
Long Term Investments	14	19,493	21,562
Long Term Debtors	17	1,917	1,511
<b>LONG TERM ASSETS</b>		<b>2,181,514</b>	<b>2,130,218</b>
Short Term Debtors	15	83,382	157,326
Short Term Investments	14	1,005	1,461
Cash and Cash Equivalents	20	46,910	60,525
Assets Held for Sale	9	0	0
<b>CURRENT ASSETS</b>		<b>131,297</b>	<b>219,312</b>
Short Term Provisions	21	(3,326)	(4,163)
Short Term Borrowing	14	(102,799)	(83,203)
Short Term Creditors	18	(104,607)	(174,906)
<b>CURRENT LIABILITIES</b>		<b>(210,732)</b>	<b>(262,272)</b>
Long Term Provisions	21	(984)	(1,215)
Deferred Credits		0	(1)
Long Term Borrowing	14	(246,273)	(232,713)
Long Term Creditors	19	(2,916)	(4,670)
Capital Grant Receipts in Advance	34	(82,037)	(73,467)
Deferred Liabilities	36	0	(30)
Net Liabilities Related to Defined Benefit Pension Schemes	44	(183,052)	(260,645)
<b>LONG TERM LIABILITIES</b>		<b>(515,262)</b>	<b>(572,741)</b>
<b>NET ASSETS</b>		<b>1,586,817</b>	<b>1,514,517</b>
Usable Reserves		118,981	117,128
Unusable Reserves	22	1,467,836	1,397,389
<b>TOTAL RESERVES</b>		<b>1,586,817</b>	<b>1,514,517</b>

*Richard Ennis.*

Richard Ennis  
Corporate Director of Finance  
26 March 2025

# Movement in Reserves Statement

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This statement shows the detail of the movement from the start of the year to the end of the year on the different reserves held by the Council. These reserves are analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable Reserves'. The statement shows how the movements to the reserves in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. The Increase/(Decrease) line shows the net movement to the statutory General Fund Balance and Housing Revenue Account Balances in the year.

As at 31 March 2020 the Council held a negative Dedicated Schools Grant balance of £15.0m within the Earmarked Reserves. In November 2020 a statutory instrument came into effect amending the Local Authority (Capital Finance and Accounting) Regulations (2003 Regulations) by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits. This relates to deficits in local authority accounts from 1st April 2020 onwards. The Council must now not charge the deficit to a revenue account but instead record any such deficit in an account established solely for recording schools' deficits. The new account is the Dedicated Schools Grant Adjustment Account and sits within Unusable Reserves. The new practice has the effect of splitting schools budget deficits from the General Fund into a new dedicated ring-fenced reserve.

# Movement in Reserves Statement

**Balance at 31 March 2023**

Total Comprehensive Income & Expenditure Adjustments between accounting basis & funding basis under regulations Increase/(Decrease) in Year

**Balance at 31 March 2024**

Note	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	Total Usable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	26,839	28,932	15,186	2,053	4,928	39,190	117,127
	(49,084)	(7,486)	8,606	0	0	0	(47,964)
4	49,090	0	(8,691)	1,133	2,137	6,149	49,818
	6	(7,486)	(85)	1,133	2,137	6,149	1,854
	26,845	21,446	15,101	3,186	7,065	45,339	118,981

**Balance at 31 March 2022**

Total Comprehensive Income & Expenditure Adjustments between accounting basis & funding basis under regulations Increase/(Decrease) in Year

**Balance at 31 March 2023**

Note	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	Total Usable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	26,712	64,286	15,351	7,115	9,537	30,678	153,678
	(30,490)	(35,354)	9,363	0	0	0	(56,481)
4	30,617	0	(9,528)	(5,062)	(4,609)	8,512	19,930
	127	(35,354)	(165)	(5,062)	(4,609)	8,512	(36,551)
	26,839	28,932	15,186	2,053	4,928	39,190	117,127

# Movement in Unusable Reserves Statement

This statement shows the detail of the movement from the start of the year to the end of the year on the Unusable Reserves held by the Council breaking down the total figure for these reserves which are represented on the Movement in Reserves note overleaf. The statement shows how the movements to the reserves in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year.

Note	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Dedicated Schools Grant Adjustment Account	Pooled Investment Fund Adjustment Account	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2023</b>	649,730	1,008,103	(640)	(260,645)	1,236	(5,870)	(21,887)	(1,507)	1,368,520
Total Comprehensive Income & Expenditure Adjustments between accounting basis & funding basis under regulations	64,697			84,437					149,134
Increase/(Decrease) in Year	(16,422)	(5,299)	96	(6,844)	7,422	(514)	(28,695)	438	(49,818)
<b>Balance at 31 March 2024</b>	48,275	(5,299)	96	77,593	7,422	(514)	(28,695)	438	99,316
	698,005	1,002,804	(544)	(183,052)	8,658	(6,384)	(50,582)	(1,069)	1,467,836

Note	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Dedicated Schools Grant Adjustment Account	Pooled Investment Fund Adjustment Account	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2022</b>	591,896	1,010,185	(229)	(616,201)	(14,125)	(7,133)	(23,521)	(446)	940,426
Total Comprehensive Income & Expenditure Adjustments between accounting basis & funding basis under regulations	79,360	0	0	397,534	0	0	0	0	476,894
Increase/(Decrease) in Year	(10,639)	15,900	(411)	(41,978)	15,361	1,263	1,634	(1,061)	(19,931)
<b>Balance at 31 March 2023</b>	68,721	15,900	(411)	355,556	15,361	1,263	1,634	(1,061)	456,963
	660,617	1,026,085	(640)	(260,645)	1,236	(5,870)	(21,887)	(1,507)	1,397,389

# 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.

	Note	2023/24 £'000	2022/23 £'000
<b>Net deficit on the provision of services</b>	23	47,964	56,481
<b>Adjust net (surplus) on the provision of services for non cash movements</b>	23	(112,187)	(134,915)
<b>Adjust for items in the net deficit on the provision of services that are investing or financing activities</b>	23	70,316	104,659
<b>Net cash flows from operating activities</b>	23	6,093	26,225
<b>Net cash flows from investing activities</b>	24	46,877	(31,263)
<b>Net cash flows from financing activities</b>	25	(39,355)	(7,694)
<b>(Increase)/Decrease in cash and cash equivalents</b>		<b>13,615</b>	<b>(12,732)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>(60,525)</b>	<b>(47,793)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(46,910)</b>	<b>(60,525)</b>

# Notes to the Main Financial Statements

## 1A. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note gives a summary of the adjustments allocated as 'Total Adjustments Between Funding & Accounting Basis' within the EFA which are required to adjust the General Fund and HRA management outturn reported to Cabinet to arrive at the Comprehensive Income and Expenditure Statement; recognised in accordance with proper accounting practices. Further information on these items can be found in note 4 to the accounts for Adjustments between Accounting Basis & Funding Basis Under Regulations which feed into the Movement in Reserves statement to align with the statutory amounts charged to the council taxpayer. Adjustments from the management reported General Fund and HRA Balances to arrive at the Comprehensive Income and Expenditure Statement amounts within Adjustments between Funding & Accounting Basis are analysed below.

**2023/24**

Funding  
Finance  
Health and Social Care  
Children, Families & Education  
Property, Highways & Transport  
Residents' Services  
Corporate Services  
Schools Budget  
Housing Revenue Account  
**Net Cost of Services**  
Other Income & Expenditure on the Provision of Services from the Expenditure and Funding  
**Difference between General Fund surplus or deficit and CIES (Surplus) or Deficit on the Provision of Services**

Adjustments for Capital Purposes (1)	Net Change for the Pensions Adjustment (2)	Other Differences (3)	Total Adjustments between Funding & Accounting Basis	
			£'000	£'000
0	0	(7,422)	(7,422)	(7,422)
(2,063)	465	4,031	2,433	2,433
408	(851)	2,824	2,381	2,381
18,403	(1,842)	6,745	23,306	23,306
16,586	(274)	1,080	17,392	17,392
(188)	(1,392)	963	(617)	(617)
2,097	(989)	2,408	3,516	3,516
0	(160)	29,061	28,901	28,901
12,160	(368)	(10,154)	1,638	1,638
<b>47,403</b>	<b>(5,411)</b>	<b>29,536</b>	<b>71,528</b>	
(45,850)	12,254	2,466	(31,130)	
<b>1,553</b>	<b>6,843</b>	<b>32,002</b>	<b>40,398</b>	

**2022/23**

Funding  
Finance  
Health and Social Care  
Children, Families & Education  
Property, Highways & Transport  
Residents' Services  
Corporate Services  
Schools Budget  
Housing Revenue Account  
**Net Cost of Services**  
Other Income & Expenditure on the Provision of Services from the Expenditure and Funding Analysis  
**Difference between General Fund surplus or deficit and CIES (Surplus) or Deficit on the Provision of Services**

Adjustments for Capital Purposes (Restated) (1)	Net Change for the Pensions Adjustment (Restated) (2)	Other Differences (Restated) (3)	Total Adjustments between Funding & Accounting Basis	
			£'000	£'000
0	576	(15,361)	(14,785)	
(6,461)	2,456	3,677	(328)	
977	3,186	2,568	6,731	6,731
8,849	6,706	1,909	17,464	17,464
10,748	1,173	1,659	13,580	13,580
3,291	5,332	151	8,774	8,774
2,147	3,430	1,971	7,548	7,548
		0		
0	580	(2,142)	(1,562)	
22,429	1,581	(5,336)	18,674	18,674
<b>41,980</b>	<b>25,020</b>	<b>(10,904)</b>	<b>56,096</b>	
(50,477)	16,229	(757)	(35,005)	
<b>(8,497)</b>	<b>41,249</b>	<b>(11,661)</b>	<b>21,091</b>	

# Notes to the Main Financial Statements

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## (1) Adjustments for Capital Purposes

### **Net Cost of Services**

This column adds depreciation, impairment and revaluation gains and losses in the services line

### **Other Income and Expenditure on the Provision of Services**

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 on the Provision of Services 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.

## (2) Net Change for the Pensions Adjustments

### **Net Cost of Services**

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

The removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

### **Other Income and Expenditure on the Provision of Services**

Financing and investment income and expenditure - the net interest on the defined benefit liability which is charged to the CIES.

## (3) Other Differences

### **Net Cost of Services**

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

### **Other Income and Expenditure on the Provision of Services**

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

Taxation and non-specific grant income and expenditure - represents the difference between what is chargeable under statutory regulations for council tax and non-domestic 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.

# Notes to the Main Financial Statements

## 1B. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note gives a summary of the adjustments allocated as "Adjustments Between Funding and Other Income and Expenditure" within the EFA which are required to adjust the General Fund and HRA management outturn reported to Cabinet to arrive at the Comprehensive Income and Expenditure statement. These adjustments remove items included within service lines of the Council's management presentation which relate to non-service items and reported under "Other Income and Expenditure on the Provision of Service" below the cost of service provision within the Comprehensive Income and Expenditure Statement. These items can be found within notes 6, 7 and 8.

Transfers include costs and income allocated between the service lines and also within items reported to management; transfers between General Fund and Earmarked Reserves.

Adjustments to General Fund and HRA net cost of services reported to management to Other Income and Expenditure on the Provision of Services in the Comprehensive Income and Expenditure Statement are analysed below.

2023/24	Precepts and Levies	Interest Payable	Interest Receivable	Taxation & Non Specific Grant Income (excl. Capital)	Transfers	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000
Funding	0	0	0	216,518	50,182	266,700
Finance	(841)	(5,242)	2,915	642	1,602	(924)
Health and Social Care	0	0	50	0	(50,557)	(50,507)
Children, Families & Education	0	(22)	0	0	0	(22)
Property, Highways & Transport	0	0	0	0	0	0
Residents' Services	0	0	0	0	(400)	(400)
Corporate Services	0	0	0	0	0	0
Schools Budget	0	0	0	0	0	0
Housing Revenue Account	0	(5,389)	1,066	0	(827)	(5,150)
<b>Net Cost of Services</b>	<b>(841)</b>	<b>(10,653)</b>	<b>4,031</b>	<b>217,160</b>	<b>0</b>	<b>209,697</b>

2022/23	Precepts and Levies (Restated)	Interest Payable (Restated)	Interest Receivable (Restated)	Taxation & Non Specific Grant Income (excl. Capital) (Restated)	Transfers (Restated)	Total Adjustments (Restated)
	£'000	£'000	£'000	£'000	£'000	£'000
Funding	0	0	0	202,981	43,899	246,880
Finance	(823)	(3,837)	1,755	13,463	1,330	11,888
Health and Social Care	0	0	11	0	(43,899)	(43,888)
Children, Families & Education	0	0	0	0	0	0
Property, Highways & Transport	0	0	0	0	0	0
Residents' Services	0	0	0	0	(411)	(411)
Corporate Services	0	0	0	0	0	0
Schools Budget	0	0	0	0	(100)	(100)
Housing Revenue Account	0	(5,503)	638	0	(819)	(5,684)
<b>Net Cost of Services</b>	<b>(823)</b>	<b>(9,340)</b>	<b>2,404</b>	<b>216,444</b>	<b>0</b>	<b>208,685</b>

# Notes to the Main Financial Statements

## 2. SEGMENTAL INCOME AND EXPENDITURE

This note shows the Income and Expenditure received and paid on a segmental basis for material items reported in the Total Net Expenditure Charged to General Fund & HRA Balances within the Expenditure and Funding Analysis.

### Segmental Income & Expenditure 2023/24

	Fees charges and other service income	Interest Receivable	Depreciation	Interest Payable
	£'000	£'000	£'000	£'000
Funding	0	0	0	0
Finance	(2,994)	(2,915)	0	5,242
Health and Social Care	(18,637)	(50)	0	0
Children, Families & Education	(2,894)	0	0	22
Property, Highways & Transport	(6,525)	0	0	0
Residents' Services	(36,618)	0	0	0
Corporate Services	(1,277)	0	0	0
Schools Budget	(29,122)	0	0	0
Housing Revenue Account	(81,268)	(1,066)	13,675	5,389
<b>Net Cost of Services</b>	<b>(179,335)</b>	<b>(4,031)</b>	<b>13,675</b>	<b>10,653</b>

### Segmental Income & Expenditure 2022/23

	Fees charges and other service income (Restated)	Interest Receivable (Restated)	Depreciation (Restated)	Interest Payable (Restated)
	£'000	£'000	£'000	£'000
Funding	0	0	0	0
Finance	(322)	(1,755)	0	3,837
Health and Social Care	(15,232)	(11)	0	0
Children, Families & Education	(2,585)	0	0	0
Property, Highways & Transport	(5,798)	0	0	0
Residents' Services	(28,764)	0	0	0
Corporate Services	(1,228)	0	0	0
Schools Budget	(31,221)	0	0	0
Housing Revenue Account	(67,905)	(638)	12,772	5,503
<b>Net Cost of Services</b>	<b>(153,055)</b>	<b>(2,404)</b>	<b>12,772</b>	<b>9,340</b>

# Notes to the Main Financial Statements

## 3. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2023/24	2022/23
	£'000	£'000
<b>Expenditure</b>		
Employee benefits expenses	226,976	241,933
Employee benefits of Voluntary Aided &	48,853	44,770
Other services expenses	523,702	478,868
Support service recharges	5,380	4,932
Depreciation, amortisation, impairment	74,176	72,287
Interest payments	22,841	26,298
Precepts and levies	841	823
Loss on the disposal of assets	0	0
Change in the Fair Value of Investment Properties	421	(729)
Payments to Housing Capital Receipts Pool	0	1
<b>Total Expenditure</b>	<b>903,190</b>	<b>869,183</b>
<b>Income</b>		
Fees, charges and other service income	(179,335)	(153,055)
Interest and investment income	(4,031)	(1,965)
Income from Council Tax and Non Domestic Rates	(186,313)	(173,243)
Government grants and contributions	(480,885)	(474,135)
Strategic Pooled Fund Fair Value Adjustment	(439)	1,061
Hillingdon First Ltd Fair Value Adjustment	2,550	(2,259)
Gain on the disposal of assets	(6,773)	(9,106)
<b>Total Income</b>	<b>(855,226)</b>	<b>(812,702)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>47,964</b>	<b>56,481</b>

\*Employee benefits of Voluntary Aided & Foundation schools - Voluntary aided and foundation school employees are not the employees of the Council but are incorporated into the single entity financial statements of the Council. The costs of employee benefits of voluntary aided and foundation schools have therefore been separately identified.

## 4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

### General Fund Balance

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

# Notes to the Main Financial Statements

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## **Housing Revenue Account Balance**

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

## **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

## **Capital Receipts Reserve**

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

## **Capital Grants Unapplied**

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

# Notes to the Main Financial Statements

## ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2023/24

2023/24	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Capital Receipts Reserve £'000	Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Dedicated Schools Grant Adjustment Account £'000	Accumulated Absences Account £'000	Pooled Investment Fund Adjustment Account £'000	Unusable Reserves £'000
Amortisation of intangible assets	(340)					(340)		340							340
Depreciation of non current assets	(25,105)		(13,675)			(38,780)	10,991	27,789							38,780
Revaluation and impairment of non current assets	(12,886)	(22,170)				(35,056)		35,056							35,056
Statutory provision for the financing of capital investment (MRP & VRP) and HRA debt provision	3,015	10,011				13,026		(13,026)							(13,026)
Revenue expenditure funded from capital under statute (REFCUS)	(17,949)	(23)				(17,972)		17,972							17,972
Capital grants and contributions applied	34,656	4,421		(2,137)		36,940		(36,940)							(36,940)
Repayment of prior year loan to HFL						0									0
Capital expenditure charged in year to balances	7		22,729			22,736		(22,736)							(22,736)
Use of Capital Receipts Reserve to finance new capital expenditure					18,163	18,163		(18,163)							(18,163)
Amounts written off on disposal of non current assets	39	6,734			(24,312)	(17,539)	5,431	12,108							17,539
Finance Lease Principal	72					72		(72)							(72)
Gain/Loss Investment Property	(421)					(421)		421							421
Transfer from capital receipts reserve to meet payments to the housing capital receipts pool						0									0
Premiums and discounts	29					29		(29)							(29)
Strategic pooled fund fair value adjustment	438					438									(438)
Soft Loan notional interest	67					67		(67)							(67)
Hillingdon First Limited Fair Value Adjustment	(2,550)					(2,550)		2,550							2,550
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(37,488)	(2,731)				(40,219)				40,219					40,219
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	31,103	2,272				33,375				(33,375)					(33,375)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7,422					7,422					(7,422)				(7,422)
DSG	(28,695)					(28,695)						28,695			28,695
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	(504)	(10)				(514)							514		514
Transfer to Reserve for Capital projects		10,187	(10,187)			0									0
<b>Total Adjustments</b>	<b>(49,090)</b>	<b>8,691</b>	<b>(1,133)</b>	<b>(2,137)</b>	<b>(6,149)</b>	<b>(49,818)</b>	<b>16,422</b>	<b>5,299</b>	<b>(96)</b>	<b>6,844</b>	<b>(7,422)</b>	<b>28,695</b>	<b>514</b>	<b>(438)</b>	<b>49,818</b>

# Notes to the Main Financial Statements

## ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2022/23

2022/23	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Capital Receipts Reserve £'000	Usable Reserves £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000	Financial Instruments Adjustment Account £'000	Pensions Reserve £'000	Collection Fund Adjustment Account £'000	Dedicated Schools Grant Adjustment Account £'000	Accumulated Absences Account £'000	Pooled Investment Fund Adjustment Account £'000	Unusable Reserves £'000	
Amortisation of intangible assets	(362)					(362)		362								362
Depreciation of non current assets	(25,198)		(12,772)			(37,970)	6,395	31,575								37,970
Revaluation and impairment of non current assets	(1,630)	(32,325)				(33,955)		33,955								33,955
Statutory provision for the financing of capital investment (MRP & VRP) and HRA debt provision*	7,422	9,897				17,319		(17,319)								(17,319)
Revenue expenditure funded from capital under statute (REFCUS)	(12,744)	(19)				(12,763)		12,763								12,763
Capital grants and contributions applied	19,045	22,327		4,609		45,981		(45,981)								(45,981)
Repayment of prior year loan to HFL					0											
Capital expenditure charged in year to balances	73		23,140			23,213		(23,213)								(23,213)
Use of Capital Receipts Reserve to finance new capital expenditure					13,697	13,697		(13,697)								(13,697)
Amounts written off on disposal of non current assets	2,164	6,943			(22,210)	(13,103)	4,244	8,859								13,103
Finance Lease Principal	216					216		(216)								(216)
Gain/Loss Investment Property	729					729		(729)								(729)
Transfer from capital receipts reserve to meet payments to the housing capital receipts pool	(1)				1	0										0
Premiums and discounts	29					29		(29)								(29)
Strategic pooled fund fair value adjustment	(1,061)					(1,061)									1,061	1,061
Soft Loan Charge	(440)					(440)			440							440
Hillingdon First Limited Fair Value Adjustment	2,259					2,259		(2,259)								(2,259)
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(67,909)	(4,575)				(72,484)				72,484						72,484
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	28,580	1,926				30,506			(30,506)							(30,506)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	15,361					15,361					(15,361)					(15,361)
DSG	1,634					1,634						(1,634)				(1,634)
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	1,215	48				1,263						(1,263)				(1,263)
Transfer to Reserve for Capital projects		5,306	(5,306)			0										0
<b>Total Adjustments</b>	<b>(30,617)</b>	<b>9,528</b>	<b>5,062</b>	<b>4,609</b>	<b>(8,512)</b>	<b>(19,931)</b>	<b>10,639</b>	<b>(15,900)</b>	<b>411</b>	<b>41,978</b>	<b>(15,361)</b>	<b>(1,634)</b>	<b>(1,263)</b>	<b>1,061</b>	<b>19,931</b>	

# Notes to the Main Financial Statements

## 5. EARMARKED RESERVE TRANSFERS

	31 March 2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	31 March 2023 £'000	Transfers In 2023/24 £'000	Transfers Out 2023/24 £'000	31 March 2024 £'000
<b>Earmarked Reserves:</b>							
Grants Unapplied	6,346	788	(4,202)	2,932	1,098	(2,832)	1,198
Member Initiatives	12,476	(1,710)	(6,995)	3,771	694	(3,380)	1,085
Other Reserves	16,012	12,258	(15,625)	12,645	14,409	(21,718)	5,336
Business Rates Reserve	12,654	463	(16,548)	(3,430)	0	(2,300)	(5,730)
Barnhill PFI	626	399	(514)	511	362	(195)	678
Public Health Reserve	1,401	767	(1,506)	661	0	0	661
Parking Revenue Account / New Roads & Street Works Reserve	252	0	(200)	52	0	0	52
Housing Revenue Account	0	0	0	0	6,811	0	6,811
<b>Total Council Earmarked Reserves</b>	<b>49,767</b>	<b>12,966</b>	<b>(45,591)</b>	<b>17,142</b>	<b>23,374</b>	<b>(30,425)</b>	<b>10,091</b>
<b>Schools Reserves</b>							
Other Schools Reserves	14,519	0	(2,728)	11,791	0	(436)	11,355
<b>Total Schools Reserves</b>	<b>14,519</b>	<b>0</b>	<b>(2,728)</b>	<b>11,791</b>	<b>0</b>	<b>(436)</b>	<b>11,355</b>
<b>Total</b>	<b>64,286</b>	<b>12,966</b>	<b>(48,319)</b>	<b>28,933</b>	<b>23,374</b>	<b>(30,861)</b>	<b>21,446</b>

### Grants Unapplied

Funds set aside from specific revenue grants to support future investment in services, which will be drawn down as required to support ongoing projects.

### Member Initiatives

Funds set aside to support delivery of specific local initiatives, including Hillingdon Improvement Programme, Highways maintenance and Leader's Initiatives amongst other balances. These monies are expected to be drawn down over the life of these initiatives.

### Other Reserves

Funds set aside to manage cyclical or irregular expenditure, including Housing Needs Initiatives, the Corporate Insurance Reserve, Elections Reserve and provision for costs of service transformation amongst other balances. Funds will be drawn down as required to fund specific costs.

### Business Rate Retention Reserve

Grant income received from Government to reimburse the Council for losses within the Collection Fund Adjustment Account relating to changes to Business Rates Reliefs. Under the current Business Rates Retention System, these grants are received in advance of deficits impacting upon the General Fund and therefore held in a separate reserve. The credit balance on this reserve reflects timing adjustments.

### Barnhill PFI

Funds held to cover costs occurring over the lifecycle for the PFI school Barnhill Academy.

### Public Health Reserve

A reserve required under statute to earmark any accounting under spend on Public Health activities transferred into the Council from the NHS from 1 April 2013. Monies set aside include funds to meet outstanding commitments and manage any risks associated with the service.

### Housing Revenue Account Reserve

An earmarked reserve has been created to support the financing of future HRA developments.

# Notes to the Main Financial Statements

## 6. OTHER OPERATING EXPENDITURE

Payments to Government Housing Capital Receipts Pool  
 Precepts and Levies  
**Total**

2023/24 £'000	2022/23 £'000
0	1
841	823
<b>841</b>	<b>824</b>

## 7. NET FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Interest payable and similar charges  
 Interest receivable and similar income  
 Strategic pooled fund fair value adjustment  
 Hillingdon First Ltd fair value adjustment  
 Net interest on the net defined benefit liability  
 Changes in the fair value of investment properties  
**Total**

2023/24 £'000	2022/23 £'000
10,653	9,340
(4,031)	(2,404)
(439)	1,061
2,550	(2,259)
12,254	16,958
421	(729)
<b>21,408</b>	<b>21,967</b>

## 8. TAXATION AND NON-SPECIFIC GRANT INCOME

Council Tax Income  
 Non-Domestic Rates Income  
 Non-Domestic Rates Tariff payable to Central Government  
 Non-Domestic Rates Levy (receivable)/Payable to Central Government  
 Non-Ringfenced Government Grants  
 Capital Grants & Contributions  
**Total**

2023/24 £'000	2022/23 £'000
(136,321)	(127,626)
(112,091)	(105,769)
53,459	53,667
8,639	6,485
(30,847)	(43,199)
(39,077)	(41,372)
<b>(256,238)</b>	<b>(257,814)</b>

# Notes to the Main Financial Statements

## 9. MOVEMENT OF NON-CURRENT ASSETS 2023/24

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Sub Total Plant, Property & Equipment £'000	Heritage Assets £'000	Intangibles £'000	Investment Properties £'000	Assets Held for Sale £'000	Total Non Current Assets £'000
<b>Cost or Valuation as at 1 April 2023</b>	<b>856,238</b>	<b>878,483</b>	<b>103,937</b>	<b>15,274</b>	<b>34,838</b>	<b>37,867</b>	<b>1,926,637</b>	<b>5,729</b>	<b>2,722</b>	<b>4,687</b>	<b>0</b>	<b>1,939,775</b>
Additions	20,235	0	2,762	51	1,169	0	24,217	0	539	0	0	24,756
Enhancements	24,591	17,223	1,261	235	29,335	0	72,645	800	0	0	0	73,445
Revaluation increases/(decreases) recognised in Revaluation Reserve	(10,644)	41,641	2,518	0	0	5,207	38,722	0	0	0	0	38,722
Revaluation increases/(decreases) recognised in Surplus/Deficit on Services	(24,484)	(14,359)	(1,096)	0	0	(1,209)	(41,148)	0	0	(420)	0	(41,568)
Derecognition - Disposals	(4,305)	(7,549)	(85)	0	0	(1,536)	(13,475)	0	0	0	0	(13,475)
Derecognition - Other	(77)	(5,621)	(2,260)	0	0	0	(7,958)	0	(221)	0	0	(8,179)
Assets reclassified within Property Plant and Equipment	0	3,540	9	0	(6,117)	2,568	0	0	0	0	0	0
Other Movements in Cost or Valuation	0	0	0	0	0	0	0	0	0	0	0	0
<b>Cost or Valuation as at 31 March 2024</b>	<b>861,554</b>	<b>913,358</b>	<b>107,046</b>	<b>15,560</b>	<b>59,225</b>	<b>42,897</b>	<b>1,999,640</b>	<b>6,529</b>	<b>3,040</b>	<b>4,267</b>	<b>0</b>	<b>2,013,476</b>
<b>Accumulated Depreciation &amp; Impairment as at 1 April 2023</b>	<b>0</b>	<b>(14,846)</b>	<b>(29,022)</b>	<b>(541)</b>	<b>(9)</b>	<b>(13)</b>	<b>(44,431)</b>	<b>0</b>	<b>(1,451)</b>	<b>0</b>	<b>0</b>	<b>(45,882)</b>
Depreciation charge in 2023/24	(12,997)	(9,788)	(7,394)	(12)	0	(16)	(30,207)	0	(357)	0	0	(30,564)
Depreciation written out to Revaluation Reserve	10,618	11,901	3,259	0	0	42	25,820	0	0	0	0	25,820
Depreciation written out to Surplus/Deficit on Services	2,314	3,490	251	0	0	36	6,091	0	0	0	0	6,091
Derecognition - Disposals	65	349	85	0	0	0	499	0	0	0	0	499
Derecognition - Other	0	1,129	2,260	0	0	0	3,389	0	221	0	0	3,610
Assets reclassified within Property Plant and Equipment	0	0	0	0	0	0	0	0	0	0	0	0
Other movements in Depreciation and Impairment	0	49	0	0	0	(49)	0	0	0	0	0	0
<b>Accumulated Depreciation &amp; Impairment as at 31 March 2024</b>	<b>0</b>	<b>(7,716)</b>	<b>(30,561)</b>	<b>(553)</b>	<b>(9)</b>	<b>0</b>	<b>(38,839)</b>	<b>0</b>	<b>(1,587)</b>	<b>0</b>	<b>0</b>	<b>(40,426)</b>
<b>Balance Sheet amount 1 April 2023</b>	<b>856,238</b>	<b>888,847</b>	<b>78,414</b>	<b>14,733</b>	<b>34,829</b>	<b>37,854</b>	<b>1,910,915</b>	<b>5,729</b>	<b>1,271</b>	<b>4,687</b>	<b>0</b>	<b>1,922,602</b>
<b>Balance Sheet amount 31 March 2024</b>	<b>861,554</b>	<b>905,642</b>	<b>76,485</b>	<b>15,007</b>	<b>59,216</b>	<b>42,897</b>	<b>1,960,801</b>	<b>6,529</b>	<b>1,453</b>	<b>4,267</b>	<b>0</b>	<b>1,973,050</b>
<b>Nature of asset holding</b>												
Owned	861,554	905,642	76,485	15,007	59,216	42,897	1,960,801	6,529	1,453	4,267	0	1,973,050
Finance Lease	0	0	0	0	0	0	0	0	0	0	0	0
<b>Balance Sheet amount 31 March 2024</b>	<b>861,554</b>	<b>905,642</b>	<b>76,485</b>	<b>15,007</b>	<b>59,216</b>	<b>42,897</b>	<b>1,960,801</b>	<b>6,529</b>	<b>1,453</b>	<b>4,267</b>	<b>0</b>	<b>1,973,050</b>

# Notes to the Main Financial Statements

## MOVEMENT OF NON-CURRENT ASSETS 2022/23

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Sub Total Plant, Property & Equipment £'000	Heritage Assets £'000	Intangibles £'000	Investment Properties £'000	Assets Held for Sale £'000	Total Non Current Assets £'000
<b>Cost or Valuation as at 1 April 2022</b>	<b>811,393</b>	<b>904,130</b>	<b>98,461</b>	<b>14,720</b>	<b>22,508</b>	<b>8,339</b>	<b>1,859,551</b>	<b>5,598</b>	<b>2,938</b>	<b>3,959</b>	<b>33</b>	<b>1,872,079</b>
Additions	34,221	61	3,473	52	16,101	0	53,908	0	66	0	0	53,974
Enhancements	20,495	8,848	26	502	6,494	0	36,365	131	0	0	0	36,496
Revaluation increases/(decreases) recognised in Revaluation Reserve	28,227	4,732	8,882	0	0	21,845	63,686	0	0	0	0	63,686
Revaluation increases/(decreases) recognised in Surplus/Deficit on Services	(33,861)	(5,841)	0	0	(339)	(7)	(40,048)	0	0	729	0	(39,319)
Derecognition - Disposals	(5,103)	(6,644)	(256)	0	(1,571)	0	(13,574)	0	(280)	0	(33)	(13,887)
Derecognition - Other		(1,017)	(2,886)	0		0	(3,903)	0	0	0	0	(3,903)
Assets reclassified within Property Plant and Equipment	866	(240)	39	0	(8,355)	7,690	0	0	0	0	0	0
Assets reclassified (to) & from Held for Sale & Investment Properties	0	0	185	0	0	0	185	0	(2)	(1)	0	182
<b>Cost or Valuation as at 31 March 2023</b>	<b>856,238</b>	<b>904,029</b>	<b>107,924</b>	<b>15,274</b>	<b>34,838</b>	<b>37,867</b>	<b>1,956,170</b>	<b>5,729</b>	<b>2,722</b>	<b>4,687</b>	<b>0</b>	<b>1,969,308</b>
<b>Accumulated Depreciation &amp; Impairment as at 1 April 2022</b>	<b>0</b>	<b>(14,267)</b>	<b>(25,936)</b>	<b>(528)</b>	<b>0</b>	<b>(4)</b>	<b>(40,735)</b>	<b>0</b>	<b>(1,351)</b>	<b>0</b>	<b>0</b>	<b>(42,086)</b>
Depreciation charge in 2022/23	(12,056)	(9,690)	(7,827)	0	0	(18)	(29,591)	0	(380)	0	0	(29,971)
Depreciation written out to Revaluation Reserve	10,000	4,358	1,296	0	0	20	15,674	0	0	0	0	15,674
Depreciation written out to Surplus/Deficit on Services	1,982	3,195	0	0	0	2	5,179	0	0	0	0	5,179
Derecognition - Disposals	74	253	3,142	0	0	0	3,469	0	0	0	0	3,469
Derecognition - Other	0	934	0	0	0	0	934	0	280	0	0	1,214
Assets reclassified within Property Plant and Equipment	0	22	0	0	0	0	22	0	0	0	0	22
Assets reclassified (to) & from Held for Sale & Investment Properties	0	13	(185)	(13)	(9)	(13)	(207)	0	0	0	0	(207)
<b>Accumulated Depreciation &amp; Impairment as at 31 March 2023</b>	<b>0</b>	<b>(15,182)</b>	<b>(29,510)</b>	<b>(541)</b>	<b>(9)</b>	<b>(13)</b>	<b>(45,255)</b>	<b>0</b>	<b>(1,451)</b>	<b>0</b>	<b>0</b>	<b>(46,706)</b>
<b>Balance Sheet amount 1 April 2022</b>	<b>811,393</b>	<b>889,863</b>	<b>72,525</b>	<b>14,192</b>	<b>22,508</b>	<b>8,335</b>	<b>1,818,816</b>	<b>5,598</b>	<b>1,587</b>	<b>3,959</b>	<b>33</b>	<b>1,829,993</b>
<b>Balance Sheet amount 31 March 2023</b>	<b>856,238</b>	<b>888,847</b>	<b>78,414</b>	<b>14,733</b>	<b>34,829</b>	<b>37,854</b>	<b>1,910,915</b>	<b>5,729</b>	<b>1,271</b>	<b>4,687</b>	<b>0</b>	<b>1,922,602</b>
<b>Nature of asset holding</b>												
Owned	856,238	888,847	78,414	14,733	34,829	37,854	1,910,915	5,729	1,271	4,687	0	1,922,602
Finance Lease	0	0	0	0	0	0	0	0	0	0	0	0
<b>Balance Sheet amount 31 March 2023</b>	<b>856,238</b>	<b>888,847</b>	<b>78,414</b>	<b>14,733</b>	<b>34,829</b>	<b>37,854</b>	<b>1,910,915</b>	<b>5,729</b>	<b>1,271</b>	<b>4,687</b>	<b>0</b>	<b>1,922,602</b>

# Notes to the Main Financial Statements

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## INFRASTRUCTURE ASSETS

	2023/24 £'000	2022/23 £'000
<b>Net Book Value as at 1 April</b>	<b>184,543</b>	<b>185,091</b>
Enhancements	11,067	7,812
Depreciation charge	(8,556)	(8,360)
<b>Net Book Value as at 31 March</b>	<b>187,054</b>	<b>184,543</b>

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

# Notes to the Main Financial Statements

## 10. REVALUATION LOSSES/GAINS RECOGNISED IN COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

The Council undertakes a rolling programme that ensures all of its Property, Plant and Equipment is carried at current value or fair value as prescribed in the Code of Practice and that every asset is valued at least every 5 years. In 2023/24 a rolling programme of General Fund assets including investment properties and high value assets, were valued by external independent valuers Wilks Head & Eve LLP.

The Housing Stock was uplifted in value to reflect market conditions for all Council Dwellings by Jones Lang LaSalle Limited to reflect the value at 31 March 2024 through a desktop valuation process. Valuations are carried out in accordance with professional standards of the Royal Institution of Chartered Surveyors.

During 2023/24, the Council has recognised revaluation gains of £64,697k directly to the revaluation reserve. The Council also recognised valuation losses of £35,056k in the Surplus/Deficit on provision of services which was then reversed through the Movement in Reserves Statement to mitigate any impact on General Fund and Housing Revenue Account Balances.

Out of the £2.160m net book value recorded in Note 9, 78% (£1.686m) relates to Non-Current Assets valued during 2023/24.

### Fair Value Hierarchy

Investment property and surplus properties are measured at fair value in accordance with IFRS13 Fair Value Measurement. In estimating the fair value, the valuation has taken into account the highest and best use of the assets estimating the price at which an orderly transaction to sell the asset would take place under current market conditions. IFRS13 also seeks to increase consistency and comparability within the valuation process and categorises valuations under a fair value hierarchy which considers methodology of the valuation using levels of observable and unobservable inputs. Property within the borough is actively purchased, sold or leased on the open market and there are a number of comparables. As such, the level of observable inputs is significant, leading to all properties being categorised as level 2 on the fair value hierarchy. There have been no changes in asset methodology which resulted in moving asset fair values between levels on the fair value hierarchy during the year.

## 11. COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2024, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2023/24 and future years budgeted to cost £60,900k.

Scheme	31 March 2024	31 March 2023
	£'000	£'000
Housing	17,166	11,221
Housing Regeneration	25,205	30,526
New Vehicles	231	306
New Platinum Jubilee Leisure Centre, West Drayton	1,283	23,609
Other Capital Projects	6,659	4,368
Schools Expansions Programme	10,356	263
<b>Total</b>	<b>60,900</b>	<b>70,293</b>

- Housing Regeneration is the Regeneration Programme on the Hayes town Centre and Avondale Road estates. The council is in a development agreement for all phases of the development expected to last for 7 years, with an estimated value of £126,144k. The first contractual phase commenced in December 2022 and has £25,205k remaining.
- New Platinum Jubilee Leisure Centre, West Drayton is a major construction project budgeted at £37m. During the year the main contractor went into liquidation. A number of smaller contracts will be awarded in phases until the projected is expected to complete in 2025.

# Notes to the Main Financial Statements

- The schools expansions programme is increasing SEND provision in the Borough and recently awarded a significant contract to increase provision at Meadow High School. A further contract award is expected in 2024/25.
- Housing - the council has agreed to acquire a total of 30 units across 3 sites. In addition the council is in contract to build a further 44 units across four sites due to be delivered in 2024/25.

## 12. HERITAGE ASSETS

At 31 March 2024 the Council held Civic Regalia and a statue 'Anticipation' at an insurance value of £589k. The Council owns the Battle of Britain Bunker that has been insured for £4,859k and there was capital expenditure of £800k in year to maintain the asset. As neither a current market valuation, nor a replacement cost is available due to the specialist nature of this historic asset, the insurance has been used as the basis for valuation. In addition, several artefacts held at the battle of Britain bunker site are held as heritage assets, which belonged to Battle of Britain flying ace Wing Commander Ronald Gustave Kellett who was stationed at RAF Northolt in 1940. These items have been valued at £150k based on auctions of similar items.

The Council also holds an 18th Century stable block within the grounds of Cranford Park alongside a collection of antique farm equipment. There are a number of artefacts including historical archives stored within the Battle of Britain bunker. These are insured through the Council's general insurance scheme but do not hold specific valuations, are non-realisable and therefore are not included on the Council's balance sheet.

### Heritage Assets of Particular Importance

The Battle of Britain Bunker is an underground operations room and is a historic landmark of national significance. The bunker played a crucial role in the air defence of the United Kingdom throughout World War Two by the No 11 Group Fighter Command. It was vital in directing RAF operations throughout the war with fighter aircraft operations being controlled from the bunker throughout the war but most notably during the Battle of Britain and on D-Day. The bunker was visited by both Winston Churchill and King George VI in 1940 and it was here that Winston Churchill on 16 August 1940 spoke the famous words "Never in the field of human conflict was so much owed, by so many, to so few". Evacuations started in 1938 and the operations bunker was constructed in 1939. The bunker is located 60 feet below ground level and is accessed via a staircase of over 70 steps. Within the collection which belonged to Wing Commander Ronald Gustave Kellett, are medals awarded for distinguished acts of valour and courage such as the Distinguished Flying Cross (DFC) as well as flying logbooks. A number of items are displayed for residents to view while other items will be preserved researchers and historians to view to represent the historical importance and protect for generations to come. The Battle of Britain Bunker is signed up to the Museums Association's code of ethics. The site is alarmed and monitored with security services to protect the site and artefacts. Restoration and conservation works have been carried out on a number of exhibited artefacts within the bunker such as the wartime map.

## 13. INVESTMENT PROPERTIES

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

	2023/24 £'000	2022/23 £'000
Rental income from investment property	(303)	(260)
Direct operating expenses arising from investment property	68	55
<b>Net gain</b>	<b>(235)</b>	<b>(205)</b>

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 repairs, maintenance or enhancement.

# Notes to the Main Financial Statements

## 14. FINANCIAL INSTRUMENT BALANCES

### FINANCIAL ASSETS

	Current		Long-Term		Total	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Investments at Amortised Cost</b>	1,005	1,461	0	0	1,005	1,461
<b>Fair Value through Profit &amp; Loss</b>						
- Principal	0	0	15,071	15,070	15,071	15,070
- Fair Value Adjustment	0	0	(1,091)	(1,507)	(1,091)	(1,507)
- Hillingdon First Limited - Principal	0	0	6,759	4,500	6,759	4,500
- Hillingdon First Limited - Fair Value Adjustment	0	0	(2,550)	2,259	(2,550)	2,259
- GLL Soft Loan	0	0	1,304	1,240	1,304	1,240
<b>Total Investments</b>	<b>1,005</b>	<b>1,461</b>	<b>19,493</b>	<b>21,562</b>	<b>20,498</b>	<b>23,023</b>
<b>Cash &amp; Cash Equivalents at Amortised Cost</b>						
- Cash held by the Council	20	22	0	0	20	22
- Bank Current Accounts	18,368	13,797	0	0	18,368	13,797
- Liquid Deposits	28,522	46,707	0	0	28,522	46,707
<b>Total Cash &amp; Cash Equivalents</b>	<b>46,910</b>	<b>60,526</b>	<b>0</b>	<b>0</b>	<b>46,910</b>	<b>60,526</b>
<b>Other Assets at Amortised Cost</b>						
- Trade Receivables	34,110	47,138	1,562	223	35,672	47,361
- Loss allowance	(15,413)	(12,122)		0	(15,413)	(12,122)
<b>Total Other Assets</b>	<b>18,697</b>	<b>35,016</b>	<b>1,562</b>	<b>223</b>	<b>20,259</b>	<b>35,239</b>
<b>Total Financial Assets</b>	<b>66,612</b>	<b>97,003</b>	<b>21,055</b>	<b>21,785</b>	<b>87,667</b>	<b>118,788</b>

NB Future lease receivables have been removed as this table reflects financial assets as at 31<sup>st</sup> March 2024. Therefore the 2022/23 comparators differ from the 2022/23 Statement of Accounts where these had been included.

# Notes to the Main Financial Statements

## FINANCIAL LIABILITIES

	Current		Long-Term		Total	
	31 March					
	2024	2023	2024	2023	2024	2023
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Loans at Amortised Cost</b>						
- Principal sum borrowed	(100,500)	(81,500)	(255,671)	(242,171)	(356,171)	(323,671)
- Accrued Interest	(2,299)	(1,703)	0	0	(2,299)	(1,703)
- EIR Adjustment	0	9,398	9,458	9,398	9,458	9,458
<b>Total Loans</b>	<b>(102,799)</b>	<b>(83,203)</b>	<b>(246,273)</b>	<b>(232,713)</b>	<b>(349,072)</b>	<b>(315,916)</b>
<b>Other Liabilities at Amortised Cost</b>						
- Trade Payables	(39,664)	(37,068)	(12)	(4)	(39,676)	(37,072)
- PFI arrangements	(30)	(72)	0	(30)	(30)	(102)
<b>Total Other Liabilities</b>	<b>(39,694)</b>	<b>(37,140)</b>	<b>(12)</b>	<b>(34)</b>	<b>(39,706)</b>	<b>(37,174)</b>
<b>Total Financial Liabilities</b>	<b>(142,493)</b>	<b>(120,343)</b>	<b>(246,285)</b>	<b>(232,747)</b>	<b>(388,778)</b>	<b>(353,090)</b>

# Notes to the Main Financial Statements

## INCOME, EXPENSE, GAINS AND LOSSES

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2023/24	2022/23
	Surplus or Deficit on the provision of Services £'000	Surplus or Deficit on the provision of Services £'000
<b>Interest Revenue</b>		
- Assets measured at amortised cost	(2,108)	(1,019)
- Other		
<b>Dividend Revenue</b>		
- Assets measured at fair value through profit and loss	(1,944)	(1,373)
<b>Net Gains</b>		
- Revaluation gains on assets measured at fair value through profit and loss	(438)	(1)
<b>Interest &amp; Investment Income and Revaluation Gains</b>	<b>(4,491)</b>	<b>(2,393)</b>
<b>Interest Expenses</b>		
- Liabilities measured at amortised cost	10,262	8,812
- PFI & Lease Contracts	22	119
- Other	292	357
<b>Other Expenses</b>		
- Brokerage Fees	78	46
- Other Professional Fees		6
<b>Net Losses</b>		
- Revaluation loss on assets measured at fair value through profit & loss	2,572	(1,198)
<b>Interest Payable and Revaluation Losses</b>	<b>13,226</b>	<b>8,142</b>
<b>Net (Gain)/Loss for the Year</b>	<b>8,735</b>	<b>5,749</b>

Nb Interest receivable In Note 1b Note to the Expenditure and Funding Analysis excludes revaluation gains on assets measured at fair value through profit and loss (£438k) but includes £22k revaluation loss on assets measured at fair value through profit and loss. The £438k gain is subject to the statutory override on pooled investments and is transferred to the Pooled Investment Fund Adjustment Account.

## STRATEGIC POOLED FUND INVESTMENTS AT FAIR VALUE THROUGH PROFIT & LOSS

The Council has elected to apply the statutory override to account for the following investments measured at fair value through profit & loss and transfer any fair value movements through the MIRS into the Pooled Investment Fund Adjustment Account.

### Equity Instruments designated at Fair Value through Profit & Loss

	Fair Value		Dividends		Transfer Gain/(Loss)	
	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000
<b>Long Term</b>						
- Ninety One Diversified Income Fund	4,446	4,469	204	189	(23)	(250)
- Columbia Threadneedle Strategic Bond Fund	4,719	4,510	197	162	209	(498)
- M&G Optimal Income Fund	4,765	4,513	222	162	252	(313)
<b>Total Equity Instruments</b>	<b>13,931</b>	<b>13,493</b>	<b>623</b>	<b>513</b>	<b>438</b>	<b>(1,061)</b>

# Notes to the Main Financial Statements

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## FAIR VALUES OF ASSETS AND LIABILITIES

### Financial instruments

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

The financial assets held by the Council during the year are accounted for under the following classifications:

- Amortised cost
- Fair value through other comprehensive income
- Fair value through profit and loss

### Financial liabilities

A financial liability is a contractual obligation to deliver cash or other financial asset to another entity or exchange a financial asset or liability with another entity under conditions, which are potentially unfavourable to the Council. The Council's financial liabilities held during the year were all measured at amortised cost.

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows that are scheduled to take place over the remaining life of the instrument. This provides an estimate of the value of payments in the future in today's terms.

### Fair Value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2024, using the following methods and assumptions:

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2024, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate, or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows, excluding service charge elements, at the appropriate AA-rated corporate bond yield.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

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

# Notes to the Main Financial Statements

## FAIR VALUE OF LIABILITIES

Financial Liabilities	Fair Value Level	31 March 2024		31 March 2023	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£'000	£'000	£'000	£'000
PWLB Loans	2	(230,466)	(215,361)	(191,732)	(172,434)
Market Loans	2	(48,607)	(53,667)	(48,610)	(54,886)
Local Authority Loans	2	(69,998)	(69,835)	(75,574)	(74,686)
Lease & PFI Liabilities	2	(30)	(30)	(102)	(132)
Trade Payables	N/A	(39,676)	(39,676)	(37,068)	(37,068)
		<b>(388,778)</b>	<b>(378,570)</b>	<b>(353,086)</b>	<b>(339,206)</b>

Overall, the fair value of liabilities is lower than the balance sheet carrying amount because the Council's debt portfolio includes a number of loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. Overall, there is a notional future gain (based on economic conditions at 31 March 2024) arising from a commitment to pay interest to lenders below current market rates.

## FAIR VALUE OF ASSETS

Fair Value Level	31 March 2024		31 March 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
<b>Financial Assets Held at Fair Value</b>				
Money Market Funds	1	0	0	0
Pooled Funds (Long-Term)	2	14	14	13
Strategic Pooled Funds (Long-Term)	2	13,931	13,931	13,493
Shares in Listed Companies (Long-Term)	1	35	35	58
Hillingdon First Limited - Equity	3	4,209	4,209	6,759
<b>Financial Assets Held at Amortised Cost</b>				
Short-Term Deposits & Deposit Accounts	N/A	1,005	1,005	1,461
Cash and Bank Current Accounts	N/A	46,910	46,910	60,525
GLL Soft Loan	3	1,304	1,304	1,240
Trade Receivables	N/A	20,258	20,258	35,239
	<b>87,667</b>	<b>87,667</b>	<b>118,788</b>	<b>118,788</b>

The fair value of short-term financial assets held at amortised cost, including trade and lease receivables, is assumed to approximate to the carrying amount.

## LOSS ALLOWANCE BY ASSET CLASS

	31 March 2024		31 March 2023	
	Gross receivable	Simplified approach Loss Allowance	Gross receivable	Simplified approach Loss Allowance
	£'000	£'000	£'000	£'000
Lifetime Expected Credit Loss - Trade Receivables	34,110	(15,413)	47,138	(12,122)

# Notes to the Main Financial Statements

## Offsetting Financial Assets and Liabilities

Financial assets or liabilities are set off against each other where the Council has a legally enforceable right to do so. The Council's bank accounts held with NatWest Bank have a right of offset; for 2023/24 there were no accounts in an overdraft position where an offset was applied.

## RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	31 March 2024	Realised gains/losses	Unrealised gains/losses	Sales	Purchases	Transfers out of Level 3	Transfers into Level 3	01 April 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Hillingdon First Limited - Equity	4,209	0	(2,550)	0	0	0	0	6,7
	<b>4,209</b>	<b>0</b>	<b>(2,550)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,7</b>

There have been no transfers between levels during the financial year. Transfers will only occur when there is a fundamental change in the underlying pricing structure and inputs.

The Council has invested £3.37m as equity shares in Hillingdon First Limited (HFL), a wholly owned subsidiary. Shares in HFL are not publicly traded so a market share is not readily available thus the fair value of the company has been independently determined to be £4.2m on the basis of future cash flows, business plan and the company's own accounts.

Changes in any of these assumptions would influence the fair value of HFL, thus a 1% change in assumptions would mean a in a £42k change in fair value.

## 15. SHORT TERM DEBTORS

	31 March 2024 £'000	31 March 2023 £'000
Trade Receivables	18,697	35,016
Prepayments	3,058	4,218
Other receivable amounts	61,627	118,092
	<b>83,382</b>	<b>157,326</b>

Included within short term debtors is an impairment allowance for £35,505k (£32,605k in 2022/23) of which £15,413k relates to trade receivables and £20,092k relates to other receivable amounts.

## 16. DEBTORS FOR TAXATION

Debtors for taxation are included within the 'other receivable amounts' in note 15 and are detailed below:

	31 March 2024 £'000	31 March 2023 £'000
Up to one year	7,854	8,589
One to three years	10,240	14,245
Over three years	17,980	12,020
	<b>36,074</b>	<b>34,854</b>

# Notes to the Main Financial Statements

## 17. LONG TERM DEBTORS

	31 March 2024 £'000	To Short Term £'000	Repayments £'000	Additions £'000	31 March 2023 £'000
Housing advances & associations	2				2
Sale of council houses	2				2
Other loans & advances	353	(268)	(556)		1,177
Developer contributions	1,560			1,230	330
	<b>1,917</b>	<b>(268)</b>	<b>(556)</b>	<b>1,230</b>	<b>1,511</b>

## 18. SHORT TERM CREDITORS

	31 March 2024 £'000	31 March 2023 £'000
Trade Payables	39,664	37,068
Other Payables	64,943	137,838
	<b>104,607</b>	<b>174,906</b>

## 19. LONG TERM CREDITORS

Long Term Creditors consist of balances held under Section 106 and 278 Agreements and deposits. These amounted to £2,916k at 31 March 2024 (£4,670k at 31 March 2023).

## 20. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2024 £'000	31 March 2023 £'000
Cash and Bank Current Accounts	46,910	60,525
Total Cash and Cash Equivalents	<b>46,910</b>	<b>60,525</b>

## 21. PROVISIONS

	1 April 2023 £'000	Additional provisions made in 2023/24 £'000	Amounts used in 2023/24 £'000	Unused amounts reversed in 2023/24 £'000	31 March 2024 £'000	Short-Term Provisions £'000	Long-Term Provisions £'000
Non Domestic Rates Appeal Losses	152	725	0	0	877	877	0
Social Care Disputes	1,230	491	0	(989)	732	732	0
Insurance Provision	3,842	244	0	(1,403)	2,683	1,708	975
Other provisions	154	0	(34)	(102)	18	9	9
<b>Total Provisions</b>	<b>5,378</b>	<b>1,460</b>	<b>(34)</b>	<b>(2,494)</b>	<b>4,310</b>	<b>3,326</b>	<b>984</b>

### Non-Domestic Rates Appeal Losses

See note 3 to the Collection Fund Accounts. The Collection Fund Share represents the Council's 30% obligation in relation to appeals over the rateable value of properties from NNDR purposes. The provision has increased by £725k mainly due to the re-activation of the 2017 Rateable Value active case list, after last year's suspension of those appeals. There are also a small number of new 2023 cases active.

# Notes to the Main Financial Statements

## Social Care Disputes

Provision increases relate to disputed hourly rates with one contractor and a legal claim from another contractor. Unused provisions released in 2023/24 largely relate to a case where it has been confirmed that the Council is not liable for the costs.

## Insurance

The Council has external insurance and liability indemnity to protect against major risks associated with items such as buildings and motor vehicles. The excess levels are as follows:

1. Property - £100k for combined risks
2. Liability - £375k
3. Motor Vehicles - £100k

The Council self-funds claims which fall under the excess thresholds. The insurance fund provision is to provide for outstanding claims against the Council as at 31 March 2024.

The ratio of insurance provisions is approximately 70% short-term and 30% long-term.

## Other provisions

The other provisions represent amounts set aside to meet potential future liabilities. This includes items such as: legal costs; among others.

## 22. UNUSABLE RESERVES

	31 March 2024 £'000	31 March 2023 £'000
Revaluation reserve	698,005	660,617
Capital adjustment account	1,002,804	1,026,085
Financial instruments adjustment account	(544)	(640)
Pensions reserve	(183,052)	(260,645)
Collection fund adjustment account	8,658	1,236
Accumulated absences account	(6,384)	(5,870)
Dedicated schools grant adjustment account	(50,582)	(21,887)
Pooled Investment Fund Adjustment Account	(1,069)	(1,507)
<b>Total Unusable Reserves</b>	<b>1,467,836</b>	<b>1,397,389</b>

# Notes to the Main Financial Statements

## 22A. 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.

	2023/24 £'000	2022/23 £'000
<b>Balance at 1 April</b>	<b>1,008,103</b>	<b>1,010,185</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non-current assets	(38,780)	(37,970)
- Revaluation gains/(losses) on Property, Plant and Equipment	(35,056)	(33,955)
- Change in Fair Value Adjustment Hillingdon First	(2,550)	2,259
- Amortisation of intangible assets	(340)	(362)
- Revenue expenditure funded from capital under statute	(17,972)	(12,763)
- 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	(17,539)	(13,103)
	(112,237)	(95,894)
Adjusting amounts written out of the Revaluation Reserve	16,422	10,639
Net written out amount of the cost of non-current assets consumed in the year	(95,815)	(85,255)
Capital financing applied in the year:		
- Use of the Capital Receipts Reserve to finance new capital expenditure	18,163	13,697
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	36,940	41,239
- Application of grants to capital financing from the Capital Grants Unapplied Account	0	4,742
- Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	13,026	17,319
- Finance Lease Principal	72	216
- Capital expenditure charged against the General Fund and HRA balances	22,736	23,213
	90,937	100,426
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(421)	729
<b>Balance at 31 March</b>	<b>1,002,804</b>	<b>1,026,085</b>

# Notes to the Main Financial Statements

## 22B. REVALUATION RESERVE

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

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

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

	2023/24		2022/23	
	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>		<b>649,730</b>		<b>591,896</b>
Upward revaluation of assets				
- Land & Buildings	112,847		23,025	
- Council Dwellings	9,460		40,332	
- Community Assets				
- Heritage Assets				
- Surplus Assets				
- Assets Under Construction	25,328		22,884	
- Plant and Equipment	7,063	154,698	10,156	96,397
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services				
- Land & Buildings	(59,304)		(13,935)	
- Council Dwellings	(9,486)		(2,105)	
- Surplus Assets	(20,079)			
- Infrastructure				
- Heritage Assets				
- Plant and Equipment	(1,132)	(90,001)	22	(17,037)
<b>Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services</b>		<b>64,697</b>		<b>79,360</b>
Difference between fair value depreciation and historical cost depreciation				
- Land & Buildings	(3,851)		(3,702)	
- Surplus Assets	(10)		(16)	
- Plant and Equipment	(4,723)		(840)	
- Council Dwellings	(2,407)	(10,991)	(1,837)	(6,395)
Accumulated gains on assets sold or scrapped				
- Land & Buildings	(4,704)		(2,469)	
- Surplus Assets				
- Plant and Equipment				
- Assets Held for sale				
- Council Dwellings				
- Assets Under Construction	(727)	(5,431)	(1)	(4,244)
<b>Amount written off to the Capital Adjustment Account</b>		<b>(16,422)</b>		<b>(10,639)</b>
<b>Balance at 31 March</b>		<b>698,005</b>		<b>660,617</b>

# Notes to the Main Financial Statements

## 23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2023/24 £'000	2022/23 £'000
<b>(Surplus)/Deficit on the provision of services</b>	<b>47,964</b>	<b>56,481</b>
Depreciation and impairment of non-current assets	(73,836)	(71,925)
Amortisation of intangible fixed assets	(340)	(362)
Revenue Expenditure Funded from Capital under Statute	(17,972)	(12,763)
Pension Fund adjustments	(6,844)	(41,978)
(Increase)/Decrease in impairment for provision for bad debts	(2,941)	303
(Increase)/Decrease in creditors	77,932	(31,026)
Increase/(Decrease) in debtors	(73,539)	35,155
Increase/(Decrease) in inventories		0
Carrying amount of non-current assets sold	(17,539)	(13,103)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	2,892	784
<b>Total adjusting items</b>	<b>(112,187)</b>	<b>(134,915)</b>
<b>Adjustments for items included in the net Surplus or Deficit on the Provision of Services that are investing or financing activities</b>		
Proceeds from the disposal of plant, property and equipment, investment property and intangible assets	24,312	22,210
Capital Grants and other contributions credited to Surplus or Deficit on the Provision of Services	39,077	41,372
Billing Authorities - Council Tax and NNDR adjustments	6,927	41,077
<b>Total included elsewhere on Cash Flow Statement</b>	<b>70,316</b>	<b>104,659</b>
<b>Net cash flows from operating activities</b>	<b>6,093</b>	<b>26,225</b>

## Interest received, interest paid and dividends received

	2023/24 £'000	2022/23 £'000
Interest paid	(10,057)	(9,340)
Interest received	4,012	2,404

# Notes to the Main Financial Statements

## 24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2023/24 £'000	2022/23 £'000
<b>Cash Outflows</b>		
Purchase of property, plant and equipment	103,389	98,282
Other payments for investing activities	17,972	12,763
	<b>121,361</b>	<b>111,045</b>
<b>Cash Inflows</b>		
Sale of property, plant and equipment	(24,312)	(22,210)
Capital grants received	(39,077)	(41,372)
Other receipts from investing activities	(8,570)	(47,164)
	<b>(71,959)</b>	<b>(110,746)</b>
<b>Net Cash Outflow</b>	<b>49,402</b>	<b>299</b>
Net Increase/(Decrease) in Short-Term Investments	(456)	(34,001)
Net Increase/(Decrease) in Long-Term Investments	(2,069)	2,439
<b>Net cash flows from investing activities</b>	<b>46,877</b>	<b>(31,263)</b>

## 25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2023/24 £'000	2022/23 £'000
<b>Cash Outflows</b>		
Repayments of amounts borrowed	86,500	88,167
Capital element of finance lease rental and on-balance sheet PFI payments	72	216
	<b>(119,000)</b>	<b>(55,000)</b>
<b>Cash Inflows</b>		
New borrowing taken	(6,927)	(41,077)
Billing Authorities - Council Tax and NNDR adjustments		
<b>Net cash flows from financing activities</b>	<b>(39,355)</b>	<b>(7,694)</b>

### Reconciliation of Liabilities arising from Financing Activities

	Balance 31 March 2023 £'000	Financing Cash Flows £'000	Non Cash Acquisition £'000	Other Non Cash Changes £'000	Balance 31 March 2024 £'000
Short Term Borrowing	(83,201)	(2,500)	(18,799)	1,703	(102,797)
Long Term Borrowing	(232,713)	(30,000)	0	16,440	(246,273)
Short Term Lease & PFI	(72)	72	(30)	0	(30)
Deferred Liabilities Lease & PFI	(30)	0	0	30	0
Council Tax and NNDR Adjustments	(1,327)	(6,927)	0	0	(8,254)
<b>Total</b>	<b>(317,343)</b>	<b>(39,355)</b>	<b>(18,829)</b>	<b>18,173</b>	<b>(357,354)</b>

	Balance 31 March 2022 £'000	Financing Cash Flows £'000	Non Cash Acquisition £'000	Other Non Cash Changes £'000	Balance 31 March 2023 £'000
Short Term Borrowing	(89,320)	39,833	(34,869)	1,155	(83,201)
Long Term Borrowing	(259,143)	(6,667)	0	33,097	(232,713)
Short Term Lease & PFI	(216)	216	(72)	0	(72)
Deferred Liabilities Lease & PFI	(102)	0	0	72	(30)
Council Tax and NNDR Adjustments	39,750	(41,077)	0	0	(1,327)
<b>Total</b>	<b>(309,031)</b>	<b>(7,694)</b>	<b>(34,941)</b>	<b>34,324</b>	<b>(317,343)</b>

# Notes to the Main Financial Statements

## 26. EXTERNAL AUDIT COSTS

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

	2023/24 £'000	2022/23 £'000
Fees payable in regard to external audit services carried out by the appointed auditor	404	121
External audit services fee variation	9	114
<b>Fees payable for the certification of grant claims and returns:</b>		
Housing Benefit Subsidy	80	32
Teachers Pension	16	15
Capital Receipts Pooling	10	9
<b>Total External Audit costs</b>	<b>519</b>	<b>291</b>

## 27. PARKING REVENUE ACCOUNT

The Parking Revenue Account is maintained in accordance with section 55 of the Road Traffic Regulation Act 1984 which provides that a London Borough Council must keep an account of the income and expenditure in respect of parking places on the highway and sets out how any deficit must be treated and limitations on the use of any surplus.

	2023/24 £'000	2022/23 £'000
Income	(7,852)	(5,644)
Expenditure	4,523	3,781
<b>(Surplus)/ Deficit</b>	<b>(3,329)</b>	<b>(1,863)</b>
Allocation of Income from COVID-19 Funding	0	(888)
Allocation of income from EMR	(525)	0
Contribution to transport services	3,854	2,951
<b>Total (Surplus)/ Deficit</b>	<b>(0)</b>	<b>200</b>

## 28. MEMBER ALLOWANCES

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

	2023/24 £'000	2022/23 £'000
Salaries & Allowances	1,275	1,303
<b>Total</b>	<b>1,275</b>	<b>1,303</b>

Further details on Members' allowances are available on the Council website.

# Notes to the Main Financial Statements

## 29. POOLED BUDGETS

### Better Care Fund Pooled Budget

The Better Care Fund (BCF) Pooled Budget was set up in 2015-16. It is a mandatory process through which Council and NHS North West London Integrate Care Board (ICB) budgets are pooled and then reallocated on the basis of an approved plan intended to achieve closer integration of health and social care activities. This is intended to lead to improved outcomes for residents. The BCF is also a route through which the Government targets funding to support the local health and care system.

The Council and the ICB are required to enter into an agreement under section 75 of the National Health Service Act, 2006 in order to give legal effect to the financial and partnership arrangements within the plan. The Authority and NWLICB have defined within the Section 75, confirmed funding levels required to operate these services and they are reviewed on an annual basis. Some schemes are demand led and partners make relevant contributions depending on the type of services being accessed. There is a compulsory contribution that each party must contribute but additional funds can also be pooled. In 2023-24 £61,086k additional contributions (£74,856k in 2022-23) were added to the Pooled Budget.

The focus of Hillingdon's 2023/24 Better Care Fund plan is improving care outcomes for older people, mental health and people with learning disabilities and/or autism. With a focus on prevention and early intervention rather than crisis management. Key outcomes include, for example, a reduction in admissions to hospital that are avoidable and also a reduction in permanent admissions to care homes.

All parties to the better care fund pooled budget agreement have joint control. The better care fund pooled budget is a joint arrangement solely for the purpose of working together, with no single body having power of control over the other parties to the agreement. Each partner then accounts for its share of income, expenditure, assets liabilities and cash flows in line with the agreement.

The table below sets out the allocation received by each party for inclusion in the Better Care Fund.

	2023/24			2022/23		
	NWL ICB £'000	LB Hillingdon £'000	Total £'000	NWL ICB £'000	LB Hillingdon £'000	Total £'000
BCF Grant	22,870	0	22,870	21,645	0	21,645
DFG Allocations	0	5,557	5,557	0	5,111	5,111
iBCF	0	7,468	7,468	0	7,468	7,468
Voluntary Contributions	6,789	54,297	61,086	29,402	45,454	74,856
	<b>29,659</b>	<b>67,322</b>	<b>96,981</b>	<b>51,047</b>	<b>58,033</b>	<b>109,080</b>

This funding was then pooled and split out between the partners as set out below:

	2023/24			2022/23		
	NWL ICB £'000	LB Hillingdon £'000	Total £'000	NWL ICB £'000	LB Hillingdon £'000	Total £'000
BCF Grant	14,532	8,338	22,870	13,753	7,892	21,645
DFG Allocations	0	5,557	5,557	0	5,111	5,111
iBCF	0	7,468	7,468	0	7,468	7,468
Voluntary Contributions	6,789	54,297	61,086	29,402	45,454	74,856
	<b>21,321</b>	<b>75,660</b>	<b>96,981</b>	<b>43,155</b>	<b>65,925</b>	<b>109,080</b>

# Notes to the Main Financial Statements

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## 30. RELATED PARTY TRANSACTIONS

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

### **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, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in note 34.

### **London Housing Consortium**

The Council, in partnership with other councils and housing associations, participates in the London Housing Consortium (LHC). The LHC provides specialist architectural services and bulk procurement arrangements for the public sector.

### **West London Waste Authority**

West London Waste Authority is a statutory waste disposal authority created in 1986 with membership of the London Borough of Hillingdon and five other London Boroughs. It is primarily funded by a levy paid by each of the six participating councils. The amount contributed for 2023/24 is included under the heading Precepts and Levies below.

### **Hillingdon First Limited**

The Council has set up a 100% wholly owned subsidiary named Hillingdon First Limited (HFL), to provide affordable housing to residents of Hillingdon and contribute towards local regeneration. As part of the agreement the Council has committed to lend up to £35m to HFL. Any loan advance is subject to the Capital Release process and each project undergoes democratic approval. The Council has invested £3.37m as equity shares in Hillingdon First Limited (HFL). Shares in HFL are not publicly traded so a market share is not readily available thus the fair value of the company has been independently determined to be £4.209m as at 31<sup>st</sup> March 2024 (£6.759m as at 31<sup>st</sup> March 2023) on the basis of future cash flows, business plan and the company's own accounts.

### **The Pension Fund**

The London Borough of Hillingdon Pension Fund is considered a related party. The employer's contribution to the Pension Fund in 2023/24 was £30,186k (£28,095k in 2022/23). The Council also recharged the Pension Fund £483k for staffing and overhead apportionment costs in 2023/24 (£325k in 2022/23). A precept of £349k was paid to the London Pension Fund Authority in 2023/24 (£349k in 2022/23).

### **Members and Chief Officers**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2023/24 is shown in note 28.

This note concerns the disclosure of additional information on transactions between the Council and its related parties. The purpose of the note is to demonstrate fairness and openness in the accounts. All councillors and relevant officers are required to complete declarations to meet the requirements of IAS 24 - Transactions with Related Parties. Disclosures of Interest have been made in respect of the following organisations: the payment amount will not necessarily be just in respect of grants but will be a total of transactions between the Council and the organisation during the year. There were no material outstanding balances at year-end.

# Notes to the Main Financial Statements

2023/24		
Organisation	Name	Payments made as at 31st March 2024 (£)
London Councils	Councillor Jonathan Bianco, Councillor Ian Edwards, Councillor Martin Goddard, Councillor Eddie Lavery, Councillor Douglas Mills, Councillor Susan O'Brien, Councillor Jane Palmer, Councillor Ekta Gohil	£711,307.34
Citizens Advice Hillingdon	Councillor Tony Burles	£285,000.00
Uxbridge Business Improvement District Ltd	Councillor Eddie Lavery	£175,559.64
Her Majesty's Prison And Probation Service	Councillor Jas Dhot	£153,284.00
Bell Farm Christian Centre	Councillor Stuart Mathers	£92,056.00
Local Government Association	Councillor Jonathan Bianco	£63,456.17
Harlington Hospice Association	Councillor Kuldeep Lakhmana	£46,128.75
Hillingdon Citizens Advice Bureau	Councillor Tony Burles	£45,000.00
Ruislip & Northwood Old Folks Assoc	Councillor Becky Haggar, Councillor Eddie Lavery	£30,000.00
Yiewsley Baptist Church	Councillor Stuart Mathers	£26,218.85
Snowflakes Day Nursery & Montessori	Councillor Kamal Preet Kaur	£19,459.63
Hillingdon Brain Tumour Group	Councillor Becky Haggar	£15,000.00

2022/23		
Organisation	Name	Payments made as at 31st March 2023 (£)
Her Majesty's Prison And Probation Service	Councillor Jas Dhot	£854,597.00
London Councils	Councillor Jonathan Bianco, Councillor Ian Edwards, Councillor Martin Goddard, Councillor Eddie Lavery, Councillor Douglas Mills, Councillor Susan O'Brien, Councillor Jane Palmer	£606,892.07
Uxbridge Business Improvement District Ltd	Councillor Eddie Lavery	£555,275.58
Citizens Advice Hillingdon	Councillor Tony Burles	£285,000.00
Bell Farm Christian Centre	Councillor Stuart Mathers	£93,949.00
Harlington Hospice Association Limited	Councillor Kuldeep Lakhmana	£63,320.18
Ruislip & Northwood Old Folks Association	Councillor Becky Haggar, Councillor Eddie Lavery	£52,550.00
Harlington Hospice Association	Councillor Kuldeep Lakhmana	£45,000.00
Hillingdon Brain Tumour Group	Councillor Becky Haggar	£30,000.00
Hillingdon Citizens Advice Bureau	Councillor Tony Burles	£27,876.50
Yiewsley Baptist Church	Councillor Stuart Mathers	£18,652.96
The Law Society	Councillor Nick Denys	£7,272.00

# Notes to the Main Financial Statements

## Precepts/Levies

The following precepts and levies are considered related party transactions:

	2023/24 £'000	2022/23 £'000
Business Rate Retention - MHCLG	114,942	113,296
Business Rate Retention - GLA	128,874	127,029
Greater London Authority Precept	12,830	11,876
Greater London Authority Crossrail	44,988	41,078
West London Waste Authority Levy	12,708	12,191
TFL Concessionary Fares	5,016	4,878
Lee Valley Regional Park Authority	263	246
Environment Agency	245	245

## 31. OFFICER EMOLUMENTS

The number of employees in 2023/24 whose remuneration, excluding pension contributions, was £50k or more, are detailed below in bands of £5k. The bandings only include the remuneration of senior employees that have not been disclosed separately. The number of employees included in the totals that exceeded the £50k threshold due to lump sum termination payments are indicated in brackets. These employees left the employment of the Council during the financial year.

Remuneration Band	LBH EMPLOYEES				SCHOOL EMPLOYEES			
	2023/24 Total	2023/24 Due to Lump Sum	2022/23 Total	2022/23 Due to Lump Sum	2023/24 Total	2023/24 Due to Lump Sum	2022/23 Total	2022/23 Due to Lump Sum
£50,000 - £54,999	153	(3)	130	0	100	0	79	0
£55,000 - £59,999	114	(2)	95	(1)	70	0	55	0
£60,000 - £64,999	64	0	47	0	44	0	28	0
£65,000 - £69,999	45	(2)	45	(1)	25	0	18	0
£70,000 - £74,999	32	0	21	0	12	0	15	0
£75,000 - £79,999	15	(1)	6	0	16	0	12	0
£80,000 - £84,999	11	(1)	8	0	18	0	8	0
£85,000 - £89,999	7	0	8	(2)	8	(1)	8	0
£90,000 - £94,999	8	(1)	5	(1)	7	0	1	0
£95,000 - £99,999	7	(2)	4	0	5	(1)	4	0
£100,000 - £104,999	2	0	3	0	3	0	2	0
£105,000 - £109,999	4	0	3	0	2	0	1	0
£110,000 - £114,999	1	0	1	0	0	0	1	0
£115,000 - £119,999	3	(1)	1	(1)	2	0	0	0
£120,000 - £124,999	2	(1)	1	(1)	0	0	0	0
£125,000 - £129,999	1	(1)	2	(2)	0	0	0	0
£130,000 - £134,999	1	0	0	0	0	0	0	0
£135,000 - £139,999	0	0	1	0	1	0	0	0
£170,000 - £174,999	0	0	1	(1)	0	0	0	0
	<b>470</b>	<b>(15)</b>	<b>382</b>	<b>(10)</b>	<b>313</b>	<b>(2)</b>	<b>232</b>	<b>0</b>

# Notes to the Main Financial Statements

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## Disclosure of Remuneration for Senior Employees (Schools): -

Details of school employees in the above table earning over £100,000 during 2023/24 is listed below.

Job Title	Pensionable Pay 2023/24	Pensionable Pay 2022/23	Due to Lump Sum
Headteacher - Harlington School	£109,657	Below £100,000	No
Headteacher - Yeading Infant School	Below £100,000	£102,188	No
Headteacher - Deanesfield Primary School	£115,055	£108,586	No
Headteacher - Meadow High School	£135,410	Below £100,000	No
Deputy Headteacher - Meadow High School	£100,964	Below £100,000	No
Headteacher - Hedgewood School	Below £100,000	£103,832	No
Headteacher - Oak Wood School	£119,872	£110,764	No
Headteacher - Botwell House Catholic Primary School	£108,573	Below £100,000	No
Headteacher - Sacred Heart Catholic Primary School	£103,813	Below £100,000	No
Headteacher - Lady Bankes Primary School	£104,238	Below £100,000	No

# Notes to the Main Financial Statements

## Disclosure of Remuneration for Senior Employees (LBH): -

The following disclosure sets out remuneration for staff included in tiers 1 and 2 of the Council's management structure for 2023/24.

Group	Job Title	2023/24			
		Contracted Salary	Compensation for	EER's pension	Total
	Chief Executive (T Zaman)	£223,933	£0	£53,968	£277,901
	Corporate Director of Finance (A Evans)	£171,671	£0	£41,373	£213,044
	Corporate Director of Central Services (D Kennedy)	£175,950	£0	£42,404	£218,354
	Corporate Director of Children's Services (J Kelly)	£172,043	£0	£0	£172,043
	Corporate Director of Adult Social Care and Health (S Taylor)	£155,914	£0	£37,575	£193,489
	Corporate Director of Place	£59,280	£0	£0	£59,280
	Chief Digital and Information Officer	£103,500	£0	£24,944	£128,444
Leavers	Corporate Director of Place	1	£142,627	£0	£34,373
					£177,000

1. Employment ended 05/01/2024

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## Disclosure of Remuneration for Senior Employees (LBH): -

The following disclosure sets out remuneration for staff included in tiers 1 and 2 of the Council's management structure for 2022/23.

Group	Job Title	2022/23			
		Contracted Salary	Compensation for	EER's pension	Total
	Interim Chief Executive and Corporate Director (T Zaman)	£222,384	£0	£0	£222,384
	Corporate Director of Finance (A Evans)	£151,636	£0	£36,544	£188,181
	Corporate Director of Place (P Scott)	£192,319	£0	£46,349	£238,668
	Corporate Director of Resources (D Kennedy)	£183,005	£0	£44,104	£227,109
	Interim Head of Legal Services	£116,520	£0	£28,081	£144,602
	Executive Director of Children's Services	£149,907	£0	£0	£149,907
	Executive Director of Adult Services and Health	£146,944	£0	£35,413	£182,357
Leavers	Corporate Director of Finance (P Whaymand)	1	£92,214	£146,270	£0
	Head of Legal Services (R Alagh)	2	£32,159	£91,248	£7,750
	Deputy Director Corporate Finance	3	£11,048	£0	£2,663
	Director Adult Social Work	4	£35,953	£0	£8,665
	Director of Education & SEND (V Hansrani)	5	£150,404	£11,183	£29,126
					£190,712

1. P Whaymand Corporate Director of Finance until 13/09/2022

2. R Alagh Head of Legal Services until 10/06/2022

3. Post deleted 28/04/2022

4. Employment ended 31/07/2022

5. Employment ended 10/03/2023

# Notes to the Main Financial Statements

## 32. EXIT PACKAGES

The number of exit packages that have been agreed by the Council during the year are listed below. These packages include redundancy costs, pension strain costs, ex gratia payments and other departure costs. The Council does not award added years pension contributions, but pension strain is incurred where a pension is taken early without actuarial reduction and is a cost to the Council, not a direct payment to the employee.

Exit package costs by banding which include special payments and pension strain costs. Pension strain costs of £972k in the table below include £130k estimates which are commitments as at the end of the financial year.

Cost Band	LBH EMPLOYEES					
	2023/24 No. of LBH Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	16	15	1	190	6	197
£20,001 - £40,000	6	4	2	151	21	173
£40,001 - £60,000	6	5	1	192	112	304
£60,001 - £80,000	5	3	2	166	175	341
£80,001 - £100,000	5	3	2	187	282	469
£100,001 - £150,000	1	1	0	31	74	105
Over £150,000	2	1	1	117	300	417
	41	32	9	1,034	972	2,006

Cost Band	LBH EMPLOYEES					
	2022/23 No. of LBH Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	7	7	0	64	0	64
£20,001 - £40,000	7	1	6	155	39	194
£40,001 - £60,000	2	0	2	90	0	90
£60,001 - £80,000	2	0	2	144	0	144
£80,001 - £100,000	1	0	1	0	95	95
£100,001 - £150,000	4	2	2	411	77	488
Over £150,000	3	1	2	237	324	561
	26	11	15	1,101	535	1,636

Cost Band	SCHOOL EMPLOYEES					
	2023/24 No. of Schools Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	7	5	2	63	0	63
£20,000-£40,000	4	1	3	80	35	115
	11	6	5	143	35	179

Cost Band	SCHOOL EMPLOYEES					
	2022/23 No. of Schools Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £'000	Pension Strain Costs £'000	Total Exit Package Cost £'000
£0 - £20,000	5	5	0	34	0	34
£20,000-£40,000	2	2	0	14	35	49
	7	7	0	48	35	83

# Notes to the Main Financial Statements

## 33. DEDICATED SCHOOLS GRANT

The Dedicated Schools Grant has been credited to Education and Children's Services in the Comprehensive Income and Expenditure Statement.

The Council's expenditure on schools is funded by grant monies provided by the Department for Education through the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budgets as defined in the School and Early Years Finance (England) Regulations 2014. The Schools Budget includes elements for a restricted range of services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of the DSG receivable for 2023/24 are as follows:

Final DSG for 2023/24 before academy and high needs recoupment  
Academy and high needs figure recouped for 2023/24  
Total DSG after academy recoupment for 2023/24  
Plus Brought-forward from 2022/23  
Less Carry-forward to 2024/25 agreed in advance

Agreed initial budgeted distribution in 2023/24

In year adjustments

### Final budgeted distribution for 2023/24

Less actual central expenditure

Less actual ISB deployed to schools

Absorbed by Local Authority 2023/24

In-year carry-forward to 2024/25

### Carry-forward to 2024/25

DSG unusable reserve at the end of 2020/21

Cumulative Adjustment to DSG unusable reserve up to end of 2023/24

Total of DSG unusable reserve at the end of 2023/24

Net DSG position at the end of 2023/24

Schools Budget Funded by Dedicated Schools Grant		
Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
		358,446
		(174,801)
		183,645
		3,499
		0

58,699 (492)	128,445	187,144 (492)
<b>58,207</b>	<b>128,445</b>	<b>186,653</b>
83,403		83,403
	128,445	128,445
(25,196)	0	(25,196)
		(25,386)
		(25,196)
		(50,582)
		<b>(50,582)</b>

Note – the carry forward of £(25,196)k to 2024/25 includes cumulative prior year adjustments of £3,499k up to 2022/23 to the 2020/21 DSG unusable reserve (deficit) of £(25,386)k, since the inception of the DSG Safety Valve Agreement with London Borough of Hillingdon and the Department for Education.

The Council's Safety Valve Funding position is currently under discussion with the DfE and pending the outcome of those discussions, the DfE has chosen to suspend its commitment for further agreed funding of the deficit position. The projected deficit has therefore been adjusted to reflect the suspension meaning the cumulative deficit carried forward to 2024/25 is reported at £50,582k. The Council remains in dialogue with the DfE and committed to delivering the DSG management plan.

# Notes to the Main Financial Statements

## 34. GRANT INCOME

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

### REVENUE GRANT INCOME

	2023/24 £'000	2022/23 £'000
<b>Revenue Grant Income Credited to Taxation and Non Specific Grant Income</b>		
Section 31 Business Rates Grants	16,948	14,233
Revenue Support Grant	8,122	7,014
Services Grant	1,935	3,255
New Homes Bonus	1,494	2,765
Housing Benefit Administration Subsidy	1,040	1,030
Council Tax Support Hardship Award	466	0
Lower Tier Services Grant	396	459
UK Shared Prosperity Fund	297	0
Other	149	316
Council Tax Energy Rebate	0	12,749
Independent Living Fund Grant	0	493
COVID-19 Business Support Grant Payments	0	465
Local Council Tax Support Administration Subsidy	0	372
COVID-19 Omicron Hospitality & Leisure Grant	0	36
COVID-19 Test & Trace Support Payments	0	12
<b>Total Non-Specific Revenue Grants</b>	<b>30,847</b>	<b>43,199</b>

# Notes to the Main Financial Statements

Revenue Grant Income Credited to Services	2023/24 £'000	2022/23 £'000
<b>Department for Education</b>		
Dedicated Schools Grant	183,617	185,786
Pupil Premium	6,552	4,714
ESFA General Education Grants	4,733	0
Meadow Special Day	3,478	0
Hedgewood Special	2,860	0
Universal Infant Free School Meals	2,445	2,292
Sixth Form & Adult Learning Grants	2,396	1,726
Adult & Community Learning	1,836	1,895
Private Finance Initiative	1,778	1,778
ESFA Pay & Pension Grants	1,387	0
Holiday Activities & Food Grant	1,125	1,204
PE & Sports Grant	879	879
School Improvement Monitoring & Brokering Grant	123	125
Teachers Pay Grant	0	4,567
<b>Department for Levelling Up, Housing &amp; Communities</b>		
Homelessness Prevention Grant	3,329	2,910
Rough Sleeping Initiative	2,517	2,252
Asylum Dispersal Grant	2,051	0
Homes for Ukraine	1,896	1,659
Troubled Families Grant	1,196	1,033
Criminal Justice Grant	591	546
Business Rates Cost of Collection Allowances	558	567
Ex-Offenders Grant	132	0
Redmond Review	63	63
COVID-19 Reopening the High Street Safely	15	20
Apprenticeship Levy	0	552
Afghan Relocation Scheme	0	307
COVID-19 Surge Testing	0	5
COVID-19 Practical Support Grant	0	3
<b>Department of Health &amp; Social Care</b>		
Public Health Grant	19,143	18,539
Adult Social Care Support Grant	15,607	9,506
Better Care Fund	8,340	7,893
Improved Better Care Fund	7,468	7,468
Adult Social Care Discharge	2,644	0
Market Sustainability & Fair Cost of Care	2,438	532
COVID-19 Infection Control Grant	0	612
COVID-19 Community Testing	0	19
<b>Arts Council</b>		
Music Education Hub	448	450
<b>Department for Work and Pensions:</b>		
Housing Benefit Subsidy	86,748	87,669
COVID-19 Winter Grant Scheme	4,139	4,072
Discretionary Housing Payments	671	665
<b>Home Office:</b>		
Funding for Unaccompanied Asylum Seeking Children	7,754	7,348
<b>GLA</b>		
MOPAC Grant	528	0
<b>Other</b>		
Other Grants	4,836	7,206
Contributions		
Other Contributions	24,642	22,704
<b>Total Grants Credited to Services</b>	<b>410,961</b>	<b>389,565</b>
<b>Total Revenue Grant Income</b>	<b>441,808</b>	<b>432,763</b>

# Notes to the Main Financial Statements

## CAPITAL GRANT INCOME

	2023/24 £'000	2022/23 £'000
<b>Capital Grant Income credited to the Comprehensive Income and Expenditure Statement</b>		
Disabled Facilities Grant	5,557	5,111
Education and Skills Funding Agency	12,013	5,616
Department for Business Energy and Industrial Strategy	6,785	1,151
HS2	1,489	823
Greater London Assembly	4,028	19,568
West London Waste Authority	0	0
Transport for London	1,713	1,099
Food Standards Agency	0	0
Better Homes Grant capital	0	0
<b>Total Capital Grant Income</b>	<b>31,585</b>	<b>33,368</b>
Schools Capital Contributions	2,492	2,210
Department for Transport	168	0
S106 Contributions	743	1,499
Community Infrastructure Levy	2,562	2,528
Environment Agency	23	201
National Highways	132	94
Heritage Lottery Fund	921	985
Lawn Tennis Association	62	119
England and Wales Cricket Board	0	52
Network Rail	78	80
Other Capital Contributions	311	236
<b>Total Capital Grants and Contributions Received</b>	<b>39,077</b>	<b>41,372</b>

Of the capital grant income applied to the Comprehensive Income and Expenditure account within Taxation and Non-Specific Grant income, £36,940k was used to fund the Capital Programme and £2,137k was transferred to the Capital Grants Unapplied Reserve for future use.

## GRANTS RECEIVED IN ADVANCE

The Council has received a number of grants and contributions 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 awarding body should condition for use fail to be met. Revenue grants with these conditions are included within Creditors under the amounts owed to Government Departments. The balances for capital grants at the year-end are as follows:

	2023/24 £'000	2022/23 £'000
<b>Capital Grant &amp; Contribution Receipts in Advance</b>		
ESFA & Other Capital Grants	28,087	21,604
Housing Capital Grants including Green initiatives	26,724	28,186
S106	27,226	23,677
<b>Total Capital Grant &amp; Contribution Receipts in Advance</b>	<b>82,037</b>	<b>73,467</b>

# Notes to the Main Financial Statements

## 35. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, 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 this note.

	2023/24 £'000	2022/23 £'000
<b>Opening Capital Financing Requirement</b>	<b>420,622</b>	<b>412,056</b>
<b>Capital investment</b>		
Property, Plant and Equipment	108,729	97,301
Intangible Assets	539	66
Revenue Expenditure Funded from Capital under Statute	17,972	12,763
Long Term Investment in HFL	0	(1,129)
<b>Sources of finance</b>		
Capital receipts	(18,163)	(13,697)
Government grants and other contributions	(36,940)	(45,981)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions	(22,736)	(23,213)
Minimum Revenue Provision (MRP) / loans fund principal	(17,864)	(17,319)
Previous Voluntary Revenue Provision released	4,839	0
Other Revenue Provision	(72)	(225)
<b>Closing Capital Financing Requirement</b>	<b>456,926</b>	<b>420,622</b>
<b>Explanation of movements in year</b>		
Increase/(Decrease) in underlying need to borrow :		
- unsupported by Government financial assistance	36,304	8,566
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>36,304</b>	<b>8,566</b>

The Capital Financing Requirement (CFR) is a measure of the Council's underlying need to borrow for capital purposes. It does not represent the Council's actual borrowing which is determined following consideration of other balances such as reserves, provisions, working capital and timing differences of cash inflows and outflows.

## 36. LEASES

In financial years prior to 2023/24 the Council acquired a private finance initiative (PFI) school under finance leases with the risks and rewards associated with ownership of such assets having transferred to the Council. Assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet. Since the initial transfer, the PFI school moved to Academy status and the asset was removed from the balance sheet, however the Council still holds the liability.

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the asset and finance costs that will be payable by the Council in future years whilst the liability remains outstanding.

The future payments relating to both finance and operating leases held by the Council are made up of the following amounts:

# Notes to the Main Financial Statements

## Finance Leases - Lessee (including PFI)

Plant, Property and Equipment	Finance Lease Liabilities		Minimum Lease Payments	
Outstanding obligations on 31 March	2023/24 £'000's	2022/23 £'000's	2023/24 £'000's	2022/23 £'000's
Within 1 year (held in current liabilities)	30	72	39	95
2 - 5 years	0	30	0	39
Total costs payable in future years	0	30	0	39
<b>Total future lease payments</b>	<b>30</b>	<b>102</b>	<b>39</b>	<b>134</b>

## Operating Leases – Lessee

Plant, Property and Equipment	Operating Lease	
Outstanding obligations on 31 March	2023/24 £'000	2022/23 £'000
Within 1 year	122	125
2 - 5 years	186	163
<b>Total future lease payments</b>	<b>308</b>	<b>288</b>

Operating lease obligations include commitments held by Hillingdon maintained schools as well as those held by the Council. Operating lease expenditure of £122k (£125k in 22/23) relating to maintained schools is included within Cost of Services in the Comprehensive Income and Expenditure Statement.

## Operating Leases - Lessor

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

Future Minimum Lease Payments:	Operating Lease	
	2023/24 £'000	2022/23 £'000
Within 1 year	1,034	1,132
2 - 5 years	2,671	2,911
More than 5 years	7,726	8,204
<b>Total future lease payments</b>	<b>11,431</b>	<b>12,247</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the commencement of the lease, such as adjustments following rent reviews.

## 37. LONG TERM CONTRACTS AND PRIVATE FINANCE INITIATIVE

### Private Finance Initiative (PFI)

In December 1998 the Council entered into a 25 year contract with a private sector partner, Jarvis (Barnhill) Limited, to build and provide facilities management at Barnhill Community High School under a private finance initiative (PFI) arrangement. The school opened in September 1999. In 2010 the parent company Jarvis PLC went into administration and management of the facility was transferred to Johnson Workplace Management Ltd without impacting the day to day operation of the school. In August 2013 Johnson Workplace Management Ltd were acquired by Bellrock Facilities Management who are now responsible for the management of the contract. The PFI contract will end in September 2024. In 2023/24 the Council paid principal of £102k, interest of £32k and service charges of £3,651k. Current forecasts of future payments, assuming satisfactory performance over the remaining 1 year of the contract, are set out below. As payments to the contractor are index linked, these figures are based on current indexation rates and may vary if rates alter.

# Notes to the Main Financial Statements

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Within 1 year	1,665	30	9	1,704
<b>Total</b>	<b>1,665</b>	<b>30</b>	<b>9</b>	<b>1,704</b>

In 2018/19 Barnhill Community High School transferred to academy status resulting in the removal of the property from the Council's asset register, however the liability will remain in place until it is extinguished in 2024/25. The Council will have no responsibility after this date.

The charge for the current year was £72k matching the principal repayment. The outstanding liability of the capital value at 31 March 2024 is £30k which is due within a year and therefore included in creditors.

## 38. CONTINGENT LIABILITIES AND ASSETS

### *Contingent assets –*

There are minor potential reimbursements currently relating to 2023/24 totalling £107k.

### *Contingent liability –*

The Council has several claims that are undergoing legal proceedings and the liabilities associated with these potential claims are estimated at £502k collectively.

## 39. EVENTS AFTER THE BALANCE SHEET DATE

Events taking place after the 31st March 2024 are not reflected in the financial statements or notes, unless they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events to report after the Balance Sheet date that deem adjustment or disclosure in the accounts.

The draft Statement of Accounts were authorised for issue on the 28<sup>th</sup> June 2024 by the then Corporate Director of Finance (S151 officer) Andy Evans. A revised Statement of Accounts were authorised by the current Corporate Director of Finance (S151 officer) Richard Ennis on 30<sup>th</sup> January 2025. The final Statement of Accounts have been authorised by the current Corporate Director of Finance (S151 officer) Richard Ennis on 26<sup>th</sup> March 2025.

# Notes to the Main Financial Statements

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## 40. AGENCY

### Collection of Mayoral CIL

The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008, as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. Following this, the Mayoral CIL (MCIL) was introduced to assist in financing Crossrail. The MCIL Levy was ratified on 29 February 2012 and applies to developments agreed after 1 April 2012. The levy is charged on most developments in Central London and is charged at £35 per square metre (MCIL1) or £60 per square metre (MCIL2) in Zone 2. Local planning authorities are responsible for collecting Mayoral CIL payments on behalf of the Mayor. The local planning authority is able to retain 4% of the levy to cover the costs of administration and collection. Contributions of £3,244k have been received this year and £3,115k has been paid over to the charging authority (Transport for London) with £130k retained by the Council to cover administrative expenses.

## 41. SUMMARY OF TREASURY MANAGEMENT POLICY

The Council defines its treasury management activities 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.”

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 will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

The Council’s underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement which represents the cumulative capital expenditure of the Council that has not been financed from internal resources.

The Council’s borrowing will be affordable, sustainable, and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

The Council’s primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority’s investments followed by the yield earned on investments remain important but are secondary considerations.

## 42. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Financial Instruments - Risks

The Council complies with CIPFA’s Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

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

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council’s Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

# Notes to the Main Financial Statements

The main risks covered are:

- 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.
- 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.

## Credit Risk: Treasury

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council manages credit risk by ensuring treasury investments are only placed with organisations of high credit quality as outlined in the Treasury Management Strategy. These include financial institutions with a minimum long term credit rating of A- (Fitch); A3 (Moody's); A- (S&P) for UK counterparties, A+ (Fitch); A1 (Moody's); A+ (S&P) for Overseas counterparties and AA+ (Fitch); Aa1 (Moody's); AA+ (S&P) for non-UK sovereigns, the UK government, other local authorities and organisations without credit ratings upon which the Council has received independent investment advice. The Treasury Management Strategy also sets maximum sums that can be invested with any financial institution.

The Council also considers other information such as corporate developments, market sentiment towards investment counterparties and other sources of intelligence before making deposits.

## Credit Rating Definitions

Long Term		Money Market Funds
AAA	Highest credit quality	Fitch: AAAmmf : Extremely strong capacity to achieve fund's investment objective of preserving principal and providing shareholder liquidity through limiting credit, market, and liquidity risk.
AA	Very high credit quality	
A	High credit quality	
BBB	Good credit quality	
BB	Speculative	Moody's: Aaa Money Market Funds are judged to be of an investment quality similar to Aaa-rated fixed income obligations.
B	Highly speculative	
CCC	Default possibility	
CC	Default imminent	
D	Defaulted	S&P: AAAm has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks.

# Notes to the Main Financial Statements

The table below summarises the credit risk exposures of the Council's treasury investment portfolio and other receivables by credit rating and remaining time to maturity, also identifying expected loss:

	31 March 2024				31 March 2023			
	Rating at 31 March 2024*	Long Term £'000	Short Term £'000	Expected Loss £'000	Rating at 31 March 2023*	Long Term £'000	Short Term £'000	Expected Loss £'000
<b>Credit Risk Exposures</b>								
UK Banks:								
- Barclays Current Accounts	A+	0	1,632	0	A	0	2,260	0
- Handelsbanken Current Account	AA-	0	0	0	AA-	0	0	0
- HSBC Current Accounts	A+	0	376	0	A+	0	140	0
- Lloyds Current Accounts	A+	0	13,326	0	A+	0	12,624	0
- Lloyds Short-Term Deposit	A+	0	1,005	0	A+	0	1,461	0
- NatWest Current Accounts	A	0	1,971	0	A	0	(2,820)	0
- Santander Current Accounts	A	0	0	0	A	0	0	0
- PrePaid Financial	Unrated	0	1,063	0	Unrated	0	1,592	0
<b>Sub Total</b>		<b>0</b>	<b>19,373</b>	<b>0</b>		<b>0</b>	<b>15,257</b>	<b>0</b>
<b>Investments where credit loss is not applicable</b>								
Government & Local Authority Investments:								
- DMADF	AA-	0	28,522	N/A	AA-	0	36,704	N/A
- Cornwall Council	A+	0	0	N/A	A+	0	10,003	N/A
Money Market Funds	AAA**	0	0	N/A	AAA**	0	0	N/A
Pooled Funds (Long-Term)	Unrated	14	0	N/A	Unrated	13	0	N/A
Strategic Pooled Funds	Unrated	13,931	0	N/A	Unrated	13,493	0	N/A
Shares in Listed Companies (Long-Term)	Unrated	35	0	N/A	Unrated	58	0	N/A
Hillingdon First Limited	Unrated	6,759	0	N/A	Unrated	6,759	0	N/A
Cash Held By Council	N/A	0	20	N/A	N/A	0	22	N/A
<b>Sub Total</b>		<b>20,739</b>	<b>28,542</b>	<b>0</b>		<b>20,323</b>	<b>46,729</b>	<b>0</b>
Soft Loan	N/A	1,308	0	(4)	N/A	1,242	0	-2
Trade Receivables - Simplified Approach		1,562	34,110	(15,413)		223	47,138	(12,122)
<b>Sub Total</b>		<b>2,870</b>	<b>34,110</b>	<b>(15,417)</b>		<b>1,465</b>	<b>47,138</b>	<b>(12,122)</b>
<b>Total</b>		<b>23,609</b>	<b>82,025</b>	<b>(15,417)</b>		<b>21,788</b>	<b>109,124</b>	<b>(12,122)</b>

\*Ratings provided are the Fitch rating or lowest equivalent, \*\* All funds held with AAAmmf or equivalent ratings with at least one of the rating agencies

# Notes to the Main Financial Statements

Loss Allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. Loss allowances as at 31 March 2024 and 31 March 2023 have been calculated on treasury investments held at amortised cost but are immaterial and therefore no impairments have been made.

Loss allowances on trade receivables are calculated using a simplified approached based on historic experience adjusted for current and forecast influences. Credit impairment assessments are carried out annually with the total balance sheet carrying amount being adjusted and the movement being allocated to the CIES accordingly.

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

## Borrowing

The policy on borrowing is to spread exposure between Public Works Loans Board (PWLB), local authorities and market sources. This enables the Council to avail itself of rescheduling facilities offered by PWLB and to obtain favourable rates, when offered by the market.

	31 March 2024				31 March 2023			
	PWLB	Market	Temporary Local Authorities	Total	PWLB	Market	Temporary Local Authorities	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Nominal Value	239,171	48,000	69,000	356,171	200,671	48,000	75,000	323,671
Premium	(9,409)	0	11	(9,398)	(9,472)	0	14	(9,458)
Accrued Interest	705	607	987	2,299	533	610	560	1,703
Amortised Value	230,466	48,607	69,998	349,072	191,732	48,610	75,574	315,916

## Liquidity Risk

Liquidity risk is the risk that cash will not be available when it is required. This can jeopardise the ability of the Council to carry out its daily functions or disrupt these from being carried out in the most cost-effective manner. To prevent or minimise this risk, the Council has a comprehensive cash flow management process that seeks to ensure that cash is available as needed. The Council holds as a minimum £10m of liquid financial assets that can be withdrawn at short notice if required to meet cash outflows on financial liabilities. If unexpected movements occur, the Council has ready access to borrowings from money markets and the PWLB. There is no significant risk that the Council will be unable to raise finance to meet its commitments.

Instead, the risk to which the Council is exposed is when loans or other forms of capital financing mature, they cannot be refinanced where necessary on terms that reflect the assumptions made in formulating revenue and capital budgets. The policy on debt redemption is to maintain a fairly stable fall out of debt required to be refinanced each year. To achieve this, targets are set within the Treasury Management Strategy which limit the maximum amount of debt maturities within specific time periods. This spreads the risk of interest rate exposure so all debt is not subject to renewal at the same time. The maturity analysis of financial liabilities is as follows:

	31 March 2024			31 March 2023			
	Limit for Debt Maturity	Actual % Debt Maturity	Principal Repayment £'000	Principal and Interest Repayments	Actual % Debt Maturity	Principal Repayment £'000	Principal and Interest Repayments
Less than 1 year	50%	28.9%	103,477	117,243	27.1%	88,203	96,132
Between 1 and less than 2 years	50%	9.0%	32,167	40,206	6.9%	22,514	30,055
Between 2 and less than 5 years	50%	11.6%	41,500	62,055	19.3%	62,833	83,450
Between 5 and less than 10 years	100%	13.7%	49,167	77,858	14.1%	45,833	74,557
Between 10 and less than 20 years	100%	15.5%	55,571	96,191	20.1%	65,404	107,460
Between 20 and less than 30 years	100%	1.4%	5,000	40,523	0.0%	0	35,239
Between 30 and less than 40 years	100%	6.6%	14,191	37,093	8.8%	19,128	43,718
Between 40 and less than 50 years	100%	10.9%	39,000	45,210	2.5%	8,000	15,837
Over 50 years	100%	2.5%	9,000	9,671	1.2%	4,000	5,017
<b>Total</b>		<b>100.0%</b>	<b>349,072</b>	<b>526,050</b>	<b>100.0%</b>	<b>315,915</b>	<b>491,465</b>

# Notes to the Main Financial Statements

In addition to debt that falls out naturally in any year, the Council can choose to redeem debt early as part of its overall debt management policy. This assists in restructuring the Council's debt portfolio and although in the short term a premium charge may be incurred, longer term finance costs may be significantly reduced. LOBO loans have been included at their final maturity date.

## Interest Rate Risk

The Council is exposed to risks arising from movements in interest rates. To manage interest rate risk the Council will aim to balance variable rate debt with its exposure to variable rate investments. This approach will offset any increase or decrease in borrowing costs with comparable changes in investment income. The Council is required to set an indicator to control the Council's exposure to interest rate risk. The interest rate risk indicator Limit Upper limit on one-year revenue impact of a 1% rise in interest rates is £1.0m; Upper limit on one-year revenue impact of a 1% fall in interest rates is (£1.0m). The impact of a change in interest rates is calculated both on the assumption that fixed-rate maturing loans and investments will be replaced at their existing fixed rates and with a forecast maximum variable rate net investment and debt position of £100m.

Movements in interest rates can impact the Council in several ways. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates and pooled funds – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would 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 will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

If interest rates had been 1% higher (based on 2023/24 balances and with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	313
Increase in interest receivable on variable rate investments	(479)
Decrease in fair value of investments held at FVPL charged against provision of services	341
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>175</b>
<b>Share of overall impact credited to the HRA</b>	<b>1,067</b>
Decrease in fair value of investments held at FVOCI	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(21,775)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The fair value assumptions are based on the same methodology as used in the "Fair Value" disclosure note.

## Price Risk

The Council has a small historic holding of £58k classified as shares in listed companies. Based on the holding value at 31 March 2024 a 5% fall in share prices would result in a £2k charge to the Income and Expenditure Account.

The Council's investment in pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's exposure to equities within its £15m strategic pooled funds being diluted as the investments are in diverse asset classes also including bonds. Based on the holding value at 31 March 2024 a 5% fall in share prices would result in transfer of £256k to Pooled Investment Fund Adjustment Account.

# Notes to the Main Financial Statements

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The market prices of the Council's units in pooled funds are governed by prevailing interest rates and the market risk associated with these instruments which is managed alongside interest rate risk.

## Foreign Exchange Risk

All the financial assets and liabilities are denominated in GBP and thus have no exposure to loss arising from movements in exchange rates.

## Financial Liabilities

The majority of borrowing made by the Council is sourced from the PWLB (£239,171k nominal value at 31 March 2024 all at fixed rates). Borrowing at fixed rates enables the Council to enjoy stability of costs in future years and helps improve budgetary processes. Fixed rates protect the Council from interest rate increases but in contrast exposes it to opportunity costs should rates fall. Borrowing at variable rates currently allows the Council to source debt at levels which are considerably lower than fixed rate debt. Sourcing debt from the PWLB allows the Council to reschedule or prematurely redeem debt and the portfolio is continually monitored to take advantage of opportunities that may present themselves periodically to reduce overall costs.

A total of £36,000k debt (nominal value) is held in "Lenders Option Borrowers Option" (LOBO) market loans. These have been set to provide varying periods of fixed rate ranges with subsequent options for the lender to change this rate on agreed dates. In 2024/25 one loan for £6,000k and in 2025/26 two loans totalling £10,000k are scheduled for rate change options. In addition, the Council holds £12,000k of fixed-rate market loans and £69,000k of Local Authority to Local Authority borrowing.

Although internal borrowing continued to be utilised during the year, external borrowing was also required during 2023/24 to ensure liquidity was maintained. The total loan portfolio increased by £32,500k resulting in a total nominal balance at year-end of £356,171k.

## Financial Assets

The Council had a weighted average balance of investments for 2023/24 of £83,630k including £15,000k in strategic pooled funds. Throughout the year deposits were placed in instant access accounts, pooled funds and in fixed-term deposits with varying maturity periods. This approach aimed to match investment maturities with expected expenditure and so spread interest rate risk. At year-end there were no deposits with maturities extending beyond one year and therefore all instruments are classified as variable.

In 2019/20 the Council made a long-term cash investment of £3,371k in shares in the subsidiary Hillingdon First. The objective of Hillingdon First Limited is to deliver a financial return to the Council and provide housing and or a commercial unit for sale or rent. It will achieve this by the generating of long-term sustainable revenue streams through the delivery of high-quality housing to meet the needs of Hillingdon's residents. The fair value of the investment is currently £6,759k.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. While one of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. To limit these risks, upper limits on the sums invested in each category have been set in Table 1 below. Furthermore, the Council is protected against any loss through a charge over the assets of Hillingdon First Ltd.

**Table 1 - Loans & Shares for Service Purposes**

Hillingdon First Ltd	2023/24 Approved Limit £m
Loans	0-35
Shares	0-50
<b>TOTAL</b>	<b>50</b>

# Notes to the Main Financial Statements

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## 43. PENSION SCHEMES

### Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits that include retirement pensions, dependent pensions, death grants and lump sum payments. Although these benefits will not actually be payable until employees retire, the Council's commitment to make future payments needs to be disclosed as the future entitlement is earned.

The Council participates in four defined benefit pension schemes; two funds of the Local Government Pension Scheme (LGPS), the Teachers' Pension Scheme and the NHS Pension Scheme. Accounting for the Teachers' Pension Scheme and NHS scheme varies from that of the LGPS and is expanded upon further within this note.

#### LGPS

The two LGPS scheme funds are:

- London Borough of Hillingdon (LBH) Pension Fund of the LGPS for employees, administered locally by the Council.
- London Pension Fund Authority (LPFA) Pension Fund of the LGPS, which is a closed arrangement for former employees administered by the London Pension Fund Authority.

For the London Borough of Hillingdon LGPS, contributions are made at a level intended to balance the pensions liabilities with investment assets. The adequacy of the funds' contributions and investments to resource future liabilities is reviewed tri-annually by actuaries appointed by the Council. Contribution rates are then set to meet the overall liabilities of the fund under Pension Fund Regulations.

Employees contributed at variable rates between 5.5% and 12.5% of pensionable salary. The employer's contribution rate set for 2023/24 is 24.1% with any pension strain costs being directly attributable to the service area, as was the case in 2022/23.

The London Pension Fund Authority (LPFA) Pension Scheme has been combined with London Borough of Hillingdon Pension Fund in the figures within this note as it is a closed non-contributing fund for a number of former employees.

#### Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme. This fund is administered by the Department for Education and provides teachers with defined benefits upon their retirement. The Council contributes towards the pensions by making payments to the fund based on a percentage of members' pensionable salaries. The employer's contribution rate for 2023/24 was 23.68% (the rate in 2022/23 was 23.68%). The total contribution to the fund by the Council in 2023/24 was £11,968k (£11,263k in 2022/23), of this amount £1,055k was outstanding on 31 March 2024 (£957k on 31 March 2023).

The Teachers' Pension Scheme is a defined benefit scheme. Although the scheme is unfunded, a notional fund is used as a basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme. There was £342k paid in respect of on-going early retirement payments in 2023/24 (£312k in 2022/23)

#### NHS Pension Scheme

The Health and Social Care Act 2012 made provision for the transfer of public health services and staff from primary care trusts (PCTs) to local authorities. As a result of this transfer, the Council is responsible for deduction of pension contributions, both employees and employers from transferred staff. These contributions are forwarded on directly to the National Health Service Pension Scheme. The National Health Service Pension Scheme is unfunded and administered by National Health Service Business Services Authority (NHSBSA). It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted on the same basis as a defined contribution scheme. The pension cost charged to the accounts is the contribution rate set by the NHSBSA. In 2023/24 the Council paid a total of £15.2k, (£19.5k in 2022/23) to the NHS Pension Scheme, representing 14.38% of pensionable pay. The Department of Health and Social Care's transitional arrangement for the increase of employer contributions continued in 2023/24. This means

# Notes to the Main Financial Statements

that in 2023/24 all employers continued to pay 14.38% in employer contributions including 0.08% for the scheme administrator charge under the normal monthly payment process to the NHS Pension Scheme. This rate will continue to be paid in 2024/25.

## Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of 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 via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost of Services</b>						
Current Service Cost	25,985	53,975	0	0	25,985	53,975
Past Service Costs (Including curtailments)	1,246	618	0	0	1,246	618
(Gain)/Loss Settlements	0	0	0	0	0	0
Administration Expenses	734	933	0	0	734	933
Financing and Investment Income and Expenditure:						
Net Interest Expense	12,148	16,897	106	61	12,254	16,958
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>40,113</b>	<b>72,423</b>	<b>106</b>	<b>61</b>	<b>40,219</b>	<b>72,484</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>						
Remeasurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	(64,864)	91,799	27	1	(64,837)	91,800
Actuarial gains and losses arising on changes in financial assumptions	(54,686)	(569,009)	24	(400)	(54,662)	(569,409)
Other	35,062	79,900	0	175	35,062	80,075
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(84,488)</b>	<b>(397,310)</b>	<b>51</b>	<b>(224)</b>	<b>(84,437)</b>	<b>(397,534)</b>
<b>Movement in Reserves Statement</b>						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(6,741)	(41,920)	(103)	(58)	(6,844)	(41,978)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>						
Employer's contributions payable to scheme	(31,303)	(28,648)	0	0	(31,303)	(28,648)
Contributions in respect of unfunded benefits	(2,069)	(1,855)	(3)	(3)	(2,072)	(1,858)
<b>Total Employers Contributions Payable to Scheme</b>	<b>(33,372)</b>	<b>(30,503)</b>	<b>(3)</b>	<b>(3)</b>	<b>(33,375)</b>	<b>(30,506)</b>

In addition, the Comprehensive Income and Expenditure Statement included an actuarial gain of £84,437k in 2023/24 (£397,534k actuarial gain in 2022/23). Any impact of foreign exchange rates will come through as a result of market value movements in asset holdings.

The actuary estimates that the Council will make payments of £30,231k in respect of contributions to the LBH Pension Fund during the financial year 2024/25.

# Notes to the Main Financial Statements

## 44. PENSION SCHEMES BALANCE SHEET DISCLOSURES

### Reconciliation of present value of scheme liabilities

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening Benefit Obligation</b>	1,230,520	1,658,268	1,893	2,312	1,232,413	1,660,580
Current Service Cost	25,985	53,975	0	0	25,985	53,975
Administration Expenses	734	933	0	0	734	933
Interest on defined liability	57,921	44,962	85	56	58,006	45,018
Contributions by Members	8,316	7,828	0	0	8,316	7,828
Remeasurement (gains) and losses:						
- Actuarial (gains)/losses arising from changes in financial assumptions	(54,686)	(569,009)	24	(400)	(54,662)	(569,409)
- Other	35,062	79,900	0	205	35,062	80,105
Past Service Cost including Curtailments	1,246	618	0	0	1,246	618
Liabilities Extinguished on Settlements	0	0	0	0	0	0
Estimated Unfunded Benefits Paid	(2,069)	(1,855)	(3)	(3)	(2,072)	(1,858)
Estimated Benefits Paid	(56,715)	(45,100)	(253)	(277)	(56,968)	(45,377)
<b>Closing Defined Benefit Obligation</b>	<b>1,246,314</b>	<b>1,230,520</b>	<b>1,746</b>	<b>1,893</b>	<b>1,248,060</b>	<b>1,232,413</b>

### Reconciliation of fair value of scheme assets

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening Fair Value of Employer Assets</b>	<b>972,089</b>	<b>1,044,447</b>	<b>(321)</b>	<b>(68)</b>	<b>971,768</b>	<b>1,044,379</b>
Interest Income on Plan Assets	45,773	28,065	(21)	(5)	45,752	28,060
Contributions by Members	8,316	7,828	0	0	8,316	7,828
Contributions by the Employer	31,303	28,648	0	0	31,303	28,648
Contributions in respect of Unfunded Benefits	2,069	1,855	3	3	2,072	1,858
Remeasurement (gains) and losses:						
- The return on plan assets, excluding the amount in the net interest expense	64,864	(91,799)	(27)	(1)	64,837	(91,800)
- Other	0	0	0	30	0	30
Assets Distributed on Settlements	0	0	0	0	0	0
Estimated Unfunded Benefits Paid	(2,069)	(1,855)	0	0	(2,069)	(1,855)
Estimated Benefits Paid	(56,715)	(45,100)	(256)	(280)	(56,971)	(45,380)
<b>Closing Fair Value of Employer Assets</b>	<b>1,065,630</b>	<b>972,089</b>	<b>(622)</b>	<b>(321)</b>	<b>1,065,008</b>	<b>971,768</b>

Administration costs are included within liabilities for the LBH Pension Fund and within assets for the LPFA Pension Fund as determined by the respective actuaries.

The LBH return on scheme assets is based on actual fund returns as provided by the administering authority at 11.5%

The LPFA return is based on investment returns and market returns estimated where necessary.

# Notes to the Main Financial Statements

## Pension Scheme assets comprised

	LBH Pension Fund				LPFA Pension Fund				Total	
	Quoted in Active Markets (Level 1) 23/24 £'000	Not Quoted in Active Markets (Level 2&3) 23/24 £'000	Quoted in Active Markets (Level 1) 22/23 £'000	Not Quoted in Active Markets (Level 2&3) 22/23 £'000	Quoted in Active Markets (Level 1) 23/24 £'000	Not Quoted in Active Markets (Level 2&3) 23/24 £'000	Quoted in Active Markets (Level 1) 22/23 £'000	Not Quoted in Active Markets (Level 2&3) 22/23 £'000	31 March 2024 £'000	31 March 2023 £'000
<b>Equity Instruments</b>										
Consumer	0	0	0	0	(84)	0	(45)	0	(84)	(45)
Manufacturing	0	0	0	0	(65)	0	(22)	0	(65)	(22)
Energy & Utilities	0	0	0	0	(6)	0	0	0	(6)	0
Financial Institutions	0	0	0	0	(44)	0	(29)	0	(44)	(29)
Health & Care	0	0	0	0	(22)	0	(13)	0	(22)	(13)
Information Technology	0	0	0	0	(94)	0	(42)	0	(94)	(42)
Other	23	0	24	0	(7)	0	(3)	0	16	21
<b>Debt Securities</b>										
Other	0	0	0	0	(21)	0	(3)	0	(21)	(3)
<b>Private Equity</b>										
Real Estate	0	4,293	0	5,483	(43)	0	(26)	0	4,250	5,457
Investment Funds & Unit Trusts	0	113,378	0	121,973	(58)	0	(32)	0	113,320	121,941
Equities	601,678	0	0	501,348	0	0	0	0	601,678	501,348
Bonds	183,546	36,676	0	222,069	0	0	0	0	220,222	222,069
Infrastructure	0	49,374	0	45,050	0	(72)	0	(42)	49,302	45,008
Other	0	69,949	0	62,447	0	0	0	0	69,949	62,447
Target Returns	0	0	0	0	(22)	(75)	(26)	(32)	(97)	(58)
Cash & Cash Equivalents	6,713	0	13,695	0	(9)	0	(6)	0	6,704	13,689
	<b>791,960</b>	<b>273,670</b>	<b>13,719</b>	<b>958,370</b>	<b>(374)</b>	<b>(248)</b>	<b>(189)</b>	<b>(132)</b>	<b>1,065,008</b>	<b>971,768</b>

LBH allocation between quoted and not-quoted investments reflects the fair value hierarchy shown in the Pension Fund Accounts.

## Pensions Assets and Liabilities recognised in the Balance Sheet

	2023/24 £'000	2022/23 £'000	2021/22 £'000	2020/21 £'000	2019/20 £'000	2018/19 £'000	2017/18 £'000
<b>Present value of liabilities:</b>							
LBH	(1,246,314)	(1,230,520)	(1,658,268)	(1,716,627)	(1,353,063)	(1,518,557)	(1,395,187)
LPFA	(1,746)	(1,893)	(2,312)	(2,607)	(2,711)	(3,567)	(3,783)
<b>Fair Value of Assets:</b>							
LBH	1,065,630	972,089	1,044,447	979,636	837,351	904,602	873,391
LPFA	(622)	(321)	(68)	209	457	832	1,111
<b>Deficit in the scheme:</b>							
LBH	(180,684)	(258,431)	(613,821)	(736,991)	(515,712)	(613,955)	(521,796)
LPFA	(2,368)	(2,214)	(2,380)	(2,398)	(2,254)	(2,735)	(2,672)
<b>Total</b>	<b>(183,052)</b>	<b>(260,645)</b>	<b>(616,201)</b>	<b>(739,389)</b>	<b>(517,966)</b>	<b>(616,690)</b>	<b>(524,468)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £1,248m is offset by the scheme assets of £1,065m to give the net pension liability of £183m as disclosed on the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains viable: the deficit on the LBH scheme will be recovered by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, in addition to ongoing investment returns.

# Notes to the Main Financial Statements

## 45. PENSION SCHEMES BASIS OF ESTIMATION

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme liabilities for both LBH and LPFA have been assessed by their appointed actuary, estimates for the LBH scheme being based on the latest full valuation of the scheme as at 31 March 2022. The appointed actuary for LBH is Hymans Robertson LLP and for LPFA is Barnett Waddingham.

	LBH Pension Fund		LPFA Pension Fund	
	31 March 2024	31 March 2023	31 March 2024	31 March 2023
<b>Financial Assumptions: (% p.a.)</b>				
Pension Increase Rate	2.80%	3.00%	2.95%	2.80%
Salary Increase Rate	3.30%	3.50%	3.95%	3.80%
Discount Rate	4.80%	4.75%	4.70%	4.80%
<b>Mortality Assumptions:</b>				
Longevity at 65 for current pensioners:				
- Men	22.3	21.7	21.6	21.5
- Women	24.8	24.4	24.8	24.8
Longevity at 65 for future pensioners:				
- Men	23.0	22.4	22.9	22.9
- Women	26.1	25.6	26.3	26.2
Take-up of option to convert annual pension to tax free lump sum pre-April 2008	55%	55%	50%	50%
Take-up of option to convert annual pension to tax free lump sum post-April 2008	55%	55%	0%	0%

### Sensitivity Analysis

The estimation of the defined benefit obligation is sensitive to principal actuarial assumptions used to measure the scheme. The sensitivity analyses below have been based on possible changes to principal assumptions occurring at the end of the reporting period and assumes all other assumptions remain constant. For example, the assumptions in longevity assume that life expectancy increases or decreases. The estimations on sensitivity analysis have followed the accounting policies of the scheme. The methods and types of estimations in sensitivity analysis have not changed from those in the previous period. Life expectancy is based on the Fund's Vita Curves with improvements in line with the Continuous Mortality Investigation (CMI) 2020 model

Changes in Assumptions as at 31 March 2024	% Increase to Employer Liability	Increase to Employer Liability £'000	% Increase to Employer Liability	Increase to Employer Liability £'000
0.1% Decrease in Real Discount Rate	2%	21,305	1%	10
1 Year Increase in Member Life Expectancy	4%	49,853	16%	276
0.1% Increase in the Salary Increase Rate	0%	624	0%	0
0.1% Increase in the Pension Increase Rate	2%	21,061	1%	10

LBH Pension Fund			
% Increase to Employer Liability	Increase to Employer Liability £'000	% Increase to Employer Liability	Increase to Employer Liability £'000
2%	21,305	1%	10
4%	49,853	16%	276
0%	624	0%	0
2%	21,061	1%	10

\*The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, the estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 4%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption.

# Notes to the Main Financial Statements

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## **IAS19 remeasurements of plan amendments, curtailments and settlements**

On 7 February 2018, the IASB issued amendments to IAS19 on accounting for plan amendments, curtailments and settlements ('events'). As set out in IAS19 and CIPFA guidance, it is the actuaries understanding that where an event is considered 'significant', the profit and loss account should be remeasured at the date of the event. Where the event is not deemed to be significant, the actuary has not remeasured the profit and loss account in this year's disclosures. In the absence of any instruction or statutory guidance, the actuary has measured significance based on 5% of active membership being affected by any event. If an alternative measure of significance were to apply, changes may be required to our calculations and disclosures, however the closing balance sheet position would remain unchanged. Analysis by the actuary shows there were no significant events for 2023/24.

## **Scheme and Impact on the Authorities cash flows**

The LBH Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee of the Council. Policy is determined in accordance with the Pension Fund Regulations. The principal risks to the Council in relation to the scheme are the sensitivity of contribution rates to changes in assumptions, investment risk and regulatory risk. These risks are mitigated to an extent by the statutory requirements to charge amounts required by statute as described in the accounting policies note.

The objectives of the LBH LGPS Pension fund are to keep employer's contributions at a rate, which is as constant as possible. The Council's Pension Fund undergoes a triennial valuation to set the contribution rates of all the employers in the scheme to give a greater than 50% chance of achieving a funding level of 100% within the next 20 years. The current contribution rate was set over the last triennial valuation period ending March 2022 to cover contribution rates of the Council for three years from April 2023. Contributions are set for three years to minimise disruption in cash flow impacts of the Council.

The weighted average duration of the defined benefit obligation for Council scheme members is 16 years as established in the triennial valuation dated 31 March 2022.

Further information about the LBH pension Fund can be seen in the Pension Fund accounts and in the Pension Fund annual report.

# Other Financial Statements

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## **Housing Revenue Account (HRA) (page 108)**

There is a statutory duty to account separately for local authority housing provision. The HRA Income and Expenditure Statement shows further detail of the Income and Expenditure on HRA services included in the whole Council Comprehensive Income and Expenditure Statement. It includes the major elements of Council housing revenue expenditure on maintenance, administration and capital financing costs and major income sources such as rents and other income.

## **The Collection Fund Account (page 112)**

This account reflects the statutory requirement to maintain a separate Collection Fund which shows the transactions of the billing authority in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed to preceptors and the general fund. The Collection fund is consolidated with the other accounts of the Council.

## **The Pension Fund Account (page 116)**

This fund is not included within the Council's Balance Sheet but is maintained separately. The Council acts as the administrator for the London Borough of Hillingdon Fund of the Local Government Pension Scheme.

# Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (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 other income. Councils 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 Housing Revenue Account Statement.

	Note	31 March 2024 £'000	31 March 2023 £'000
<b>Expenditure</b>			
Repairs and maintenance		12,752	11,949
Supervision and management		22,407	22,703
Rents, rates, taxes & other charges		308	281
Increase in provision for bad debts		958	1,087
Depreciation of non current assets	3	13,675	12,772
Net revaluation loss		22,170	32,325
		<b>72,271</b>	<b>81,117</b>
<b>Income</b>			
Gross dwelling rents		(66,183)	(61,575)
Gross non dwelling rents		(2,263)	(1,836)
Charges for services and facilities		(6,103)	(3,929)
Contributions towards expenditure		(7,961)	(622)
		<b>(82,509)</b>	<b>(67,962)</b>
<b>Net Cost of HRA Services as included in the HRA Income and Expenditure Statement</b>		<b>(10,238)</b>	<b>13,155</b>
HRA Services share of Corporate and Democratic Core		827	819
<b>Net Cost of HRA services</b>		<b>(9,411)</b>	<b>13,974</b>
(Gain) on sale of HRA non current assets		(6,734)	(6,943)
Interest payable and similar charges		6,216	6,571
Interest & Investment Income		(1,067)	(638)
Capital Grant Income		(4,421)	(22,327)
<b>(Surplus)/Deficit for the year on HRA services</b>		<b>(15,417)</b>	<b>(9,363)</b>

# Movement on the Housing Revenue Account Statement

The Movement on Housing Revenue Account Statement shows how the HRA Income and Expenditure Statement (surplus) / deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

	Note	31 March 2024 £'000	31 March 2023 £'000
<b>HRA Balance 31 March</b>		(15,186)	(15,351)
<b>(Surplus)/Deficit for the year on HRA services</b>		(15,417)	(9,363)
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>			
Gain/(Loss) on sale of HRA non current assets		6,734	6,943
HRA share of contributions to or from the Pension Reserve		(459)	(2,649)
Revaluation of Non Current Assets		(22,170)	(32,325)
Annual Leave Accrual Adjustment		(10)	48
Revenue Expenditure funded by Capital Under Statute		(23)	(19)
Provision for repayment of debt		10,011	9,896
Capital Grant Income		4,421	22,327
<b>Net Increase before transfer to reserves</b>		(16,913)	(5,142)
Transfer to Major Repairs Reserve		10,187	5,307
Transfer to Earmarked Reserve		6,811	0
<b>(Increase)/Decrease in year on HRA</b>		85	165
<b>HRA Balance at 31 March</b>		(15,101)	(15,186)
HRA Earmarked Reserve		(6,811)	0
Major Repairs Reserves		(3,187)	(2,054)
<b>Total HRA Balances</b>	7	(25,099)	(17,240)

# Notes to the Housing Revenue Account

## 1. HOUSING STOCK

The Council was responsible at 31 March 2024 for managing dwellings (including shared ownership). The stock was as follows:

	Total Properties 31 March 2024	Total Properties 31 March 2023
1 Bed Properties	3,733	3,763
2 Bed Properties	3,439	3,467
3 Bed Properties	2,770	2,770
4 Bed plus Properties	286	279
<b>Total</b>	<b>10,228</b>	<b>10,279</b>

## 2. VALUE OF HRA ASSETS

	Net Book Value 31 March 2024 £'000	Net Book Value 31 March 2023 £'000
Council Dwellings	861,554	856,238
Other Land & Buildings	1,634	1,642
Vehicle, Plant & Equipment	3,050	3,447
Surplus Assets	13,700	8,225
Intangible Asset	52	69
Assets Held For Sale	0	0
Assets Under Construction	26,273	10,980
<b>Total</b>	<b>906,263</b>	<b>880,601</b>

The vacant possession value of dwellings within the Council's HRA as at 31 March 2024 was £3,443m; this differs from the balance sheet value of £862m, which is based on the economic use value of social housing. The difference of £2,579m between these two figures shows the economic cost of providing housing at social rents over 30 year cycle compared to open market rents.

## 3. DEPRECIATION

Depreciation charged in year to the HRA

	Depreciation 31 March 2024 £'000	Depreciation 31 March 2023 £'000
Council Dwellings	12,997	12,056
Other Land & Buildings	28	33
Intangibles	17	17
Surplus Assets	10	8
Vehicle, Plant & Equipment	623	658
<b>Total</b>	<b>13,675</b>	<b>12,772</b>

# Notes to the Housing Revenue Account

## 4. CAPITAL EXPENDITURE

HRA Capital Expenditure during 2023/24 totalled £61,464k. This was financed by:

	31 March 2024 £'000	31 March 2023 £'000
Capital Receipts	6,466	6,628
Capital Grants & Contributions	4,421	22,328
Borrowing	27,848	10,668
Major Repairs Reserve	22,729	23,140
	<b>61,464</b>	<b>62,764</b>

Capital receipts from the sale of HRA RTB properties during 2023/24 totalled £9,872k (including Section 42 lease premiums and repayments of discounts), net of admin fees of £140k. These funds have been fully retained by the Council.

## 5. RENT ARREARS

At 31 March 2023 the gross HRA rent arrears amounted to £4,607k (£3,879k in 2022/23).

## 6. IMPAIRMENTS

The impairments balance on all HRA debts as at 31 March 2024 was £3,563k (£2,984k in 2022/23). In year, there was an increase in the HRA impairment balance of £1,043k and impairments of £465k were released.

## 7. MAJOR REPAIRS RESERVE

HRA resource accounting requires the maintenance of a Major Repairs Reserve (MRR) and holds depreciation charged to the HRA and revenue contribution to capital expenditure of HRA. The movements on this reserve are shown below.

	31 March 2024 £'000	31 March 2023 £'000
Balance as at 1 April	2,054	7,115
Depreciation transferred to Reserve	13,675	12,772
Transfer to MRR	10,187	5,307
Capital programme funding	(22,729)	(23,140)
	<b>3,187</b>	<b>2,054</b>

The funds of £3,187k held in this reserve will be used to finance future capital expenditure on dwellings.

## 8. CONTRIBUTIONS TO PENSION RESERVE

The cost of employer's pension contributions in the HRA Income and Expenditure is reported in-line with IAS 19, which requires the current service cost, rather than the actual employer's contribution, be recognised. The HRA increase for 2023/24 was £459k.

## 9. EARMARKED RESERVE

A new earmarked reserve of £6,811k has been created in 2023/24 to support financing of future HRA affordable housing developments.

# Collection Fund Account

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council, as a billing authority, to maintain a separate Collection Fund. This 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.

Council Tax	Note	31 March 2024		31 March 2023	
		£'000	£'000	£'000	£'000
Council Tax Income		(181,935)		(169,494)	
Contribution towards previous years' estimated Council Tax (Surplus)/Deficit	1	(7,001)		(4,329)	
Write-offs Uncollectable Council Tax Debt		(166)		(1)	
Write-back Uncollectable Council Tax Debt		0		0	
Provision for Doubtful Council Tax Debts		1,171		1,294	
London Borough of Hillingdon Council Tax Precept	1	137,440		131,179	
Greater London Authority Council Tax Precept	1	44,988		41,078	
<b>Council Tax (Surplus)/Deficit for the Year</b>		<b>(5,503)</b>		<b>(273)</b>	
Opening Council Tax (Surplus)/Deficit Balance		3,234		3,507	
Council Tax (Surplus)/Deficit for the Year		(5,503)		(273)	
<b>Brought Forward Council Tax (Surplus) / Deficit Balance</b>		<b>(2,269)</b>		<b>3,234</b>	

National Non-Domestic Rates (NNDR) & Business Rate Supplement (BRS)	Note	31 March 2024		31 March 2023	
		£'000	£'000	£'000	£'000
National Non-Domestic Rates Income		(366,478)		(352,725)	
Business Rate Supplement Income		(12,841)		(13,181)	
Contribution towards previous years' estimated NNDR (Surplus)/Deficit		14,704		(42,622)	
Write-offs Uncollectable NNDR Debt		367		313	
Write-back Uncollectable NNDR Debt		(933)		(1)	
Provision for Doubtful NNDR Debts		(420)		1,692	
Provision/(Release of Provision) for Backdated Appeal Losses	3	2,416		(2,256)	
London Borough of Hillingdon Share NNDR Income	2	104,493		102,997	
Greater London Authority Share NNDR Income	2	128,874		127,029	
Central Government Share NNDR Income	2	114,942		113,296	
Transitional Payment Protection Receivable		(9,145)		(154)	
Payment to Greater London Authority in respect of BRS Income		12,830		13,171	
NNDR Cost of Collection Allowance		558		567	
BRS Cost of Collection Allowance		11		10	
<b>NNDR (Surplus)/Deficit for the Year</b>		<b>(10,622)</b>		<b>(51,864)</b>	
Opening NNDR (Surplus)/Deficit Balance		(12,619)		39,245	
NNDR (Surplus)/Deficit for the Year		(10,622)		(51,864)	
<b>Brought Forward NNDR (Surplus)/Deficit Balance</b>		<b>(23,241)</b>		<b>(12,619)</b>	

# Notes to the Collection Fund Account

## 1. Calculation of the Council Tax Base and 2023/24 Council Tax Revenues

The Council Tax Base is based upon the number of dwellings within the borough, analysed by valuation band and adjusted for reductions in expected tax yield arising from discounts, exemptions and the Council Tax Support Scheme. The Council Tax Base is set annually in advance of budget setting, with the 2023/24 base agreed by full Council on 12 January 2023.

Band	Estimated No. of Properties	Discounts & Exemptions	Council Tax Support Scheme	Net Estimated No. of Properties	Band D Equivalent Ratio	Band D Equivalent 2023/24	Band D Equivalent 2022/23
A	1,750	(220)	(232)	1,298	6/9	866	570
B	6,594	(1,214)	(1,189)	4,191	7/9	3,260	3,251
C	28,057	(3,525)	(3,748)	20,784	8/9	18,475	18,083
D	47,801	(3,750)	(4,255)	39,796	9/9	39,798	40,040
E	19,089	(1,563)	(853)	16,673	11/9	20,378	20,503
F	10,169	(905)	(184)	9,080	13/9	13,116	13,160
G	5,342	(713)	(44)	4,585	15/9	7,642	7,650
H	487	(37)	(5)	445	18/9	891	866
<b>Total</b>	<b>119,289</b>	<b>(11,927)</b>	<b>(10,510)</b>	<b>96,852</b>		<b>104,425</b>	<b>104,123</b>
				Adjustment for Non-collection		(1,566)	(1,049)
				Ministry of Defence Contribution		766	766
				<b>Council Tax Base</b>		<b>103,625</b>	<b>103,840</b>
				London Borough of Hillingdon Band D Council Tax (£)		1,326.32	1,263.28
				Greater London Authority Band D Council Tax (£)		434.14	395.59
				<b>Total Band D Council Tax (£)</b>		<b>1,760.46</b>	<b>1,658.87</b>
				<b>Demand on Collection Fund (£'000)</b>		<b>182,427</b>	<b>172,257</b>

# Notes to the Collection Fund Account

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Annual precepts levied upon the Collection Fund Account in respect of Council Tax by the Council and Greater London Authority are derived from the Council Tax Base and the Band D Council Tax charge approved for the financial year. The following table analyses all Council Tax activity within the Collection Fund between the major preceptors, with the Council's own activity reflected in the main statement of accounts.

	Balance 31 March 2023 £'000	2023/24 Precept £'000	Release of Prior Year Estimated Surplus £'000	2023/24 Council Tax Revenues £'000	2023/24 Deficit £'000	Balance 31 March 2024 £'000
London Borough of Hillingdon	2,548	137,440	(5,354)	(136,321)	(4,236)	(1,687)
Greater London Authority	685	44,988	(1,647)	(44,608)	(1,267)	(582)
<b>Total</b>	<b>3,234</b>	<b>182,428</b>	<b>(7,001)</b>	<b>(180,930)</b>	<b>(5,503)</b>	<b>(2,269)</b>

# Notes to the Collection Fund Account

## 2. National Non-Domestic Rating Income & Business Rate Retention System

National Non-Domestic Rates are levied on the basis of the Valuation Office Agency's assessment of the Rateable Value of a non-domestic property. As at 31 March 2024 the aggregate Rateable Value across the 8,925 hereditaments within the borough totalled £850,811k, with rates payable determined by the National Non-Domestic multiplier which is set annual by Central Government. For 2023/24 the standard multiplier was frozen at 51.2p in the pound and for small businesses 49.9p in the pound.

The Business Rate Retention System requires that locally raised income is shared between the Council (30%), the Greater London Authority (37%) and Central Government (33%). The Council's own share of these revenues are reflected in the main statement of accounts.

	Balance 31 March 2023 £'000	2023/24 Budgeted Share of Income £'000	Release of Prior Year Estimated Surplus £'000	2023/24 Non- Domestic Rates Revenues £'000	2023/24 Surplus £'000	Balance 31 March 2024 £'000
London Borough of Hillingdon	(3,784)	104,493	4,411	(112,091)	(3,187)	(6,971)
Greater London Authority	(4,670)	128,874	5,440	(138,244)	(3,930)	(8,600)
Central Government	(4,165)	114,942	4,852	(123,299)	(3,505)	(7,670)
<b>Total</b>	<b>(12,619)</b>	<b>348,309</b>	<b>14,703</b>	<b>(373,634)</b>	<b>(10,622)</b>	<b>(23,241)</b>

## 3. Provision for losses on Non-Domestic Rating Income due to back-dated appeals

Non-Domestic Ratepayers are able to challenge the Valuation Office Agency's assessment of the Rateable Value for their property, which if successful will result in a reduction in future payments and in some cases a refund of previously levied rates. 184 such appeals relating to 160 separate hereditaments were outstanding with the Valuation Office Agency as at the 31 March 2024. Given the inherent uncertainty around the financial impact of such appeals, a provision of £2,921k has been established on the basis of past experience. This represents an increase of £2,415k on the previously held provision. Since 2023/24 is the first year that the Valuation Office Agency 2023 Rateable Value list applies, and check and challenge cases for 2017 Rateable Value list have been re-asserted as live.

# Pension Fund Account

## PENSION FUND ACCOUNT

	Note	31 March 2024 £'000	31 March 2023 £'000
Contributions	4	58,148	53,386
Transfers In from other pension funds	5	51,642	4,542
		<b>109,790</b>	<b>57,928</b>
Less: Benefits	6	(60,556)	(51,409)
Less: Payments to and on account of leavers	7	(8,907)	(5,552)
		<b>(69,463)</b>	<b>(56,961)</b>
<b>Net additions/(withdrawals) from dealings with members</b>		<b>40,327</b>	<b>967</b>
Less: Management expenses	8	<b>(13,441)</b>	<b>(13,844)</b>
<b>Net additions/(withdrawals) including fund management expenses</b>		<b>26,886</b>	<b>(12,877)</b>
<b>Return on investments</b>			
Investment income	9	19,609	15,752
Profit and losses on disposal of investments and changes in market value of investments	10A	129,976	(83,450)
Taxes On Income		(29)	(28)
<b>Net return on investments</b>		<b>149,556</b>	<b>(67,726)</b>
<b>Net Increase/(Decrease) in the fund during the year</b>		<b>176,442</b>	<b>(80,603)</b>
<b>Net Assets at start of year</b>		<b>1,185,512</b>	<b>1,266,115</b>
<b>Net Assets at end of year</b>		<b>1,361,954</b>	<b>1,185,512</b>

# Pension Fund Account

	Note	31 March 2024	31 March 2023
		£'000	£'000
Investment Assets	10	1,361,382	1,183,082
Investment Liabilities	10	0	0
Total net investments		<b>1,361,382</b>	<b>1,183,082</b>
Current Assets	11	994	3,180
Current Liabilities	12	(422)	(750)
Net assets of the fund available to fund benefits at the end of the reporting period		<b>1,361,954</b>	<b>1,185,512</b>

The Pension Fund Accounts summarise the transactions of the scheme and show the net assets at the disposal of members. They 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 at note 18.



**Richard Ennis**  
**Corporate Director of Finance**  
17 March 2025

## 1. DESCRIPTION OF THE FUND

### a. General

The London Borough of Hillingdon Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Hillingdon ("the administering body"). The Council is the reporting entity for this pension fund. The Fund is a contributory defined benefits scheme established in accordance with statute to provide benefits to members and retired members of the London Borough of Hillingdon and Admitted and Scheduled bodies in the Fund. Benefits in respect of service from 1 April 2014 are based on career average revalued earnings (CARE) scheme. Benefits in respect of past service up to 31 March 2014 are based on final salary. Pensions move in line with the Consumer Price Index (CPI) annually. Benefits paid out include a pension payable to former members and their dependants, lump sum retirement benefits, payment of death benefits where death occurs in service or retirement, and yearly payment of benefits on medical grounds.

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

- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

### b. Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme. Due to government legislation, since 1

# Notes to the Pension Fund Account

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From February 2013 all new employees who are not in the scheme are automatically enrolled. Members have the option to opt out of the scheme. Employees who have opted out are then re-enrolled every 3 years, when they can again opt out.

Organisations participating in the London Borough of Hillingdon Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable, and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Employers who contribute to the Fund in addition to London Borough of Hillingdon are:

## **Admitted Bodies:**

Culinera— Uxbridge High school

CCS Homecare Service

Caterlink - Frays Academy

Cucina – Bishopshalt

East & North Herts NHS Trust

Ecoserve

Energy Kidz Ltd

Greenwich Leisure

Cleantec - Harlington School Cleaners

## **Hayward Services**

- Guru Nanak School
- Ryefield School

Heathrow Travel Care

Herts Catering Limited

Hillingdon & Ealing Citizens Advice

Hillingdon Care Contract

HPS Services FM Limited

Pabulum - West Drayton Academy

PSD Childcare Limited

Service Master – Belmore Academy

Tenon FM

## **Scheduled Bodies:**

Barnhill Academy

# Notes to the Pension Fund Account

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Belmore Academy

Bishop Ramsey Academy

Bishopshalt Academy

Charville Academy

Douay Martyrs Academy

Eden Academy Trust

- Moorcroft School
- Pentland Field School
- Grangewood School
- Sunshine House School

Elliot Foundation Trust

- Hillingdon Primary School
- John Locke Academy
- Pinkwell School

Guru Nanak Academy Trust

- Nanak Sar Primary School
- Guru Nanak Sikh Academy

Global Academy

Harefield Academy

Richmond, Harrow & Uxbridge College

Haydon Academy

UTC Heathrow

## **LBDS Frays Academy Trust**

- Cowley St. Lawrence Academy
- Laurel Lane Academy
- St. Matthews Primary School
- St. Martins Primary School

London Housing Consortium

## **Orchard Hill College Academy Trust**

- Pride Academy
- Skills HUB

## **Park Federation Trust**

- Park Academy West London
- Cranford Park Academy
- Lake Farm Park Federation

## **QED Academy Trust**

- Wood End Academy

# Notes to the Pension Fund Account

- West Drayton Academy
- Coteford Junior Academy
- Queensmead Academy
- Northwood Academy

## Rosedale Hewens Academy Trust

- Rosedale College
- Brookside Primary School

Swakeleys Academy

## VLT

- Field End Junior School
- Hermitage Primary School
- Ruislip Academy
- Ryefield Academy
- Vyners Academy

Uxbridge Academy

William Byrd School

Willows Academy

<b>London Borough of Hillingdon Pension Fund</b>	<b>31 March 2024</b>	<b>31 March 2023</b>
Number of employers with active members	66	70
<b>Number of employees in scheme</b>		
London Borough of Hillingdon	5,639	6,569
Other employers	3,543	3,702
<b>Total</b>	<b>9,182</b>	<b>10,271</b>
<b>Number of Pensioners</b>		
London Borough of Hillingdon	7,048	6,970
Other employers	1,341	887
<b>Total</b>	<b>8,389</b>	<b>7,857</b>
<b>Deferred Pensioners</b>		
London Borough of Hillingdon	9,746	8,780
Other employers	4,625	3,472
<b>Total</b>	<b>14,371</b>	<b>12,252</b>

## c. Funding

The Fund is financed by contributions from the employers, Pension Fund members and by income from the Fund's investments. The Pension Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. The contributions from the London Borough of Hillingdon and other participating employers are set through the triennial actuarial valuation at a rate sufficient to meet the long-term liabilities of the Fund.

# Notes to the Pension Fund Account

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Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as of 31 March 2022 - this covers the three financial years following 2022/23 (2023/24, 2024/2025 & 2025/26). Currently employer contribution rates range from 18.9% to 42.3% of pensionable pay, as per the 2022 valuation.

## **d. Investments**

The Pension Fund investments are managed externally by fund managers: Adams Street Partners, AEW UK, Legal & General Investment Management, LGT Capital Partners, London CIV, Macquarie Investments, Permira LLP, UBS Global Asset Management and Blackstone Investments. In addition, there is one direct investment into pooled funds with M&G Investments.

## **e. Governance**

The Fund is overseen by the Pensions Committee (comprised of Councillors) and the Pensions Board (comprised of an even number of employer and member representatives). The performance of the fund managers is monitored by the Pensions Committee (Four meetings in 2023-24) and governance is overseen by the Pensions Board (Three meetings in 2023-24). Pensions Committee and Pensions Board consisted of the following members in 2023/24:

### **Pensions Committee**

Cllr Stuart Mathers (Chairman)  
Cllr Tony Burles (Vice-Chairman)  
Cllr Mohammed Shoful Islam

Cllr Kaushik Banerjee  
Cllr John Riley

### **Pensions Board**

Roger Hackett (Scheme Member Representative)  
Tony Noakes (Scheme Member Representative)  
Vacant (Scheme Membership Representative)

Shane Woodhatch (Employer Representative)  
Marie Stokes (Employer Representative)  
Anna Beattie (Employer Representative) from 08 November 2023

# Notes to the Pension Fund Account

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## 2. BASIS OF PREPARATION

The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, which is based on International Financial Reporting Standards (IFRS) as amended for the public sector and underpinned by the Local Government Pension Scheme Regulations. The accounts have been prepared on an accrual basis, except for transfer values, which are accounted for on a cash basis, and summarise the Fund transactions and report on the net assets available to pay pension benefits as of 31 March 2024.

The accounts do not take into account obligations to pay benefits and pensions that fall due after the reporting date (31 March 2024). The Pension Fund Accounts have been prepared on a going concern basis.

## 3. ACCOUNTING POLICIES

### a. Valuation of assets

- Market quoted investments: Equities are valued at bid market prices available on the final day of the accounting period.
- Fixed income securities including short-term instruments are priced based on evaluated prices provided by independent pricing services.
- For pooled funds, if bid prices are provided by the Fund administrators, then these are used, otherwise the Net Asset Value (NAV) is used. The NAV for pooled funds is derived by subtracting the fund's liabilities from assets and divide the result by total units/shares within the pooled fund.
- Private Equity is valued using the latest audited valuation from the Limited Partner/General Partner. This is adjusted for any capital calls/distributions that have taken place since the date of the statement. Unquoted investments for Private Placements and Infrastructure are priced using discounted cash flow methodology.

### b. Foreign currency translation of assets and liabilities and forward foreign exchange contracts are converted into sterling at the closing middle rates of exchange in the Net Assets Statement. Overseas income is converted at rates of exchange ruling when remitted.

### c. Acquisition costs of investments occur as brokerage commission when investments are purchased. They are recorded in the cost figure on an accrual basis.

### d. Investment management expenses are recorded at cost when the fund managers/custodian invoice the fund on a quarterly basis or provide a fee schedule deducted at source. Expenses are recorded on an accrual basis. Where an investment manager's complete fee schedule has not been received by year end, an estimate based on the previous quarter's amount is included in the accounts. In 2023/24, no such fees are based on estimates (2022/23: No such Fees were based on estimates). The fund also agreed with the following fund managers that their fees include elements of performance, Adams Street Partners, AEW UK, Macquarie Infrastructure Partners, Permira LLP, London CIV and Blackstone Investments.

### e. Administration expenses are paid when invoiced by third party providers through the administering authority's payment system and recharged to the Pension Fund.

### f. Interest on property developments - property is held in unit trusts for the Pension Fund, the return received is calculated in accordance with the unit price at the Net Assets Statement date.

### g. Contribution Income

Normal contributions are accounted for on accrual basis as follows:

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

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant body.

Additional employers' contributions in respect of ill-health are accounted for as part of the tri-ennial valuation exercise and employers' contribution rates adjusted accordingly for relevant employers. Early retirement strain costs are accounted for on accrual basis.

# Notes to the Pension Fund Account

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- h. Benefits are accounted for in the period in which they fall due. All benefits are calculated in accordance with the statutory regulations in force at the relevant benefit date.
- i. Transfers are accounted for on a cash basis, as the amount payable or receivable by the scheme is not determined until payment is made and accepted by the recipient. Group transfers are accounted for under the agreement upon which they are made.
- j. Cash and cash equivalents are held in the custody accounts by fund managers as agreed in the individual Investment Management Agreements (IMA). Cash held is at the discretion of the manager but must not exceed the stipulated permitted range in the IMA.
- k. Investment Income - dividends from quoted securities are accrued when the securities are quoted ex-dividend. Interest on cash deposits is accrued on daily basis.

## **Critical Judgements and Uncertainties**

- l. Unquoted Alternative Investments - Fair values of alternative investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted alternative investments are valued by investment managers using methods such as IFRS fair value principles, discounted cash flow method and guidelines set out by the International Private Equity and Venture Capital Association (IPEV), of which the British Venture Capital Association is a founding member. The value of alternative investments as of 31 March 2024 was £244,700k (£245,448K on 31 March 2023).
- m. Assumptions made about the future and other major sources of estimation uncertainty - The Pension Fund accounts contains estimated figures that are based on assumptions made by the Fund about the future or events 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.

# Notes to the Pension Fund Account

Items where there is a significant risk of material movements in value in the financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	<p>Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines or commensurate overseas equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The fair value principles employed to value the underlying investments and the valuation policy remains unchanged. Both managers continue to use the latest valuation available from underlying investment managers, adjusting for any known cash flows and take into account any known and measurable impact. It is important to note that given the evolving situation and the quarterly cycle of private equity valuations, additional data needs to be accessible before a more accurate estimate can be made with regard to potential effects of market events on net asset values.</p>	The total private equity investments in the financial statements are £5,521k. There is a risk that this investment may be under or overstated in the accounts.
Infrastructure - Macquarie Infrastructure Real Assets and LCIV Stepstone	<p>Infrastructure Valuation represents the fair value of investments held at 31 March 2024. The valuations have been completed by MIRA (Macquarie Infrastructure Real Assets) in accordance with ASC 820-10 (Fair Value Measurements), under which the fair value is determined to be the price that would be received upon sale of the investments in an orderly transaction between market participants. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p>	The total infrastructure alternative investments in the financial statements are £66,314k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Private Finance - M&G	<p>Private Finance investments are valued at par as they are mostly floating rate notes tied to LIBOR. Final valuation is undertaken by the analysts employed by the fund manager as they are not traded on the open market.</p>	The total private finance investments in the financial statements are £460k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.

# Notes to the Pension Fund Account

Item	Uncertainties	Effect if actual results differ from assumptions
Direct Lending - Permira Credit Solutions & LCIV Private Debt	Private Debt Investments are valued on a quarterly basis and in accordance with International Private Equity and Venture Capital valuation guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Private Debt investments in the financial statements are £69,221k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Pooled Property - AEW UK & UBS Property	Pooled property assets are valued independently for the respective managers with a lot of subjective and unobservable inputs that may be affected by prevalent socio-economic issues. The underlying assets do not have the luxury of an open market transactional data like Equities and does result in valuation varying by wide degrees.	The total Pooled property investments in the financial statement is £105,997k. There is a risk the investments may be over or understated in the accounts. These asset class of investments are not openly traded and a lot of unobservable inputs are utilised in the valuation of the assets. These unobservable valuation assumptions may have a profound effect on the actual pricing at year end thus skew shown valuation the fund accounts.
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rates at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of actuaries, Hymans Robertson, are engaged to provide the fund with expert advice about the assumptions to be applied. The IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2024 to comply with the accounting standard.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in pension liability. An increase in assumed earnings would increase the value of liabilities and an increase in assumed life expectancy would increase the liability. This would not effect the Fund Account or Net Asset Statement, but would impact the Council Accounts. Below are the details of the sensitivity analysis to the method of assumptions used for year ended 31 March 2024 by the fund's actuaries.

# Notes to the Pension Fund Account

Sensitivity to Unquoted Alternative Assets valuation and Pricing: Information on sensitivities of the valuation and pricing methodologies of these asset classes are disclosed in notes 14 and 16.

## Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2024	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a increase in the Discount Rate	2%	26
1 year increase in member life expectancy	4%	59
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate	2%	25

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1-year increase in life expectancy would approximately increase the liabilities of the Pension Fund by around 3-5%.

## 4. CONTRIBUTIONS

By category	31 March 2024 £'000	31 March 2023 £'000
Employees	12,506	12,262
<b>Employers Contributions:</b>		
Normal	38,867	34,920
Deficit Funding	6,775	6,204
	<b>58,148</b>	<b>53,386</b>

Deficit Funding: At the actuarial valuation on 31 March 2022 the Fund was 88% funded, with the remaining 12% deficit to be recovered over a period of 20 years.

By authority	31 March 2024 £'000	31 March 2023 £'000
LB Hillingdon	39,847	37,628
Scheduled Bodies	17,874	15,222
Admitted Bodies	427	536
	<b>58,148</b>	<b>53,386</b>

# Notes to the Pension Fund Account

## 5. TRANSFERS IN

	31 March 2024 £'000	31 March 2023 £'000
Individual transfers in from other schemes	6,401	4,542
Bulk Transfers In*	45,241	0
	<b>51,642</b>	<b>4,542</b>

\*Refer to Note 21 for details on Bulk Transfer In.

## 6. BENEFITS

	31 March 2024 £'000	31 March 2023 £'000
<b>By category</b>		
Pensions	(49,125)	(42,970)
Commutations and Lump Sum Retirement Benefits	(10,191)	(7,234)
Lump Sum Death Benefits	(1,240)	(1,205)
	<b>(60,556)</b>	<b>(51,409)</b>
<b>By authority</b>		
LB Hillingdon	(54,265)	(46,184)
Scheduled Bodies	(5,499)	(4,802)
Admitted Bodies	(792)	(423)
	<b>(60,556)</b>	<b>(51,409)</b>

## 7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2024 £'000	31 March 2023 £'000
Refunds to members leaving service	(172)	(205)
Individual transfers out to other schemes	(8,734)	(5,347)
	<b>(8,906)</b>	<b>(5,552)</b>

## 8. MANAGEMENT EXPENSES

The administering authority incurred costs in managing the Fund for the period ending 31 March 2024 as follows:

	31 March 2024 £'000	31 March 2023 £'000
Administrative Costs	(1,166)	(1,104)
Investment Management Expenses	(11,796)	(12,448)
Oversight and Governance	(479)	(292)
	<b>(13,441)</b>	<b>(13,844)</b>

# Notes to the Pension Fund Account

## 8A. INVESTMENT MANAGEMENT EXPENSES BREAKDOWN

2023/2024	£'000			
	Total	Management Expenses	Performance Fees	Transaction Costs
Equities	0	0	0	0
Pooled Investments	(6,670)	(3,610)	(2,363)	(697)
Pooled Property Investments	(4,977)	(3,714)	0	(1,263)
Private Equity	(149)	(96)	(22)	(31)
	<b>(11,796)</b>	<b>(7,420)</b>	<b>(2,385)</b>	<b>(1,991)</b>
Custody Fees/Investment Advice	(46)			
<b>Total</b>	<b>(11,842)</b>			

2022/2023	£'000			
	Total	Management Expenses	Performance Fees	Transaction Costs
Equities	0	0	0	0
Pooled Investments	(7,399)	(3,740)	(2,260)	(1,399)
Pooled Property Investments	(4,904)	(3,332)	(42)	(1,530)
Private Equity	(59)	(86)	35	(8)
	<b>(12,362)</b>	<b>(7,158)</b>	<b>(2,267)</b>	<b>(2,937)</b>
Custody Fees/Investment Advice	(86)			
<b>Total</b>	<b>(12,448)</b>			

## 8B. EXTERNAL AUDIT COSTS

	31 March 2024	31 March 2023
	£'000	£'000
Payable in Respect of External Audit	(93)	(49)
	<b>(93)</b>	<b>(49)</b>

External Audit costs are included in Oversight and Governance within Management Expenses  
 Increase in external audit costs attributable to fee adjustment to reflect procurement outcome by PSAA/MHCLG

# Notes to the Pension Fund Account

## 9. INVESTMENT INCOME

	31 March 2024 £'000	31 March 2023 £'000
Income from Equities	0	70
Pooled Property Investments	6,152	3,071
Pooled Investments- Unit trusts and other managed funds	12,606	12,299
Interest on cash deposits	851	172
Other (for example from stock lending or underwriting)	0	140
	<b>19,609</b>	<b>15,752</b>

## 10. INVESTMENTS

	31 March 2024 £'000	31 March 2023 £'000
<b>Investment Assets</b>		
Equities	29	29
Pooled investments	1,156,809	965,621
Pooled property investments	190,438	194,436
Private equity	5,521	6,346
<b>Other Investment balances</b>		
Cash deposits	8,316	16,510
Investment income due	269	140
<b>Total investment assets</b>	<b>1,361,382</b>	<b>1,183,082</b>
<b>Net investment assets</b>	<b>1,361,382</b>	<b>1,183,082</b>

# Notes to the Pension Fund Account

## 10A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2023/24	Value 1 April 2023 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2024 £'000
Equities	29	0	0	0	29
Pooled Investments	965,621	88,693	(21,164)	123,659	1,156,809
Pooled Property Investments	194,436	1,592	(1,133)	(4,457)	190,438
Private Equity	6,346	46	(1,108)	238	5,521
	<b>1,166,432</b>	<b>90,330</b>	<b>(23,405)</b>	<b>119,440</b>	<b>1,352,797</b>
<b>Other investment balances</b>	<b>1,166,432</b>	<b>90,330</b>	<b>(23,405)</b>	<b>119,440</b>	<b>1,352,797</b>
Cash Deposits	16,510				8,316
Investment Income Due	140			10,536	269
<b>Total Investment Assets</b>	<b>1,183,082</b>			<b>129,976</b>	<b>1,361,382</b>
2022/23	Value 1 April 2022 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2023 £'000
Equities	29	0	0	0	29
Pooled Investments	1,011,872	170,302	(159,358)	(57,195)	965,621
Pooled Property Investments	231,826	1,364	(1,808)	(36,946)	194,436
Private Equity	8,545	76	(1,804)	(471)	6,346
	<b>1,252,272</b>	<b>171,742</b>	<b>(162,970)</b>	<b>(94,612)</b>	<b>1,166,432</b>
<b>Other investment balances</b>	<b>1,252,272</b>	<b>171,742</b>	<b>(162,970)</b>	<b>(94,612)</b>	<b>1,166,432</b>
Cash Deposits	11,821				16,510
Investment Income Due	107			11,162	140
Adjustments to Market Value Chan	0				0
<b>Total Investment Assets</b>	<b>1,264,200</b>			<b>(83,450)</b>	<b>1,183,082</b>

# Notes to the Pension Fund Account

## 10B. ANALYSIS OF INVESTMENTS

	<b>31 March 2024 £'000</b>	<b>31 March 2023 £'000</b>
<b>Equities</b>		
<b>UK</b>		
Quoted	29	29
	<b>29</b>	<b>29</b>
<b>Pooled funds - additional analysis</b>		
Fixed income unit trust	229,796	222,601
Diversified Growth Funds	63,800	47,406
Infrastructure Funds	66,313	57,524
Global Equity	725,899	562,183
Limited liability partnerships	71,001	75,907
	<b>1,156,809</b>	<b>965,621</b>
<b>Other Investments</b>		
Pooled property Investments	190,438	194,436
Private equity	5,521	6,346
	<b>195,959</b>	<b>200,782</b>
<b>Cash deposits</b>	8,316	16,510
<b>Investment income due</b>	269	140
	<b>8,585</b>	<b>16,650</b>
<b>Total investment assets</b>	<b>1,361,382</b>	<b>1,183,082</b>
<b>Net investment assets</b>	<b>1,361,382</b>	<b>1,183,082</b>

## 10C. INVESTMENTS ANALYSED BY FUND MANAGER

<b>Fund Manager</b>	<b>Market Value 31 March 2024 £'000</b>	<b>%</b>	<b>Market Value 31 March 2023 £'000</b>	<b>%</b>
<b>Investments Managed by London CIV Pool</b>				
Legal & General Investment Management	816,668	60	667,751	57
London CIV Asset Pool	337,193	25	300,566	25
	<b>1,153,861</b>	<b>85</b>	<b>968,317</b>	<b>82</b>
<b>Investments Managed Outside of London CIV</b>				
Adams Street Partners	3,713	0	4,282	1
AEW UK	72,517	5	71,848	6
Blackstone Investments	19,241	1	0	0
LGT Capital Partners	1,809	0	2,064	0
M&G Investments	460	0	682	0
Macquarie Infrastructure	15,124	1	16,901	1
Permira Credit Solutions	14,739	1	27,042	2
UBS Global Asset Management (Equities)	56	0	97	0
UBS Global Asset Management (Property)	74,891	6	77,772	7
Other*	4,971	0	14,077	1
	<b>207,521</b>	<b>15</b>	<b>214,765</b>	<b>18</b>
<b>Total</b>	<b>1,361,382</b>	<b>100</b>	<b>1,183,082</b>	<b>100</b>

\* Other includes pending trades, accrued income and cash held in custody accounts, independent of fund managers not mandated to hold cash.

\* No single holding within an investment represents more than 5% of total assets

# Notes to the Pension Fund Account

## 10D. STOCK LENDING

The Fund's investment strategy sets the parameters for the Fund's stock-lending programme. At the year-end, the value of quoted equities on loan was £29k (31 March 2023: £29k). These equities continue to be recognised in the Fund's financial statements.

Counterparty risk is managed through holding collateral at the Fund's custodian bank. At the year-end the Fund held collateral (via the custodian) at fair value of £31k (31 March 2023: £31k) representing 106% of stock lent. Collateral consists of acceptable securities and government debt.

Stock-lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower. There are no liabilities associated with the loaned assets.

## 11. CURRENT ASSETS

	31 March 2024 £'000	31 March 2023 £'000
Debtors		
Employers' contributions due	50	22
Employees' contributions due	157	75
Other	99	0
Cash balances	688	3,083
	<b>994</b>	<b>3,180</b>

## 12. CURRENT LIABILITIES

	31 March 2024 £'000	31 March 2023 £'000
Creditors		
Other local authorities (LB Hillingdon)	(72)	(133)
Other entities	(350)	(617)
	<b>(422)</b>	<b>(750)</b>

Note: Other entities liabilities are due from the Pension Fund to bodies external to the government e.g., fund managers.

## 13. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Additional Voluntary Contributions paid by scheme members are not included in the accounts. The additional voluntary contributions are paid by scheme members directly to Prudential Assurance Company, who manage these monies independently of the fund and, as determined by the fund actuary, do not form part of the Fund valuation.

According to information provided by Prudential, £92k was received in additional voluntary contributions by members, in 2023/24 (£87k 2022/23) and AVC Fund value was £3,591k (£3,715k 2022/23). Any transfer of additional contributions into the Fund during the year are included in the employee contributions value as detailed in note 4.

	Market Value 31 March 2024 £'000	Market Value 31 March 2023 £'000
Prudential Assurance Company	3,591	3,715
	<b>3,591</b>	<b>3,715</b>

# Notes to the Pension Fund Account

## 14. FAIR VALUE - BASIS OF VALUATION

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period.	Not required	Not required
Pooled investments - overseas unit trusts	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not required
Pooled Investments - Property Funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not Required
Pooled Investments Property Funds	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Alternative Assets (Private Equity, Private Credit and Infrastructure	Level 3	Comparable valuation of similar companies e.g. in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018)	EBITDA multiple revenue multiple discount for lack of marketability control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Having analysed historical data and current market trends, and consulted with fund managers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held on 31 March 2024.

It is worth noting the sensitivity analysis below is just one of the possible changes to assets value due to the impact of factors affecting valuation methodology employed by the fund managers. Sensitivity being measured in this note differs from those in note 16 (other price risks).

# Notes to the Pension Fund Account

## Sensitivity of assets valued at level 3

	Valuation range (+/-)	Market Value 31 March 2024 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled investments - Limited Liability Partnerships (Infrastructure) a	10%	66,313	72,944	59,682
Pooled investments - Limited Liability Partnerships (Private Credit) b	10%	70,979	78,077	63,881
Pooled Property - UBS Property & AEW UREF	10%	105,997	116,597	95,397
Pooled Dislocation Fund - Balckstone	5%	19,240	20,202	18,278
Private Equity - d	5%	5,521	5,797	5,245
<b>Total</b>		<b>268,050</b>	<b>293,617</b>	<b>242,483</b>

- a) The potential movement of 10% represents a combination of the following factors, which could all move independently in different directions: i) material changes in economic and financial assumptions. ii) discounted equity cash flow rate.
- b) The assumed movement is based on pricing of loans in the secondary leveraged loan market, with widening/narrowing spreads resulting in price changes either way.
- c) The assumed movement is based fluctuations in market prices for comparable assets, real estate market illiquidity and counterparty default.
- d) Movement in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 5% is caused by unexpected changes to cash flow forecast and discounts for lack of potential bids.

## 14A. FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

### Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

### Level 2

Assets and liabilities at level 2 are those where quoted 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.

### Level 3

Assets and liabilities 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.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

# Notes to the Pension Fund Account

Values as at 31 March 2024	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets at Fair Value through Profit and Loss</b>				
Equities	29	0	0	29
Pooled Investments	0	1,000,277	156,532	1,156,809
Pooled Property Investments	0	84,441	105,997	190,438
Private Equity	0	0	5,521	5,521
	<b>29</b>	<b>1,084,718</b>	<b>268,050</b>	<b>1,352,797</b>
<b>Financial Liabilities at Fair Value through Profit and Loss</b>				
<b>Total</b>	<b>29</b>	<b>1,084,718</b>	<b>268,050</b>	<b>1,352,797</b>

Values as at 31 March 2023	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets at Fair Value through Profit and Loss</b>				
Equities	29	0	0	29
Pooled Investments	0	832,149	133,472	965,621
Pooled Property Investments	0	88,806	105,630	194,436
Private Equity	0	0	6,346	6,346
	<b>29</b>	<b>920,955</b>	<b>245,448</b>	<b>1,166,432</b>
<b>Financial Liabilities at Fair Value through Profit</b>				
<b>Total</b>	<b>29</b>	<b>920,955</b>	<b>245,448</b>	<b>1,166,432</b>

# Notes to the Pension Fund Account

## 14B. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

### Level 3 Assets Reconciliation

Fund Managers & Asset Categories	Value 1 April 2023	Purchases at cost	Sales proceeds	Unrealised gains/(losses)	Realised gains/(losses)	Value 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity - Adams Street Partners, LGT Capital Partners & UBS	6,346	46	(1,108)	(426)	663	5,521
Private Finance - M&G	682	0	(93)	(156)	27	460
Infrastructure - Maquarie & LCI	57,524	8,111	(4,332)	2,707	2,303	66,313
Venture Capital - UBS	41	0	0	(41)	0	0
Property - UBS Property, & AEW UREF	105,630	1,592	(253)	(827)	(145)	105,997
DGF/Dislocation - Blackstone	0	19,245	0	(5)	0	19,240
Direct Lending - Permira & LCI Private Debt	75,225	2,902	(12,658)	5,197	(147)	70,519
<b>Total Level 3 Assets</b>	<b>245,448</b>	<b>31,896</b>	<b>(18,444)</b>	<b>6,449</b>	<b>2,701</b>	<b>268,050</b>

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There were no transfers into Level 3 in 2023/24

# Notes to the Pension Fund Account

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## 14C. LEVEL 3 PRICING HIERARCHY DISCLOSURES

### ***Quantitative Information on Significant unobservable inputs***

#### **Private Equity: Adams Street & LGT capital**

The significant unobservable inputs used in the fair value measurement of privately held securities are Revenue multiples, EBITDA multiple, net income multiple and discount for lack of marketability and potential bids.

#### **Private Finance: M&G**

The assets are mostly floating rate notes and held at par value.

#### **Infrastructure: Macquarie**

The following quantitative information are considered for significant unobservable inputs, in valuation of infrastructure assets:

- The acquisition financial model is used as a base case.
- Update for any material changes in economic, operational, and financial assumptions.
- Discount equity cash flows at the sum of the risk-free rate and the appropriate risk premium (as determined by the implied risk premium at acquisition unless there is an inherent change in the riskiness of the underlying investments which may necessitate a change in the risk premium).

#### **Direct Lending: Permira**

The following key terms are confirmed as inputs for each yield analysis calculation:

- Cash / PIK (Payment in Kind) margin
- Frequency of interest payments
- Commitment and settlement date
- Contracted and expected maturity date

#### **Pooled Property: AEW, UBS Property & LGIM LPI**

Fair value is primarily derived using recent market transactions on arm's length terms, where available and discounted cashflow of future earnings are taking into consideration, alongside observable and unobservable inputs.

### **Description of Valuation Process**

#### **Private Equity**

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Private equity investments for which market quotations are not readily available are valued at their fair values by the Board of Directors. Private equity valuations are usually generated by the managers of the underlying portfolio of investments on a quarterly basis and are actually received with a delay of at least one-to-two months after the quarter end date. As a result, the year-end net asset value predominantly consists of portfolio valuations provided by the investment managers of the underlying funds at a specific date, adjusted for subsequent capital calls and distributions. If the Board of Directors comes to the conclusion upon recommendation of the Investment Manager (after applying the above-mentioned valuation methods), that the most recent valuation reported by the manager/administrator of a Fund investment is materially misstated, it will make the necessary adjustments using the results of its own review and analysis. The valuation adjustments relate to events subsequent to the last capital account valuation statement received but based upon information provided by the investment manager and all other available unobservable inputs. In estimating the fair value of fund investments, the Investment Manager in its valuation recommendation to the Board of Directors considers all appropriate and applicable factors.

#### **Private Finance: M&G**

These assets are floating rate and are held to maturity, they are valued at par unless suffering from impairment. Impairments may be applied if an asset's credit rating deteriorates.

#### **Direct Lending: Permira**

- In each case, valuations are prepared in accordance with International Private Equity & Venture Capital Valuation ("IPEV") Guidelines
- All direct lending investments are valued on a mark-to-market basis at the date of valuation
- Where an investment is considered illiquid (level 3), a yield analysis is performed to infer a fair market value for that investment.
- Each valuation is reviewed to ensure:

# Notes to the Pension Fund Account

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- Third party evidence to support pricing (such as Market data, broker quotes or Bloomberg pricing, as well as latest financials and capital structure; and any other adjustments to value) was evidenced.
- That the valuations are prepared in a consistent manner with previous valuations and that any changes in methodology or valuation are clearly explained; and valuations are derived using methodology consistent with the IPEV guidelines.

## Infrastructure: Macquarie

Valuations are calculated by the individual asset teams on a quarterly basis. The valuation process follows the British Venture Capital Association (BVCA) guidelines and is compliant with International Financial Reporting Standards (IFRS). The most generally accepted methodology of valuing infrastructure assets is by way of a discounted cash flow (DCF) analysis.

### DCF-Based Market Valuation Process

#### Financial Model

The acquisition financial models of all the Fund's underlying investments will be externally audited prior to financial close. They will be used as the initial base financial models for the DCF analysis.

### Update for Economic, Operational and Financial Assumptions

The economic assumptions in the financial models are adjusted every three months to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

The initial operational assumptions in each of the financial models are the acquisition forecasts. Any historical information (e.g., distributions received in an intervening period and year-to-date performance) will be updated within the model. In relation to forward-looking assumptions, the acquisition assumptions will continue to be used unless there is a material inconsistency between these assumptions and:

- The actual operational results to date
- The revised forecasts provided by management or approved by the board.

The financial assumptions in the model (e.g., cost of debt and capital structure) are also updated to reflect the actual debt put into place, current base rates and any material change in outlook with regards to future leverage.

#### Discount Rate

Equity cash flows are discounted at the acquisition internal rate of return, which is adjusted for changes in the relevant risk-free rate. The acquisition internal rate of return is the return, which is forecast under the acquisition case and price, reflecting the risks inherent in each of the investments. The difference between the acquisition internal rate of return and the risk-free rate at the date of acquisition equates to the risk premium, which is the risk compensation to equity holders.

Most of the Fund's assets are likely to see some decrease in the risk premium as assets are de-risked following acquisition. Such projects may have a changing risk "life cycle", whereby the risk changes as the asset matures. In addition, if there is a change in the inherent risk of an investment, then the risk premium may need to be reconsidered.

## Pooled Property: AEW, UBS Property & LGIM LPI

Pooled properties have been valued in accordance with RICS valuation – Professional Standards VPS4 (7.1) fair value and VPGA 1 valuations for inclusion in financial statements, which adopts the definition of fair value used by the International Accounting Standards Board:

*"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date."*

The properties are valued individually, and the details of tenure, tenancies and floor area are considered for valuation purposes.

## Dislocation Fund: Blackstone

Fair value guidance defines fair value, establishes a framework for measuring fair value, and establishes requirements for disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

Investments in Investee Funds.

The fair value of investments in limited Consolidated Partnerships and investment funds and affiliated limited Consolidated Partnerships and investment funds ("Investee Funds") is generally

# Notes to the Pension Fund Account

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determined using the reported net asset value per share of the Investee Fund, or its equivalent ("NAV"), as a practical expedient for fair value if the reported NAV of the Investee Fund is calculated in a manner consistent with the measurement principles applied to investment companies. In order to use the practical expedient, the AIFM has internal processes to independently evaluate the fair value measurement process utilized by the underlying Investee Fund to calculate the Investee Fund's NAV. Such internal processes include the evaluation of the Investee Fund's policies and related internal controls in place to estimate the fair value of its underlying investments that are included in the NAV calculation, performing ongoing operational due diligence, review of the Investee Fund's audited financial statements and ongoing monitoring of other relevant qualitative and quantitative factors.

## **Narrative and Quantitative description of sensitivity to changes in valuation methods and market conditions:**

### **Private Equity**

Market valuation method applied to investments is sensitive to four main components:

- i) changes in actual market prices.
- ii) interest rate risk.
- iii) foreign currency movements; and
- iv) other price risks

### **Private Finance (M&G)**

The only possible sensitivity associated with private finance valuations and methodology is credit rating. This may result in an analyst impairing an asset if there is a change in the asset's credit rating.

### **Infrastructure: Macquarie**

The economic assumptions in the financial models are adjusted every three months in order to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

### **Infrastructure: LCIV**

See Direct Lending, LCIV Private Debt below

### **Direct Lending: Permira**

The yield analysis methodology used to value the level 3 assets are sensitive to the following inputs:

- EURIBOR swap rates (up to 7 years)
- LIBOR swap rates (up to 7 years)
- ELLI (3 year discounted spread data)

These inputs are sourced directly from Bloomberg feeds or independently from Duff & Phelps (ELLI data) relevant to each period end date.

These inputs impact on: (1) the implied IRR calculations at the period end valuation date; (2) the forecast cash and/or PIK yields that track LIBOR or EURIBOR; and (3) ultimately the implied asset price calculated from these inputs as the period end to determine the valuation price.

### **Direct Lending: LCIV Private Debt**

Investments are initially recognized at cost and subsequently measured at fair value. Investments are valued on a basis that the Manager considers fair and reasonable having considered the latest available valuation provided by the investment entity. The level of estimation uncertainty is significant, and actual values may differ significantly from estimates.

Purchases and sales are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver, an asset or liability arises. All realised and unrealised gains and losses on investments are recognized as net capital gains/(losses) in the Statement of Total Return. Unrealised gains and losses comprise changes in the fair value of investments for the period.

### **Pooled Property – AEW, UBS Property & LGIM LPI**

Prevalent economic conditions may affect occupancy rate or possible default in rent payments and conversely affecting transaction values. Local authority intentions, planning proposals and onerous restrictions are some of the other factors to which Pooled Property assets transactions may be sensitive towards. These are:

- i) Market price risk: Future values of investments in direct property and related property investments will fluctuate due to changes in market prices.
- ii) Real Estate valuation changes: Property investments are illiquid assets and valuing is difficult.
- iii) Credit risk: counterparty (to a financial instrument) or tenant (of a property) will cause a financial loss to the Fund by failing to meet a commitment it has entered into with the Fund.

# Notes to the Pension Fund Account

## 15. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Designated as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortised Cost	Total	Designated as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortised Cost	Total
	31 March 2024 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2023 £'000	31 March 2023 £'000	31 March 2023 £'000
<b>Financial Assets</b>								
Equities	29	0	0	29	29	0	0	29
Pooled Investments	1,156,809	0	0	1,156,809	965,621	0	0	965,621
Pooled property investments	190,438	0	0	190,438	194,436	0	0	194,436
Private Equity	5,521	0	0	5,521	6,346	0	0	6,346
Cash	0	8,316	0	8,316	0	16,510	0	16,510
Other Investment balances	0	269	0	269	0	140	0	140
	<b>1,352,797</b>	<b>8,585</b>	<b>0</b>	<b>1,361,382</b>	<b>1,166,432</b>	<b>16,650</b>	<b>0</b>	<b>1,183,082</b>
<b>Total</b>	<b>1,352,797</b>	<b>8,585</b>	<b>0</b>	<b>1,361,382</b>	<b>1,166,432</b>	<b>16,650</b>	<b>0</b>	<b>1,183,082</b>

## 15A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	31 March 2024 £000's	31 March 2023 £000's
<b>Financial Assets</b>		
Designated at Fair Value through profit and (loss)	129,976	(83,450)
	<b>129,976</b>	<b>(83,450)</b>

## 16. NATURE & EXTENT OF EXPOSURE TO RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and Risk Management

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

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

### Market risk

The risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. To mitigate against market risk the Pension Fund

# Notes to the Pension Fund Account

invests in a diversified pool of assets to ensure a reasonable balance between different categories. The management of the assets are placed with a number of fund managers with different performance targets and investment strategies. Each fund manager is expected to maintain a diversified portfolio in each asset class. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to Pensions Committee where they are monitored and reviewed.

## Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instruments or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The potential losses from shares sold short are unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy Statement.

## Other price risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, the Fund has determined that the following potential change in market price risk are reasonably possible for the relevant reporting periods.

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on Fund asset allocations. The potential volatilities are consistent with one standard deviation movement of the change in value of assets over the last three years. This can then be applied to period end asset mix.

Had the market price of the Fund investments increased or decreased in line with the percentage change below, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset Type	Value as at 31 March 2024 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	770,458	12.10%	863,683	677,233
UK Equity	29	12.10%	33	25
Bonds	229,796	9.10%	250,707	208,885
Alternatives	162,054	3.60%	167,888	156,220
Property	190,460	6.80%	203,411	177,509
<b>Total</b>	<b>1,352,797</b>		<b>1,485,723</b>	<b>1,219,871</b>

Note: Bonds valuation in the table above includes pooled fund held bonds.

Asset Type	Value as at 31 March 2023 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Global Equity	609,525	13.10%	689,373	529,677
UK Equity	29	13.10%	33	25
Bonds	222,601	6.70%	237,515	207,687
Alternatives	139,819	3.60%	144,852	134,786
Property	194,458	8.20%	210,404	178,512
<b>Total</b>	<b>1,166,432</b>		<b>1,282,177</b>	<b>1,050,687</b>

Note: Bonds valuation in the table above includes pooled fund held bonds.

# Notes to the Pension Fund Account

**Interest Rate Risk** - The risk to which the Pension Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. Based on interest received on fixed interest securities, cash, and cash equivalents.

The Fund's direct exposure to interest rate movements as of 31 March 2024 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

## Interest Rate Risk Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 100 basis points (1%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

<b>Assets exposed to interest rate risk</b>	<b>Value as at 31 March 2024</b>	<b>Potential movement on 1% change in interest rates</b>	<b>Value on increase</b>	<b>Value on decrease</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash balances	8,984	90	9,074	8,894
Bonds - pooled funds	229,796	2,298	232,094	227,498
<b>Total change in assets available</b>	<b>238,780</b>	<b>2,388</b>	<b>241,168</b>	<b>236,392</b>

<b>Assets exposed to interest rate risk</b>	<b>Value as at 31 March 2023</b>	<b>Potential movement on 1.2% change in interest rates</b>	<b>Value on increase</b>	<b>Value on decrease</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash balances	16,510	198	16,708	16,312
Bonds - pooled funds	222,601	2,671	225,272	219,930
<b>Total change in assets available</b>	<b>239,111</b>	<b>2,869</b>	<b>241,980</b>	<b>236,242</b>

**Currency Risk** - The risk to which the pension fund is exposed to fluctuations in foreign currency exchange rates.

The Pension Fund has the ability to set up a passive currency hedge where these risks are perceived to be adverse. As of 31 March 2024, the Fund had no currency hedge in place for those managers who do not hedge their own portfolios. The following table summarises the fund's currency exposure as of 31 March 2024 and as at the previous period ending 31 March 2023.

## Currency exposure by asset type

### Currency risk sensitivity analysis

Following analysis of historical data in consultation with PIRC Ltd, the Funds data provider, the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.1%, based on the data provided by PIRC. A 6.1% fluctuation in the currency is considered reasonable based on PIRC's analysis of historical movements in month end exchange rates over a rolling twelve-month period. This analysis assumes that all variables, in particular interest rates, remain constant. Managers that hedge against currency risk are not included in this sensitivity analysis. A 6.1% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

# Notes to the Pension Fund Account

Assets exposed to currency risk	Asset Value 31 March 2024	Potential market movement	Value on increase	Value on decrease
	6.10%			
	£'000	£'000	£'000	£'000
Pooled Funds	663,973	40,502	704,475	623,471
	71,834	4,382	76,216	67,452
	<b>735,807</b>	<b>44,884</b>	<b>780,691</b>	<b>690,923</b>

Assets exposed to currency risk	Asset Value 31 March 2023	Potential market movement	Value on increase	Value on decrease
	6.70%			
	£'000	£'000	£'000	£'000
Pooled Funds	508,725	34,085	542,810	474,640
	63,870	4,279	68,149	59,591
	<b>572,595</b>	<b>38,364</b>	<b>610,959</b>	<b>534,231</b>

**Credit Risk** - Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values 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.

The Pension Fund's entire investment portfolio is exposed to some form of credit risk, except for the derivative position, where the risk equates to the net market value of a positive derivative position. Credit risk can be minimised through careful selection of high-quality counterparties, brokers, and financial institutions. The Pension Fund is also exposed to credit risk through Securities Lending, Forward Currency Contracts, and its daily treasury activities. The Securities Lending programme is run by the Fund's custodian Northern Trust which assigns four different risk management oversight committees to control counterparty risk, collateral risk, and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the pension fund is ring fenced from Northern Trust. Securities lending is capped by investment regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time.

The prime objective of the Pension Fund treasury management activity is the security of principal sums invested. As such it will take a prudent approach to organisations employed as the banker and deposit taker. The Pension Fund will ensure it has adequate but not excessive cash resources in order to meet its objectives. The bank accounts are held with NatWest Bank, which holds an S&P long-term credit rating of A. Deposits are placed in the AAA rated Northern Trust Money Market Fund which is ring fenced from the administering company. Credit ratings, market indicators and media coverage are monitored to ensure credit worthiness is maintained. The Fund's cash holding under its treasury management arrangements on 31 March 2024 was £8,984k (31 March 2023: £19,593k) and this was held with the following institutions:

Summary	Rating S&P	Balances as at 31 March 2024 £'000	Rating S&P	Balances as at 31 March 2023 £'000
<b>Money market funds</b>				
Northern Trust	AAAm	8,316	AAAm	16,510
<b>Bank current accounts</b>				
NatWest	A+	668	A	3,083
<b>Total</b>		<b>8,984</b>		<b>19,593</b>

# Notes to the Pension Fund Account

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**Liquidity Risk** - The risk the Pension Fund will have difficulties in paying its financial obligations when they fall due.

The Pension Fund holds a working cash balance in its own bank accounts with NatWest as well as Money Market Funds to which it has instant access to cover the payment of benefits and other lump sum payments (£668k). At an investment level the fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As of 31 March 2024, these assets totalled £1,000,277k, with a further £8,316k held in cash in the Custody accounts at Northern Trust.

## Refinancing risk

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

## 17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a revaluation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as of 31 March 2022 setting rates for the period April 2023 to March 2026. The next triennial valuation will take place as of 31 March 2025.

In line with the triennial valuation the Fund updates its Funding Strategy Statement every three years. The key elements of the funding strategy are:

1. to ensure the long-term solvency of the fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment.
2. to ensure that employer contribution rates are as stable as possible.
3. to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
4. to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so.
5. to use reasonable measures to reduce the risk to other employers and ultimately to the Council taxpayer from an employer defaulting on its pension obligations.

The funding level is the ratio of assets to liabilities at the valuation date. A funding level of less/more than 100% implies that there is a deficit/surplus in the Fund at the valuation date against the funding target. Funding plans are set to eliminate any deficit (or surplus) over the set time horizon and therefore get back to a funding level of 100%. To do so, additional contributions may be required to be paid into the Fund; these contributions are known as the "secondary rate".

At the 2022 actuarial valuation, the Fund was assessed as 88% funded (87% at the March 2019 valuation). This corresponded to a deficit of £167m (2019 valuation: £161m) at that time. The slight improvement in funding position between 2019 and 2022 is mainly due to investment performance over the inter-valuation period. The liabilities have also increased due to a reduction in the future expected investment return, although this has partially been offset by lower-than-expected pay and benefit growth (both over the inter-valuation period and forecast to continue into the long term).

## Significant events

The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as of 31 March 2022. Details can be found at <http://www.lgpsregs.org/>.

## Contribution rates

The table below summarises the whole Fund Primary and Secondary Contribution rates at this triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary, and the total of employer secondary rates expressed as a monetary amount, calculated in accordance with the Regulations and CIPFA guidance.

# Notes to the Pension Fund Account

Primary Rate (%) 1 April 2023 - 31 March 2026	Secondary Rate (£)		
	2023/24	2024/25	2025/26
	19.60%	£6,682,000	£6,897,000

The Primary rate above includes an allowance for administration expenses of 0.8% of pay. The employee average contribution rate is 6.7% of pay.

At the previous formal valuation on 31 March 2019, a different regulatory regime was in force. Therefore, a contribution rate that is directly comparable to the rates above is not provided.

The valuation of the Fund has been undertaken using a risk-based approach, this approach recognises the uncertainties, and risks posed to funding and follows the process outlined below:

Step 1: The Fund sets a funding target (or funding basis) which defines the target amount of assets to be held to meet the future cash flows. The assumptions underlying the funding target are discussed further in the next section. A measurement is made at the valuation date to compare the assets held with the funding target.

Step 2: The Fund sets the time horizon over which the funding target is to be reached.

Step 3: The Fund sets contributions that give a sufficiently high likelihood of meeting the funding target over the set time horizon.

## Assumptions

Due to the long-term nature of the Fund, assumptions about the future are required to place a value of the benefits earned to date (past service) and the cost of benefits that will be earned in the future (future service). Assumptions fall into three categories when projecting and placing a value on the future benefit payments and accrual – financial, demographic and Commutation.

## Financial Assumptions

A summary of the financial assumptions underpinning the target funding basis and adopted during the assessment of the liabilities of the Fund as of 31 March 2022 (alongside those adopted at the previous valuation for comparison) are shown below.

Description	31 March 2022	31 March 2019
Funding Basis Discount Rate	4.1%	4.0%
Benefit Increases (CPI)	2.7%	2.3%
Salaries Increases	3.2%	2.6%

## Demographic Assumptions

The main demographic assumption to which the valuation results are most sensitive is that relating to the longevity of the Fund's members. The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.8 years	24.4 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.5 years	25.6 years

All other demographic assumptions are unchanged from last year and are as per the latest funding valuation of the Fund.

# Notes to the Pension Fund Account

## Commutation assumptions

An allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 85% of the maximum tax-free cash for post-April 2008 service.

## 18. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The IAS19 balance sheet is based on financial market values and future market expectation indicators as of 31 March 2022 to comply with the accounting standard.

Description	31 March 2024	31 March 2023
	% per annum	% per annum
Inflation /Pensions Increase Rate	2.8%	3.0%
Salary Increase Rate	3.3%	3.5%
Discount Rate	4.8%	4.8%

An IAS 19 valuation was carried out for the Fund as of 31 March 2024 by Hymans Robertson with the following results:

Description	31 March 2024	31 March 2023
	£m	£m
Present Value of Promised Retirement Benefits	1,482	1,457
Active Members	468	426
Deferred Members	368	371
Pensioners	646	660

*\*Incorporates an allowance for the potential increase in liabilities arising from the McCloud judgement and GMP indexation*

These figures are presented as required by IAS 26. They are not relevant for the calculations undertaken for funding purposes or other statutory purposes under UK pension legislation. This item is not recognised in the Net Asset Statement, hence is considered not to be in opposition to the assertion included in the Net Asset Statement surrounding future liabilities of the Fund.

The promised retirement benefits on 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation as of 31 March 2022. The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

Note that the above figures on 31 March 2024 (and 31 March 2023) include an allowance for the "McCloud ruling", i.e., an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

## Net Liability

The table below shows the total net liability of the Fund as of 31 March 2024. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

# Notes to the Pension Fund Account

Description	31 March 2024	31 March 2023
	£m	£m
Present Value of Promised Retirement Benefits	(1,482)	(1,457)
Fair Value of Scheme Assets (bid value)	1,361	1,183
<b>Net Liability</b>	<b>(121)</b>	<b>(274)</b>

## 19. Going Concern

The Pension Fund accounts, and Notes have been prepared on a going concern basis. The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority Accounting in the United Kingdom 2023/24) in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

The Fund's triennial valuation on 31 March 2022 reported a funding level of 88%. Currently, contributions and investment income are sufficient to fund benefits as they fall due without the need to liquidate investments. The Fund is currently operating with a cash flow surplus. If a need to obtain liquidity arises, approximately 71% of the Fund's assets are held in liquid investments.

A cash flow forecast covering the period 01 April 2024 to 31 March 2026 has been produced to confirm the solvent position and outlook of the Pension Fund over the period stated above.

## 20. RELATED PARTY TRANSACTIONS

It is required under IAS 24 "Related Party Disclosures" that material transactions with related parties which are not disclosed elsewhere should be included in a note to the financial statements. The London Borough of Hillingdon is a related party to the Pension Fund, represented by the Pensions Committee members. The committee is responsible for management of fund assets, including investment directions and administration of the fund. List of committee members may be found in Note 1C. The revenue contributions the Council has made into the Pension Fund are set out in note 4 to the Pension Fund accounts. No senior officer or Pension Committee member had any interest with any related parties to the Pension Fund.

### Key Management Personnel

Two employees of the London Borough of Hillingdon held key positions in the financial management of the London Borough of Hillingdon Pension Fund. These employees are the Section 151 officer, and the Director of Pensions, Treasury & Statutory Accounts. Total remuneration payable to key management personnel is set out below:

	31 March 2024	31 March 2023
	£'000	£'000
Short term benefits	111	92
Post employment benefits	112	98
	<b>223</b>	<b>190</b>

The Pensions Committee of the London Borough of Hillingdon Pension Fund ("the Fund") has prepared an Investment Strategy Statement (ISS) in accordance with the MHCLG Guidance on Preparing and Maintaining an Investment Strategy Statement.

As set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Pensions Committee will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change, changes will be reflected within three months of the change occurring. The current version of the ISS is available on the pension fund pages of the Council's website: [www.hillingdon.gov.uk](http://www.hillingdon.gov.uk) and included in the Annual Report.

# Notes to the Pension Fund Account

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## 21. BULK TRANSFER

In 2023/24 Richmond College merged with HCUC to form a new entity HRUC (Harrow, Richmond & Uxbridge College). As a result of the merger a bulk transfer was received from Richmond College of £45.2m.

## 22. CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) as of 31 March 2024 totalled £84,523k (£56,803k on 31 March 2023).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the Private Equity, Infrastructure, Property and Private Credit parts of the portfolio. The amounts called by these funds vary both in size and timing over a period of up to six years from the date of each original commitment.

## 23. CONTINGENT ASSETS

Four admitted body employers in the London Borough of Hillingdon Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. Total value of bonds held come to £153,000.00.

## 24. POST BALANCE SHEET EVENTS

Events taking place after the 31st of March 2024 are not reflected in the financial statements or notes, unless they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. Where events taking place before this date provided information about conditions existing on 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events to report after the Balance Sheet date that deem adjustment or disclosure in the accounts.

# Annual Governance Statement 2023/24

## Hillingdon Council Annual Governance Statement 2023/24

### 1. Introduction

- 1.1 The Hillingdon Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and resources are used economically, efficiently and effectively. In discharging this overall responsibility, Hillingdon Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions that include arrangements for the management of risk.
- 1.2 This document covers the governance arrangements in place during the 2023/24 financial year. However, in line with the national audit backlog within local government, there has been a delay finalising the 2023/24 annual accounts until February 2025. Therefore, this statement has also reflected developments during 2024/25 where appropriate, which will be highlighted further in the 2024/25 annual governance statement.
- 1.3 This represents a static snapshot of the governance arrangements during the period, following which a number of changes to structures, processes and governance have been made. In particular, key findings identified during 2024/25 and included in the external auditors VFM report for 2023/24 are better contextualised by the 2024/25 annual governance statement which will be published in the first quarter of 2025/26.
- 1.4 Hillingdon Council sets out an approach to corporate governance which is in accordance with the principles of the CIPFA/SOLACE 2016 Framework and guidance '*Delivering Good Governance in Local Government*'. This statement meets the requirements of Regulation 6 (1)(a) of the Accounts and Audit Regulations 2015 which require an authority to conduct a review at least once a year of the effectiveness of its system of internal control and to include a statement reporting on the review with the published Statement of Accounts. Regulation 6(1)(b) requires that the statement is an Annual Governance Statement (AGS) which must be prepared in accordance with proper practices in relation to the accounts.
- 1.5 The Council is committed to improving governance on a continuing basis through a process of evaluation and review and delivering the seven principles of good governance as identified in Delivering Good Governance in Local Government Framework 2016. These principles are:

# Annual Governance Statement 2023/24



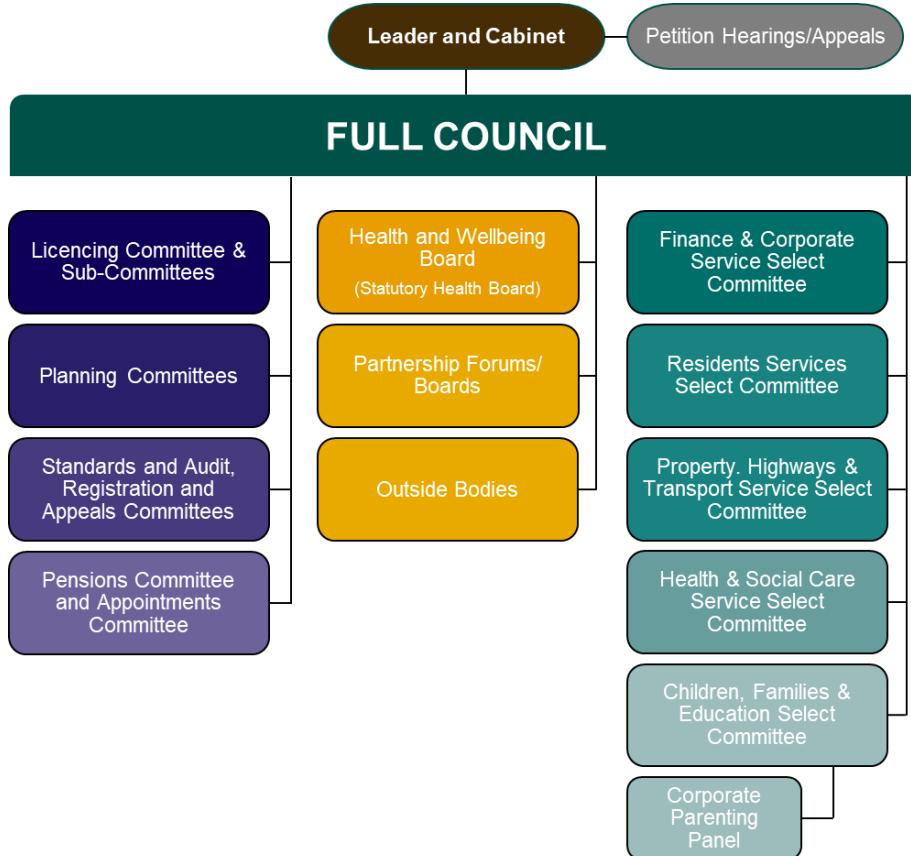
## 2. Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. The embedded process evaluates the likelihood of those risks and the impact should they be realised in order to manage them efficiently, effectively and economically.

## 3. Governance Framework

- 3.1 Hillingdon Council has an underlying set of statutory obligations, management systems and principles which establish a formal governance framework. This governance framework has been in place at Hillingdon Council for the year ended 31<sup>st</sup> March 2024 and up to the date of approval of the 2023/24 Statement of Accounts.
- 3.2 The diagram below outlines the democratic governance process and structure:

# Annual Governance Statement 2023/24



3.3 The key elements outlined in the table overleaf demonstrate how Hillingdon Council maintains effective internal controls and an effective governance system and aligned to the seven principles of the CIPFA/SOLACE 2016 Framework and guidance '*Delivering Good Governance in Local Government*'.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.	
<b>Council Strategy</b>	✓ Our <a href="#">vision and priority commitments</a> underpin everything the Council does, including how it makes decisions, serves communities, works with partners, and facilitates our ambitions for residents.
<b>Constitution</b>	✓ Hillingdon Council's governance structure, decision-making process and areas of responsibility are covered in the Council's <a href="#">Constitution</a> and Schemes of Delegation.
<b>Committee Standing Orders</b>	✓ Committee Standing Orders, Procurement & Contract Standing Orders & Scheme of Delegation to Officers are incorporated in the Constitution and reviewed annually.
<b>Codes of Conduct</b>	✓ This Code governs the behaviour and actions of all Council Members and co-opted members and requires that any allegations of misconduct are investigated. There is a separate 'Code of Conduct for Employees', which applies to all Council officers and is part of their contract of employment.
<b>Standards Committee</b>	✓ Hillingdon's <a href="#">Standards Committee</a> sits outside of the Cabinet and reports directly to Full Council. It promotes and maintains high standards of conduct across the Council and oversee the respective Codes of Conduct which apply to both Councillors and Officers.
<b>Counter Fraud Strategic Plan</b>	✓ The Council sets out its approach in relation to fraud and corruption in the <a href="#">Council's Counter Fraud Strategic Plan</a> . This is underpinned by the ongoing development of the Fraud Risk Register and a full range of investigative policies and procedures.
<b>Whistleblowing Policy</b>	✓ This policy sets out how the Council complies with the Public Interest Disclosure Act 1998, allows Council staff, contractors and residents to raise complaints regarding any behaviour or activity connected to the authority, ranging from unlawful conduct to fraud or corruption.

# Annual Governance Statement 2023/24

<b>Member Register of Interests</b>	<ul style="list-style-type: none"> <li>✓ The <a href="#">Register</a> records the pecuniary and non-pecuniary interests of Members and co-opted members of Hillingdon Council. There is a separate 'Related Parties' register that all Members and a selection of senior officers are required to complete each year.</li> <li>✓ Guidance is in place regarding the acceptance of Gifts and Hospitality detailed in the Gifts and Hospitality Policy.</li> </ul>
<b>Legal &amp; regulatory powers</b>	<ul style="list-style-type: none"> <li>✓ There are measures to address breaches of its legal and regulatory powers. The Council's Monitoring Officer has statutory reporting duties in respect of unlawful decision making and maladministration.</li> </ul>
<b>B. Ensuring openness and comprehensive stakeholder engagement</b>	
<b>Council's website</b>	<ul style="list-style-type: none"> <li>✓ The Council's <a href="#">website</a> has been redeveloped to improve functionality and content for visitors and is set out in a clear and easily accessible way using plain language. The information which residents use most, such as Council Tax, and Waste and Recycling can be accessed easily from the main page.</li> </ul>
<b>Council and Committee meetings</b>	<ul style="list-style-type: none"> <li>✓ All Council and Committee meetings are held in public (other than limited circumstances where consideration of confidential or exempt information means that the public are excluded), with agenda and reports available on the Council's website. Key Council meetings are also broadcast live on <a href="#">YouTube</a>.</li> </ul>
<b>Consultation/Engagement Standards</b>	<ul style="list-style-type: none"> <li>✓ These standards demonstrate and support the Council's commitment to transparency, to engage, consult and respond to the views of local communities, and to build strong relationships with residents, visitors and businesses. All feedback supports and informs the Council's corporate intelligence, which drives business planning, policy, decision-making including commissioning and procurement.</li> </ul>
<b>Hillingdon Partners</b>	<ul style="list-style-type: none"> <li>✓ This voluntary body brings together the key local, public, private, voluntary and community sector organisations to work as a local strategic partnership to improve the quality of life for all those who live in, work in and visit Hillingdon. The <a href="#">Partnership</a> seeks to promote the interests of Hillingdon Council with external organisations, regional bodies and central government.</li> </ul>
<b>Council's Select Committees</b>	<ul style="list-style-type: none"> <li>✓ The Council's well-established overview and scrutiny arrangements comprises <a href="#">Select Committees</a> which engage local stakeholder and expert witness participation in their reviews, to deliver added value findings to Cabinet. Exercising its statutory Health and Crime &amp; Disorder responsibilities, the Health and Social Care and Residents' Services Select Committees regularly scrutinises the work of the local NHS, Safer Hillingdon Partnership and other public agencies with their most senior representatives attending. Corporate parenting responsibilities have been integrated within the Council's overview and scrutiny arrangements to provide stronger oversight and directly engage children in care and care leavers. Meetings are co-chaired by Children representatives."</li> </ul>
<b>Hillingdon Foster Carers</b>	<ul style="list-style-type: none"> <li>✓ Regular virtual and face to face meetings are taking place between the Hillingdon Foster Carers and the Director of Children's Services and relevant Heads of Service, to discuss and consult on issues pertinent to our Hillingdon foster carers who are corporate parents for our most vulnerable children.</li> </ul>
<b>Tenant and Resident Associations</b>	<ul style="list-style-type: none"> <li>✓ There are well established Tenant and Resident Associations in the Borough as well as Council tenant forum groups (e.g. sheltered housing forum) which provide valuable opportunities to discuss important service developments and to receive and listen to resident feedback. The Council is now in the process of bringing forward a new Tenant &amp; Leaseholder Engagement Strategy which will reshape its approach to hearing and acting upon the voice of its tenants and leaseholders.</li> </ul>
<b>Petition Scheme</b>	<ul style="list-style-type: none"> <li>✓ There is a well-established <a href="#">Petition Scheme</a>, including e-Petitions which is widely used by residents in the people in the borough to submit their views on local matters directly to decision-makers.</li> </ul>
<b>Joint Strategic Needs Assessment</b>	<ul style="list-style-type: none"> <li>✓ The Joint Strategic Needs Assessment (<a href="#">JSNA</a>) is continuously updated to outline the current and future health and wellbeing needs of the population over 3 to 5 years. It informs the Council's service planning, commissioning strategies and links to strategic plans such as LBH's Joint Health and Wellbeing Strategy.</li> </ul>
<b>Hillingdon Youth Council</b>	<ul style="list-style-type: none"> <li>✓ This <a href="#">forum</a> provides a voice for young people who live, study or work in the borough and is made up of a variety of people from different ethnic and cultural backgrounds between the ages of 11 to 19 (or up to 25 years with Special Educational Needs and Disability).</li> </ul>

# Annual Governance Statement 2023/24

<b>Children in Care Council</b>	✓ This <a href="#">forum</a> enables children in care to express how they are being cared for by Hillingdon. They regularly meet virtually with managers in children's services and councillors to discuss changes we would like to make to practices and procedures which are affecting them.
<b>Youth Voice</b>	✓ This monthly forum gives young people involved with children's social care an opportunity to have their voice heard about the services that support them, to discuss changes they would like to make to social work practice and procedures which affect them.
<b>Older People's Assembly</b>	✓ This quarterly forum invites residents to voice their opinion on the services for older people in Hillingdon. There are different speakers at each meeting covering a wide range of topics of interest.
<b>C. Defining outcomes in terms of sustainable economic, social and environmental benefits</b>	
<b>Hillingdon Improvement Programme</b>	✓ Hillingdon Improvement Programme (HIP) is the Council's strategic improvement programme which drives cross-cutting change programmes to ensure the Council is meeting the needs of residents in the most effective and efficient way. The programme is jointly led by the Leader of the Council and the Chief Executive with full engagement of Directors and Cabinet Members.
<b>Performance Management Framework</b>	✓ The Performance Management Framework requiring all teams to set annual service delivery plans, targets, identify risks and report performance against Council priorities. Key aspects of performance are monitored on a regular basis through a combination of reporting against service targets and performance scorecards.
<b>Medium-Term Financial Forecast</b>	✓ The Medium-Term Financial Forecast (MTFF) is the Council's key process for service and corporate financial planning, providing a forward view of the <a href="#">Council's financial position</a> over the forthcoming five years and a framework to develop savings proposals to manage emerging budget gaps. This follows an annual cycle from initial scoping in February/ March through a robust challenge process involving both Senior Managers and Members to deliver a consultation budget before Council Tax setting for the subsequent financial year. ✓ A budget consultation report is also produced for each Policy Overview, Scrutiny & Select Committee for discussion with any comments added to the final budget report. ✓ The Council also undertakes the statutory budget consultation process with business ratepayers and residents in the Borough across December and January with the responses included as an appendix to the final budget report. Throughout this process updates are communicated through key officer forums, such as CMT and Business Transformation Board.
<b>Health and Wellbeing Board</b>	✓ The Health and Wellbeing Board seeks to improve the quality of life of the local population and provide high-level collaboration between Hillingdon Council, the NHS and other agencies to develop and oversee the strategy and commissioning of local health and social care services. The Board is co-chaired by the relevant Cabinet Member and the Managing Director, Hillingdon Health and Care Partners
<b>Safer Hillingdon Partnership (SHP)</b>	✓ The <a href="#">SHP</a> is the statutory Community Safety Partnership for the borough established under the Crime and Disorder Act 1998, the Police and Justice Act 2006 and Police and Crime Act 2009. The SHP has a duty to conduct an annual strategic assessment of community safety trends and agree key community safety priorities for implementation across the partnership. Performance and progress made against the annual plan is monitored and scrutinised by the SHP Board at every meeting. The Residents Services Select Committee undertake the statutory oversight of the SHP.
<b>Hillingdon Housing Strategy</b>	✓ This <a href="#">Hillingdon Housing Strategy 2021 – 2026</a> identifies key challenges and sets out our key aims and priorities for housing over the next five years. The council has responsibilities for housing both as a landlord and in relation to its strategic housing role. This includes assessing needs, identifying priorities and planning for the delivery of affordable housing; standards of housing and management across both the social sector and the private rented sector; homelessness and housing advice; housing support and aids and adaptations. It takes account national policy and legislation and the London Housing Strategy 2018: Homes for London.
<b>Public Sector Equality Duty</b>	✓ The Council is on track to achieve its equality-related objectives as part of the Council's <a href="#">Public Sector Equality Duty</a> set out in the Equality Act 2010.
<b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	

# Annual Governance Statement 2023/24

<b>Constitution</b>	<ul style="list-style-type: none"> <li>✓ The <a href="#">Constitution</a> sets out how the authority operates, how decisions are made, and the procedures that are followed to ensure that they are efficient, transparent and accountable to local people.</li> <li>✓ The Constitution also sets out the Cabinet and Officer Scheme of Delegations which govern the allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet, individual Cabinet Members and officers to perform the authority's activities. This is regularly updated to reflect changes to Cabinet Member portfolios and to reflect changes to Corporate Directors' responsibilities in line with business priorities.</li> </ul>
<b>Business Performance</b>	<ul style="list-style-type: none"> <li>✓ Decision makers receive accurate, relevant and timely performance and intelligence to support objective and analysis of options, financial impact and associated risks informing service delivery.</li> <li>✓ The effectiveness of the Council's interventions and the quality of its services is monitored through the provision of regular performance reports showing progress towards goals and targets set in the budget and business plans.</li> </ul>
<b>Business Improvement Delivery (BID)</b>	<ul style="list-style-type: none"> <li>✓ The Business Improvement Delivery (BID) programme is a key part of HIP and has been designed to fundamentally transform the way the Council operates without reducing service delivery to residents. The BID programme delivery and expenditure is overseen by the Leader of the Council, the Chief Executive, the Corporate Director of Finance and is embedded within the MTFF process.</li> </ul>
<b>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>	
<b>Member Training</b>	<ul style="list-style-type: none"> <li>✓ A training programme for Members is conducted annually and all new Members are trained on the Code of Conduct. Complaints about alleged breaches of the Code are handled in accordance with the requirements of the Localism Act 2011. The Standards framework includes a 'Whips Protocol' which complainants are expected to make use of first, with complaints only escalated to the Monitoring Officer and Standards Committee if they cannot be resolved through this process.</li> </ul>
<b>Training and Development Programme</b>	<ul style="list-style-type: none"> <li>✓ Council staff are required to complete a range of learning through the internal intranet. Training includes induction programmes, e-learning packages and vocational development courses under the Qualifications and Credit Framework.</li> </ul>
<b>Performance Appraisal</b>	<ul style="list-style-type: none"> <li>✓ A new Performance and Development Appraisal process was introduced for 2023/24 and requires all staff to record employees' key objectives and tasks, set targets for when these must be delivered and identify staff learning and development needs. Performance reviews are required to be completed on a bi-annual basis against the relevant competency framework.</li> </ul>
<b>Wellbeing</b>	<ul style="list-style-type: none"> <li>✓ The Council is committed to promoting the physical and mental health and wellbeing of the workforce through specific interventions and as a central part of the role of all managers. There is a dedicated programme with a range of support and guidance for employees and their managers covering mental health in the workplace, wellbeing initiatives and a 24/7 Employee Assistance Programme.</li> </ul>
<b>F. Managing risks and performance through robust internal control and strong public financial management</b>	
<b>Risk Management Framework</b>	<ul style="list-style-type: none"> <li>✓ Council has processes in place to identify and manage risks to the achievement of its objectives, as set out in the Risk Management Policy. The Corporate Risk Register is a part of this framework and is used to inform decision making, provide assurance over actions being taken to manage key risks, and to inform risk management planning and mitigation activities.</li> <li>✓ The Council's insurance contracts support the transfer of financial risk through a mixed portfolio of suppliers specialising in specific insurance sectors.</li> </ul>
<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>✓ The Council's health and safety management system assists in managing health and safety incidents and integrating health and safety risk assessments into daily business.</li> </ul>
<b>Counter Fraud</b>	<ul style="list-style-type: none"> <li>✓ Hillingdon Council maintains policies and arrangements to effectively manage both the internal and external risks of fraud and corruption against the Council. These include the Counter Fraud Strategic Plan, Whistleblowing, Anti Money Laundering and Anti Bribery Policies.</li> </ul>

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<b>Expenditure Controls</b>	<ul style="list-style-type: none"> <li>✓ Robust expenditure controls in place to facilitate compliance with Standing Orders and financial regulations. This includes a comprehensive capital release process for the approved MTFF Capital Programme and wider expenditure control processes.</li> <li>✓ An established, rigorous process for developing the budget through the Medium Term Financial Forecast (MTFF) process. This includes close alignment with the service planning process and the Transformation Programme, with the overall approach to managing the Council's finances within the framework established in CIPFA's Financial Management Code</li> </ul>
<b>Managing data</b>	<ul style="list-style-type: none"> <li>✓ Personal data is processed in accordance with the General Data Protection Regulations (GDPR) and the Data Protection Act 2018. GDPR training forms part of the mandatory induction process and refresher e-learning training was rolled out to all staff in March 2022.</li> <li>✓ The Hillingdon Information Assurance Group (HIAG), chaired by the Senior Information Risk Owner, meets quarterly to review updated information governance policies, procedures, assess the Council's effectiveness in complying with data protection and information security legislation, and to mitigate organisation-wide information governance risks. Individual data protection incidents are reviewed to ensure that appropriate action is taken to reduce the impact of the event and likelihood and recurrence, with any learning requirements identified and addressed.</li> </ul>
<b>Caldicott Guardian</b>	<ul style="list-style-type: none"> <li>✓ The Executive Director for Adult Social Care &amp; Health and the Executive Director for Children's Services are the jointly appointed Caldicott Guardian and play a key role in ensuring the highest practical standards for handling person identifiable information and embedding the Principles within practice.</li> </ul>
<b>Data Security</b>	<ul style="list-style-type: none"> <li>✓ The Council is compliant with the Data Security and Protection Toolkit requirements in order to access systems and data provided by the NHS, and meet the requirements of the Public Services Network (PSN) by ensuring our ICT Infrastructure is secure. The PSN enables specific teams across the Council to directly access Government data which includes high risk data about individuals, such as social care issues.</li> </ul>
<b>G. Implementing good practices in transparency, reporting and audit to deliver effective accountability</b>	
<b>Transparency and Publishing of Finance Data</b>	<ul style="list-style-type: none"> <li>✓ The Council follows the Local Government Transparency Code 2015, which includes requirements and recommendations for local authorities to publish certain types of data. In accordance with this code, financial information about projected and actual income and expenditure, procurement, contracts and financial audit is published on the Council's website.</li> </ul>
<b>Privacy Notices</b>	<ul style="list-style-type: none"> <li>✓ The Council has published Privacy Notices, which are transparency requirements under the GDPR as individuals have the right to be informed about the collection, type and use of their personal data.</li> <li>✓ Information is made available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Individuals may access their own personal data by exercising the right of subject access under the Data Protection Act 2018.</li> </ul>
<b>Internal Audit &amp; Audit Committee</b>	<ul style="list-style-type: none"> <li>✓ An assessment of the overall effectiveness of the framework of governance, risk management and control is provided by the Council's Internal Audit service in the Head of Internal Audit's Annual Opinion.</li> <li>✓ An Independently Chaired Audit Committee operates to oversee financial reporting, provide scrutiny of the financial and non-financial systems, and provide assurance on the effectiveness of risk management procedures and the control environment.</li> </ul>
<b>Scrutiny via Select Committees</b>	<ul style="list-style-type: none"> <li>✓ <a href="#">Select Committees</a> undertake regular monitoring of services, performance, the budget and an annual programme of Member-led service reviews involving witness testimony aimed at influencing Executive policy. Statutory scrutiny of health and police bodies is undertaken annually. Regulatory decisions on planning, licensing and related matters are undertaken judiciously by experienced and trained elected Councillors, in accordance with the Council's ethical standards.</li> </ul>

# Annual Governance Statement 2023/24

## 4. Review of Effectiveness

4.1 The Council has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the authority who have responsibility for the development and maintenance of the governance environment. It is also informed by the Annual Internal Audit Report and Head of Internal Audit Opinion Statement, as well as comments and observations made by the Council's independently appointed external auditors (Ernst & Young), other review agencies and inspectorates.

4.2 The review of effectiveness has also been informed by a range of management information and improvement action, including:



4.3 During the period there has been a restructure of the Corporate Management Team and Directorate structure, following the implementation of the Digital and Information Directorate. This new Directorate reflects the Council's objective to become a more digitally enabled organisation, and will take forward the ambitious improvement programme to modernise the systems and data across the Council.

4.4 In November 2023 the Council's Children's Services received an Outstanding Ofsted rating, which recognised the increased demand for services in the borough but commended the council's leadership for strengthening and improving practices. The report highlighted areas of innovation that stand out as exceptional practice, improving children's experiences and progress.

4.5 However Hillingdon Council continues to operate in an environment of static financial support from government against a backdrop of rising inflation costs, the cost of living crisis and demographic pressures. This presents the Council with the challenge of managing the greater demand for its broad range of services, without exceeding limited resources and reserves. A number of transformation projects were initiated during 2023/24 to manage these pressures, and a Zero-Based Budgeting exercise has been undertaken to identify further areas of innovation to take forward into 2024/25.

# Annual Governance Statement 2023/24

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4.6 Two reports from the Council's external auditors, Ernst & Young, have been taken into consideration as part of this review. The first is the 2022/23 opinion issued in November 2024, which noted the increasing financial challenges facing the Council and risks relating to the DSG deficit. However, no significant risks or weakness were reported in relation to the Council's value for money arrangements, financial sustainability or governance.

4.7 The external audit Provisional Audit Results Report for the period under review, 2023/24, was also received in February 2025 and this Annual Governance Statement updated to reflect the value for money commentary within the report. In particular, two significant weaknesses identified in relation to financial sustainability and the quality of Council information have been noted and included within section five below. There have been further developments in these areas during 2024/25, which will be better contextualised in the 2024/25 annual governance statement due to be published in the first quarter of 2025/26.

4.8 The Head of Internal Audit (& Risk Assurance) has provided a 'limited' level of assurance on the Council's internal control environment for 2023/24. In forming this view, they considered the following:

- There was a significant number of limited rated assurance reviews (36%) when compared with the prior year. These include some key areas of governance, for example Risk Management, Workforce Planning, and Facilities Management. The Council initiated action plans to address these areas, which were ongoing at the year end and improvements are expected to be seen in 2024/25. However wider cultural changes to ensure the processes become embedded effectively will be more long term.
- Common themes arising from Internal Audit reviews in 2023/24 include inconsistent governance arrangements, impacted by the significant transformation work ongoing across the Council and poor data quality due to a reliance on manual records and outdated systems. These are both elements the Council was already working to address, and there are programmes to take further action in 2024/25.

## 5. Significant Governance Issues

5.1. Hillingdon Council has implemented a range of improvement actions, as part of its overall continuous improvement programme, to strengthen governance arrangements and control systems. Following a review of the effectiveness of the system of internal control including the Council's risk management framework and its corporate governance arrangements, the following significant governance issues were identified in 2023/24:

- Financial sustainability: In 2023/24 the Council faced a high inflation environment and increased demand for front line services. The final outturn position reported an underspend of £2k against the Council's General Fund, however this relied on funding from Earmarked Reserves and a review of the balance sheet delivering a £9,443k one-off financial benefit. In total £11,727k was released from earmarked reserves, with £4,550k factored into the 2023/24 budget, £3,622k relating to additional inflationary pressures and £3,555k driven by demand for services. This resulted in a closing balance of total reserves of £35,181k

The Council recognises the scale of the financial challenges, with £34m of savings required for 2025/26, and has taken a number of steps since the end of 2023/24. Including engaging external consultants to assist with a Council-wide zero-based budgeting exercise to identify efficiencies, and introducing senior officer star chambers, focusing on each service area and cross-service thematic sessions to review the Council's operations. The Council has also undertaken a budget review to remove much of the optimism bias and have appointed the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a further balance sheet review. It is acknowledged this review could identify both positive and negative adjustments.

- Quality of Council Information: During their post year end audit of the 2023/24 Annual Accounts the Council's External Auditors highlighted difficulties performing their audit procedures, due to poor quality working papers and supporting information provided by the Council and capacity limitations within the Council's finance team. This was consistent with concerns raised by the Council's Internal Audit team during the year and overall the Council has not received unqualified accounts since 2021/22. The weaknesses in both financial and non-financial data quality increased the risk there are insufficient arrangements in place to ensure the Council takes properly informed decisions and supports challenge and transparency.

During 2023/24 the Digital and Intelligence Directorate was established with a significant action plan to improve the digital infrastructure and business intelligence across the organisation.

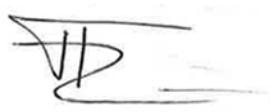
# Annual Governance Statement 2023/24

- Dedicated Schools Grant (DSG): Rising costs and increased demand for High Needs funding to support students with Special Education Needs and Disabilities have consistently impacted the Council's ability to manage within the government funding for this area. At the time of this report, the DSG deficit is forecast to be nearly £70m by the end of 2024/25. During 2023/24 significant service changes were undertaken to address the challenges and improve resilience in the future. However, data quality issues were also uncovered in relation to historic cases, which impacted on the final outturn position. The data quality issues across the cohort of residents in this area have been addressed by the end of the year resulting in stabilised numbers of clients and a reduction in spend volatility. Work continues on the plan agreed with the Department for Education to reduce in year costs in this area over the medium term.
- A number of times over the year finance systems, processes and vacancies in the service have resulted in reports being submitted to governance processes without adequate time for accountable officers to take ownership of the presented detail and related actions. Similarly, elected members have not always had sufficient time to consider so fully as they may prefer. Approaches to address staffing shortages have started to address some of the capacity constraints and the implementation of Oracle, the council's new financial system, is underway during 2024/25 to address a number of these identified challenges.
- By being home to Heathrow Airport, the Council has a longstanding disproportionate responsibility to support unaccompanied asylum-seeking children (UASC). However, this has been further compounded by the high number of asylum seekers placed in Hillingdon by the Home Office. As this occurs in an unplanned way, it is difficult to manage the impact of this through routine governance arrangements. The impact is on the statutory responsibilities the Council and other agencies have, and on local charities and volunteering, all of which receive no additional financial support, which then has an impact on the ordinarily available support services in the borough for residents. The council is in regular discussion with the Home Office and Department of Levelling Up Communities and Housing to address the financial impact.
- The council net (of grants) financial impact from asylum activity for 2023/24 is £1,665k and cumulative net impact from 2020/21 – 2023/24 is £6,227k.

## 6. Conclusion

6.1 Over the period to date internal control and governance systems have been in place to ensure the continuity of council business, and to this extent were operating effectively for the financial year 2023-2024. However, as illustrated in section 5 above the council has continued to look into itself to identify areas for improvement, which will be taken further during 2024/25 and 2025/26.

Tony Zaman  
Chief Executive



25 March 2025

Cllr Ian Edwards  
Leader of the Council



25 March 2025

# Glossary

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**ACCURAL** - A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end of the period.

**ACCUMULATED ABSENCES ACCOUNT** - Absorbs the differences arising from the statutory requirement to neutralise the impact on the General Fund Balance of accruing for compensated absences earned but not taken in year.

**ACTUARIAL VALUATION** - A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

**ACTUARY** - An independent professional who advises on the financial position of the pension fund.

**AGENCY SERVICES** - The provision of services by one body (the agent) on behalf of another that is legally responsible for providing the service.

**AMORTISED COST** - The initial measurement will be at fair value, normally the amount of the originating transaction such as the receipt or loan advance less transaction costs. The effective interest rate is then calculated to the amount in the balance sheet at initial measurement. The result in the balance sheet carrying amount (the amortised cost) and a profile of interest charges that might be different from the amounts specified in the contract as being for interest and principal.

**ASSET** - Something that will be used by the Council over a long period of time and has a lasting value (e.g. land, buildings, and roads). See also **COMMUNITY ASSETS, NON-CURRENT ASSET, INFRASTRUCTURE ASSETS, ASSETS HELD FOR SALE, NON-OPERATIONAL** and **OPERATIONAL ASSETS**.

**ASSETS HELD FOR SALE** - Assets that are being actively marketed for sale and are expected to be sold within the next financial year.

**BAD DEBT PROVISION** – See “Impairment Allowance” below.

**BALANCES** - Unallocated reserves held to resource unpredictable expenditure demands.

**BUDGET** - A statement of the Council's plans for services expressed in money shown over one or a number of years.

**CAPITAL ADJUSTMENT ACCOUNT** - The Capital Adjustment Account represents the balance of capital resources set aside to finance capital expenditure awaiting the consumption of those resources (i.e. depreciation or impairment).

**CAPITAL CHARGE** - A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

**CAPITAL EXPENDITURE** - Spending on assets (e.g. land, buildings, roads etc.) that adds to and not merely maintains the value of an existing fixed asset.

**CAPITAL RECEIPTS** - The proceeds from the sale of land, buildings or other assets. Capital receipts can be used to pay for new capital expenditure, within rules set down by the Government, or to repay outstanding loans.

**CASH EQUIVALENT** - Amounts held as short-term deposits which are readily convertible into cash.

**CIPFA** - The Chartered Institute of Public Finance and Accountancy is the professional accounting body that specialises in the public services.

**COMMUNITY ASSETS** - Assets that the Council 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.

**CONTINGENCY** - Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

**CONTINGENT ASSET** - A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

# Glossary

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**CONTINGENT LIABILITY** - A contingent liability is either:

- a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- b) Past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**COUNCIL TAX** - The local tax based on relative market values of residential property, which helps to fund local services.

**CREDITORS / PAYABLES** - Amounts owed by the Council for goods and services received where payment has not been made at the date of the balance sheet.

**CREDIT RISK** - Risk that other parties might fail to pay amounts due to the Council

**CURRENT ASSET** - An asset held, which will be consumed or cease to have value within the next financial year; examples are stocks and debtors.

**CURRENT LIABILITY** - An amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

**CURRENT SERVICE COST** - The increase in the present value of Pension Fund Liabilities expected to arise from current year service.

**DEBTORS / RECEIVABLES** - Amounts owed to the Council for goods and services provided but not received at the date of the balance sheet.

**DEDICATED SCHOOLS GRANT** - A specific grant for the funding of schools and which is ring fenced to the Schools Budget.

**DEPRECIATION** - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

**DIRECT REVENUE FINANCING (revenue contributions to capital)** - Resources provided from the Council's revenue budget to finance the cost of capital projects.

**DISTRICT AUDITOR** - An auditor employed directly by the Audit Commission to audit the accounts of local authorities.

**EARMARKED RESERVES** - Amounts set aside for a specific purpose or a particular service or type of expenditure.

**EFFECTIVE INTEREST RATE** - The rate of interest that will discount the estimated cash flows that take place over the life of the instrument.

**EMOLUMENTS** - All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

**EXCEPTIONAL ITEMS** - Material items that fall within the ordinary activities of the Council that need to be disclosed in order to present the accounts fairly.

**EXTRAORDINARY ITEMS** - Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur.

**FAIR VALUE** - the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**FEES AND CHARGES** - Income raised by charging users of services.

# Glossary

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**FINANCE LEASE** - A method of paying for capital expenditure where a rent is paid for an asset during its useful life. Finance Leases are treated as capital. See **OPERATING LEASE**.

**FINANCIAL YEAR** - The period covered by a set of financial accounts - the Council's financial year commences 1 April and finishes 31 March the following year.

**GENERAL RESERVE** - amounts remaining unspent on revenue account after taking account of all expenditure and income for the year. The General Reserve is required to enable the Council to meet potential business risks in the future so that services will not be affected financially should unexpected events occur.

**GOING CONCERN** - The concept that an entity will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assumes no intention to significantly curtail the scale of operations.

**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 Council.

**GROSS EXPENDITURE** - The total cost of providing the Council's services before taking into account income from government grants and fees and charges for services.

**IMPAIRMENT** - A reduction in the value of a fixed asset below its previously assessed value in the balance sheet.

**IMPAIRMENT ALLOWANCE** - Amounts set-aside in the accounts towards potentially irrecoverable debts. This amount reduces the value of the Debtors in the Consolidated Balance Sheet (previously known as "Bad Debt Provision").

**INCOME** - Amounts due that has been or is expected to be received.

**INFRASTRUCTURE ASSETS** - Fixed assets that have no alternative use and are intended to be held in perpetuity. Examples of infrastructure assets are highways and footpaths.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)** - Statutory guidelines by which the accounts have to be prepared, implemented for the first time in the 2010/11 accounts.

**INVENTORIES** - The amount of unused or unconsumed stocks held in expectation for future use.

**INVESTMENT PROPERTIES** - Assets held solely for capital appreciation or to earn rental and not to meet service objectives.

**INVESTMENTS** - Short-term investments are those maturing within one year if the balance sheet date, any investments maturing more than one year after the balance sheet date are treated as long-term investments.

**LOANS AND RECEIVABLES** - Financial assets (excluding derivatives) that have fixed or determinate payments and that are not quoted in any in any active market. Loans and receivables are carried at amortised cost. The income and expenditure account is charged with interest receivable, impairment losses and any gain or loss on "de-recognition". Movements in fair value during the life of the asset are not recognised.

**LIABILITIES** - Money owed to individuals or organisations that will be paid at some time in the future.

**LIQUIDITY RISK** - The risk that the Council might not have funds available to meet its commitments to make payments.

**MARKET RISK** - The risk that the Council will loss out financially as a result in market factors such as interest rates or stock market movements.

**MINIMUM REVENUE PROVISION - (MRP)** - The minimum amount, which must be charged each year to the Council's revenue account to set aside funds to repay the principal sum of borrowing for capital purposes.

# Glossary

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**NATIONAL NON-DOMESTIC RATE (NNDR)** - A levy on businesses based on a national rate in the pound multiplied by the ratable value of the premises occupied. NNDR is redistributed among all local authorities and police authorities on the basis of population.

**NET BOOK VALUE** - The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**NET EXPENDITURE** - Gross expenditure less specific service income but before deduction of revenue support grant.

**NET CURRENT REPLACEMENT COST** - The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**NET REALISABLE VALUE** - The open market value of the asset in its existing use (open market value in the case of non-operational assets), or sale proceeds for stocks and stores less the expenses to be incurred in realising the asset.

**NON-CURRENT ASSET** - An asset that has value beyond one financial year.

**NON-DISTRIBUTABLE COST** - These include overheads for which no user now benefits and should not be apportioned to services. Examples are spare computer capacity and empty offices. These also include pension costs in relation to scheme members' past service.

**NON-OPERATIONAL ASSETS** - Non-Current assets held by the Council not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets under construction and assets that are surplus to requirements, pending sale or redevelopment.

**OPERATIONAL ASSETS** - Non Current Assets held, occupied, used or contracted to be used on behalf of the Council or consumed by the Council in the direct delivery of the services for which it has a responsibility, whether statutory or discretionary or for the service or strategic objectives of the Council.

**OPERATING LEASE** - A lease under which the asset can never become the property of the lessee.

**OUTTURN** - Actual income and expenditure for a financial year.

**PAST SERVICE COST** - The increase in present value of Pension Fund liabilities arising in the current year from previous years' service.

**PENSION FUND** - The Fund for staff in the Local Government Pension Scheme, maintained on an actuarial basis, which makes pension payments on retirement of participants; it is financed by contributions from the employer and employees and from investment income.

**PENSION INTEREST COSTS** - Expected increases in present value of Pension Fund liabilities because benefits are due one year sooner.

**POST BALANCE SHEET EVENTS** - Those events, both favorable and unfavorable, which occur between the balance sheet date and the date on which the Director of Finance signs the Statement of Accounts.

**PRECEPT** - The charge made by one authority on another to finance its net expenditure.

**PRIOR YEAR ADJUSTMENTS** - Material adjustments applicable to prior years arising from changes in accounting policies or to correct errors.

**PRIVATE FINANCE INITIATIVE (PFI)** - A central government initiative that aims to increase the level of funding available for public services by attracting private involvement. The Council has one such scheme relating to the provision of Barnhill school. The school has been developed and its ancillary services are provided by a private company with which the Council has a long-term contract.

# Glossary

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**PROVISION FOR DISCOUNT AND PREMIUMS ON LOAN REDEMPTION** - A provision to spread over an appropriate period discounts received and premiums paid when loans from the Public Works Loan Board are prematurely repaid.

**PROVISION** - An amount, set-aside in the accounts, for liabilities that have to be met but where timing is uncertain.

**PRUDENCE** - The concept that revenue is not anticipated but is recognised only when realised in the form of cash or other assets and full and proper allowance is made for all known and foreseeable losses and liabilities.

**PUBLIC WORKS LOAN BOARD (PWLB)** - A government agency that provides long term and medium-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

**RELATED PARTY** - Relationships between a senior officer or elected member or their families with another body that has, or might develop, a business relationship with the Council.

**RESERVES** - Money set aside by the authorities to meet particular expenditure in future years, which do not fall within the definition of provisions.

**REVALUATION RESERVE** - a new account opened on 1<sup>st</sup> April 2007 that records all accumulated gains from fixed assets held by the Council offset by that part of depreciation relating to the revaluation.

**REVENUE EXPENDITURE** - The day-to-day running costs incurred by the Council in providing services, for example payment of salaries to employees or purchase of materials.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE** - A charge arising from capital expenditure but where there is no tangible asset. An example is grants given for private property improvement. The Council is permitted to borrow for such expenditure

**REVENUE SUPPORT GRANT** - A grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

**SOLACE** - Society of Local Authority Chief Executives

**SPECIFIC GRANTS** - These are grants paid by various government departments outside the main formula. They include ring-fenced grants and specific formula grants.

**SURPLUS ASSETS** - Assets which are no longer in use by the Council, but which are not being actively marketed and are not expected to be sold within the next financial year.

**TAXBASE** - The number of Band D equivalent properties in a local authority's area. An authority's tax base is taken into account when it calculates its Council Tax, and when central government calculates entitlement to Formula Grant.

**TRANSFER VALUE** - A payment one superannuation fund makes to another when a member changes employment.

**TRUST FUNDS** - Money held in trust by the Council for a specified purpose.

**USABLE RESERVES** - Balances held by the Council which can be used to meet service expenditure.

**UNUSABLE RESERVES** - Balances held by the Council which cannot be used to meet service expenditure

**USEFUL LIFE** - The period over which the Council will derive benefits from the use of a fixed asset.

**VIREMENT** - The permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head, i.e. an authorised switch of resources between budget heads.

**WORKS IN PROGRESS** - Cost of work done on an uncompleted project at the balance sheet date.

**YIELD** - The amount of cash (in percent terms) of the return on investing activities

# London Borough of Hillingdon Final Audit Results Report

Year ended 31 March 2024  
18 March 2025

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Audit Committee  
London Borough of Hillingdon  
Hillingdon Civic Centre  
225-226 High St  
Uxbridge UB8 1UW

18 March 2025

Dear Audit Committee Members

### **2023/24 Final Audit Results Report**

We are pleased to attach our Final Audit Results Report, summarising the conclusions of our audit for the Audit Committee. Where we have updated our report from the provisional Audit Results Report issued on 5 February 2025 we highlight these changes in **blue text**. Changes primarily relate to updating the status of audit procedures which were graded 'yellow' in the Provisional Audit Results Report and some minor changes to the wording of our value for money recommendations.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the London Borough of Hillingdon ('the Council')'s accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements, where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024" ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our 2022/23 Completion Report for Those Charged with Governance, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced some work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. Taken together with the requirement to conclude our work by the 2023/24 backstop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

We draw the attention of Audit Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix F).

This report is intended solely for the information and use of the Audit Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully



Stephen Reid

Partner

For and on behalf of Ernst & Young LLP

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## 06 Assessment of Control Environment



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## 09 Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of the London Borough of Hillingdon in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of the London Borough of Hillingdon those matters we are required to state to them in this 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 Audit Committee and management of the London Borough of Hillingdon for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary



# Executive Summary

## Context for the audit – Ministry for Housing, Communities and Local Government (MHCLG) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- ▶ Lack of capacity within the local authority financial accounting profession;
- ▶ Increased complexity of reporting requirements within the sector;
- ▶ Lack of capacity within audit firms with public sector experience;
- ▶ Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

**Page 174** MHCLG (formerly the Department for Levelling-Up, Housing and Communities (DLUHC)) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024;
- ▶ Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025; and
- ▶ Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 2022/23 Completion Report for Those Charged with Governance to the Audit Committee we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 backstop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.

# Executive Summary

## Scope update

In our Provisional Audit Planning Report presented at the 30 April 2024 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ In our Provisional Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £15.6 million as 1.8% of the Council's unaudited gross expenditure for 2022/23. We updated our planning materiality assessment using the draft 2023/24 Statement of Accounts and have also reconsidered our risk assessment. Based on our materiality measure of 1.8% of gross expenditure, we have updated our overall materiality assessment to £16.2 million. This results in updated performance materiality, at 50% of overall materiality, of £8.1 million, and an updated threshold for reporting misstatements of £0.8 million; and
- ▶ In our Provisional Audit Planning Report, we communicated that we had completed our initial VFM risk assessment for planning purposes and had not identified any significant risks regarding the Council's 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. We also reported that our VFM risk assessment is an iterative process and would be updated throughout the audit. We have subsequently identified two significant VFM risks in relation to:
  - Financial sustainability; and
  - The quality of Council information (including impact on the Council's ability to support the external audit).

Further details in relation to these risks, including our response to the identified risks and our conclusions on whether the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources are set out in Section 3;

In addition, we have encountered difficulty in performing our audit procedures due to a combination of poor quality working papers and supporting information being provided by the Council and capacity limitations within the Council's finance team. Due to the implementation of the backstop date of 28 February 2025 for the completion of the audit, we agreed with management that both Council and audit resources would be prioritised on those account areas which contribute the most towards the rebuilding of assurance following the disclaimed 2022/23 audit report. Consequently, we have not been able to complete all of our planned procedures and have not obtained sufficient assurance to enable conclusion, notwithstanding the lack of assurance over the brought forward balances from 2022/23, to enable conclusion on whether the Council's 2023/24 financial statements are free from material misstatement. A summary of the assurances we have gained from our 2023/24 audit procedures, along with those areas where we have not been able to gain the planned assurance, is set out at Appendix A. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the 2021/22 audit (no detailed procedures over the balance sheet were performed as part of the 2022/23 audit) is included in Appendix B.

## Independence

Please refer to Section 8 for our update on independence.

# Executive Summary



## Status of the audit

As set out on the previous page, we have not been able to complete all of our planned procedures and have prioritised completion of audit procedures over those account areas which contribute the most towards the rebuilding of assurance following the disclaimed 2022/23 audit report. [Our provisional Audit Results Report](#) reported that the performance of our audit procedures in relation to prioritised account areas was substantially complete, however our internal review procedures over this work remained ongoing and that should our internal review procedures identify the need for further work to enable conclusion on an account area this work would not be performed and we would conclude that we have not been able to obtain the necessary assurance. Further details on those account areas where we have been able to complete our audit procedures, including internal review procedures, and those account areas where we have not been able to complete our audit procedures are set out in Appendix A.

Whilst we have not been able to complete our audit procedures over a number of areas, where some audit work was able to be completed we will consider as part of our 2024/25 audit whether this can be leveraged as part of the rebuilding of assurance.

In addition, the following items relating to the completion of our audit are outstanding at the date of this report:

- ▶ Receipt of the final Statement of Accounts and performance of final audit checks thereon;
- ▶ Receipt of the signed management Letter of Representation; and
- ▶ Subsequent events procedures up to the date of signing.

## Audit differences

Due to the fact we have not been able to complete all of our planned audit procedures, we are unlikely to have a complete picture of misstatements which exist, or may exist, within the Council's financial statements and we are not able to conclude that the financial statements are free from material misstatement. Where the procedures we have been able to perform have confirmed the existence of a misstatement, or indicated that a potential misstatement may exist but further procedures required to confirm the existence of a misstatement or to quantify that misstatement have not been performed, we provide details in Section 5.

# Executive Summary



## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have provided some comments to management around how the updated Annual Governance Statement narrative reflects the observations highlighted in Section 3 of this report, but otherwise have no matters to report as a result of this work.

The National Audit Office have not yet issued their group audit instructions in respect of their audit of the Whole of Government Accounts (WGA) therefore no work in relation to the Council's WGA submission has been performed to date.

## Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of the Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

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### Misstatement due to fraud or error

- We have completed some of our specific procedures to address this risk however we have not completed all of our audit procedures and are therefore unable to conclude on whether the financial statements are materially misstated as a result of fraud or error. We have no observations to report from the procedures we have been able to complete.

### Risk of fraud in revenue and expenditure recognition through inappropriate capitalisation of revenue expenditure

- We have completed some of our planned procedures and have not identified any inappropriate capitalisation of revenue expenditure. We have however not been able to complete all of our planned procedures, therefore we are not able to conclude whether material incorrect capitalisation of revenue expenditure has occurred.

### Valuation of land and buildings valued under the depreciated replacement cost (DRC) method and the existing use value (EUV) method

- We have completed some of our planned procedures, which focused on assets revalued for 2023/24. Other than one material misstatement of the valuation of Ruislip Golf Course, which management agreed to correct in the final financial statements, our testing has not indicated that valuations may be materially misstated. We have however not been able to complete all of our planned procedures nor do we have opening balances assurance in relation to assets not revalued in 2023/24, therefore we are not able to conclude whether land and buildings as a whole are free of material misstatement.

### Derecognition of infrastructure assets upon subsequent expenditure / replacement

- We have completed some of our planned procedures and have not identified indications that infrastructure assets are not accounted for correctly in accordance with the temporary relief for infrastructure asset accounting effective in the CIPFA Code for 2023/24. We have however not been able to complete all of our planned procedures, therefore we are not able to conclude whether infrastructure assets as a whole are free of material misstatement.

# Executive Summary

## Areas of audit focus (cont.)

### Pension liability and the IAS 19 valuations

- We have completed some of our planned procedures, including consideration of movements in pension balances which occurred in 2022/23, and have not identified indications that pension balances may be materially misstated. We have however not been able to complete all of our planned procedures, therefore we are not able to conclude whether pension balances as a whole are free of material misstatement.

### Valuation of council dwellings

- We have completed some of our planned procedures, including consideration of movements in council dwelling valuations which occurred in 2022/23, and have not identified indications that the valuation of council dwellings may be materially misstated. We have however not been able to complete all of our planned procedures, therefore we are not able to conclude whether the valuation of council dwellings as a whole are free of material misstatement.

### IFRS 16

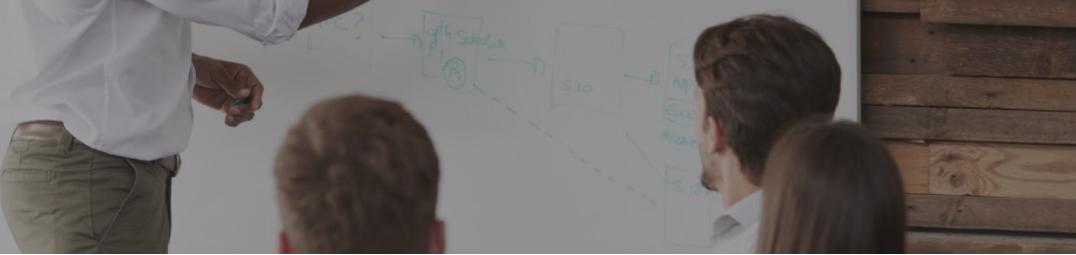
- Our initial enquiries into the Council's readiness for adoption of IFRS 16 demonstrated that the Council was still in the 'data collection' phase of preparations for IFRS 16 and not as progressed in its readiness for the new standard as we would have expected. This area was therefore one of the first to be deprioritised and more detailed work on the Council's preparations for IFRS 16 have not been performed.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues;
- You concur with the resolution of the issue; and
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

# Executive Summary



## Control observations

During the audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls, which are set out within section 6 of this report. We have made recommendations in relation to:

- ▶ The exercise of the public inspection period in accordance with statutory requirements;
- ▶ The Council's readiness for adoption of IFRS 16 in the 2024/25 financial statements;
- ▶ The processes for informing and reviewing asset valuations provided by the external valuer;
- ▶ The basis of valuations for the Council's maintained school land and buildings;
- ▶ The Council's level of access to maintained school payroll information;
- ▶ The methodology and assumptions used to determine NNDR bad debt provisions; and
- ▶ The recognition of accruals for temporary accommodation expenditure



## 02 Areas of Audit Focus

# Areas of Audit Focus

Misstatements due to fraud or error

## Misstatements due to fraud or error

△ Significant Risk

△ Fraud Risk

### What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

### What are our conclusions?

We have not been able to complete our specific procedures to address this risk nor have we completed all of our audit procedures over the financial statements and are therefore unable to conclude on whether the financial statements are materially misstated as a result of fraud or error.

We have no observations to report from the procedures we have been able to complete.

### Our response to the key areas of challenge and professional judgement

We have responded to the risk of misstatements due to fraud or error by:

- ▶ Identifying fraud risks during the planning stage of our audit;
- ▶ Inquiring of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Discussing with those charged with governance the risks of fraud in the Council, including those risks that are specific to the nature of the Council's activities;
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud; and
- ▶ Determining an appropriate strategy to address those identified risks of fraud.

In addition, in our Provisional Audit Planning Report we reported that we would perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments made in the preparation of the financial statements, consideration of whether accounting estimates are free from material bias and a review for unusual transactions.

We identified the inappropriate capitalisation of revenue expenditure as a specific fraud risk, our response to which is set out on the following page.

**We have not been able to complete our testing of journal entries and other adjustments made in the preparation of the financial statements.**

We have also only been able to consider whether accounting estimates are free from material bias in relation to those accounting estimates where we have been able to complete our audit procedures. Similarly, we have only been able to perform a review for unusual transactions where we have been able to complete our audit procedures over the underlying transactions. See Appendix A for a summary of the assurances we have gained from our 2023/24 audit procedures.

# Areas of Audit Focus

Inappropriate capitalisation of revenue expenditure

## Inappropriate capitalisation of revenue expenditure

Significant Risk

Fraud Risk

### What is the risk, and the key judgements and estimates?

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger; or
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of overstating Property, Plant and Equipment (PPE) additions.

### What are our conclusions?

We have completed some of our planned procedures and have not identified any inappropriate capitalisation of revenue expenditure. We have however not been able to complete all of our planned procedures, therefore we are not able to conclude whether material incorrect capitalisation of revenue expenditure has occurred.

We have no observations to report from these procedures.

## Our response to the key areas of challenge and professional judgement

We have responded to the risk of inappropriate capitalisation of revenue expenditure by:

- ▶ Testing Property, Plant and Equipment (PPE) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature;
- ▶ Assessing whether the capitalised spend clearly enhances or extends the useful life of the asset rather than simply repairing or maintaining the asset on which it is incurred;
- ▶ Considered whether any development or other related costs that have been capitalised are reasonable to capitalise (i.e. the costs incurred are directly attributable to bringing the asset into operational use); and
- ▶ Seeking to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

We have not been able to complete all of the above procedures and are therefore unable to conclude whether material incorrect capitalisation of revenue expenditure has occurred.

# Areas of Audit Focus

## Valuation of land and buildings valued under the DRC and EUV methods

### Valuation of land and buildings valued under the depreciated replacement cost (DRC) method and the existing use value (EUV) method



#### What is the risk, and the key judgements and estimates?

We have disaggregated land and building assets to identify those where we think the significant risk lies. We have associated the risk to those assets that are valued using the DRC and EUV valuation methods.

These valuation methods involve higher risk estimates due to the significant assumptions and judgements involved, which trigger the use of experts by both management and EY.

These estimates heighten the risk of material error.

#### What are our conclusions?

Management have agreed to amend the financial statements to correct a £17.3 million overstatement of Ruislip Golf Course.

Understatement of £0.6 million in the updated valuation of this asset, coupled with other identified misstatements totalling an overstatement of £2.1 million, mean assets subject to revaluation in 2023/24 are overstated by £1.5 million.

**This is not a material misstatement, however we have not been able to complete all of our planned procedures nor do we have opening balances assurance in relation to assets not revalued in 2023/24, therefore we are not able to conclude whether land and buildings as a whole are free of material misstatement.**

### Our response to the key areas of challenge and professional judgement

We have responded to the risk of misstatements within the valuations of land and buildings valued under the depreciated replacement cost (DRC) and existing use value (EUV) methods by:

- ▶ Understanding the Council's approach to valuing DRC and EUV assets;
- ▶ Determining the impact of revaluations on the financial statements;
- ▶ Considering the use of management's specialists - the external valuers - including the scope of work and the professional competencies of the specialist;
- ▶ Challenging the assumptions made by management and their specialists, with input from EY Real Estates (our specialists);
- ▶ Sample testing key asset information used by management's specialists, including considering if there are any specific changes to assets and whether they have been appropriately communicated;
- ▶ Considering the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the CIPFA Code;
- ▶ Reviewing assets not subject to valuation in 2023/24 to assess that the remaining asset base is not materially misstated;
- ▶ Considering changes to useful economic lives as a result of the most recent valuations; and
- ▶ Testing that accounting entries have been correctly processed in the financial statements.

We have challenged management on the appropriateness of valuations, in particular in relation to Ruislip Golf Course where multiple incorrect valuations were provided for audit as:

1. The initial valuation was incorrectly stated as £18.2 million by the valuer, as the valuation of a different asset was incorrectly provided and this was not identified by the Council;
2. A revised valuation subsequently provided of £3.1 million was not appropriate as it did not take into account the part-disposal of the asset during the year; and
3. The final valuation of £0.9 million is, in our view, now understated by £0.7 million as the rateable value of the site for business rates was incorrectly used as proxy for market rent.

# Areas of Audit Focus

Derecognition of infrastructure assets upon subsequent expenditure/ replacement

## Derecognition of infrastructure assets upon subsequent expenditure/ replacement

### What is the risk, and the key judgements and estimates?

The CIPFA Code incorporates a temporary relief for certain reporting on infrastructure assets, which can be applied from the 2021/22 Code up to and including the 2024/25 Code. The Council applied this relief in 2021/22, and although we did not report any findings in this respect and downgraded the risk in 2023/24, we do consider that there is a remaining inherent risk as this is an issue that the Council needs to remain focussed to ensure proper arrangements are in place when the temporary relief is discontinued.

### What are our conclusions?

We have completed some of our planned procedures and have not identified indications that infrastructure assets are not accounted for correctly in accordance with the temporary relief for infrastructure asset accounting effective in the CIPFA Code for 2023/24.

We have however not been able to complete all of our planned procedures, therefore we are not able to conclude whether infrastructure assets as a whole are free of material misstatement.

### Our response to the key areas of challenge and professional judgement

We have responded to the risk of misstatements in relation to the derecognition of infrastructure assets upon subsequent expenditure or replacement by:

- ▶ Ensuring the Council has continued to apply the procedures required by the Code, including considering the appropriateness of the useful lives applied to infrastructure assets; and
- ▶ Reviewing the Council's disclosures in relation to infrastructure assets.

In addition, within our Provisional Audit Planning Report we reported that we would also perform the following procedures:

- ▶ Obtain evidence to match the subsequent expenditure to the carrying amount of the replaced component that is being derecognised; and
- ▶ If the carrying amount of the replaced component can't be identified, we will test the Council's use of the cost of the replacement as a proxy for the deemed carrying amount of the replaced component, ensuring the calculation appropriately adjusts the cost for depreciation and impairment.

The Council has chosen to apply the option permitted under The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 to determine that the carrying amount to be derecognised when replacing a component of infrastructure assets is £nil. The Council has not therefore recorded any derecognitions in relation to its £11.1 million of additions to infrastructure assets during the period.

We note that the Council has chosen to apply this option as it lacks the information necessary to determine a more appropriate derecognition, in line with the Council's basis for applying the temporary relief available under the CIPFA Code.

It remains imperative that the Council continues to both review what information it holds for existing assets in other forms, for example within the highways team, and how this can be used to disaggregate existing accounting records, and how it records its expenditure on infrastructure assets, in particular to allow it to separately identify individual assets within its accounting records, so that it has better information on which to base its reporting when the temporary infrastructure relief comes to an end.

# Areas of Audit Focus

## Pension liability and the IAS 19 valuations

### Pension liability and the IAS 19 valuations

#### What is the risk, and the key judgements and estimates?

The Council's pension fund deficit is a material estimated balance and the CIPFA Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2023 this totalled £261 million (unaudited).

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### What are our conclusions?

We have completed some of our planned procedures, including consideration of movements in pension balances which occurred in 2022/23, and have not identified indications that pension balances may be materially misstated.

We have however not been able to complete all of our planned procedures, therefore we are not able to conclude whether pension balances as a whole are free of material misstatement.

#### Our response to the key areas of challenge and professional judgement

We have responded to the risk of misstatement within pension balances by:

- ▶ Liaising with the EY audit team of the Hillingdon Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council;
- ▶ Assessing the work of the Pension Fund actuary, including the assumptions they have used by relying on the work of PWC as consulting actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team;
- ▶ Evaluating the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's models;
- ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19; and
- ▶ Considering outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of Pension Fund assets, to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

As reported in 2021/22 (we did not perform audit work over pension balances in 2022/23), the Council's actuary has not made any allowance for the potential impact of the 'Goodwin v Secretary of State for Education' tribunal ruling on the Local Government Pension Scheme on the grounds of materiality. We estimate that the application of this case's findings would increase pension liabilities by £1.9 million.

We have no other observations to report from these procedures.

# Areas of Audit Focus

Valuation of council dwellings

## Valuation of council dwellings

### What is the risk, and the key judgements and estimates?

The carrying amount of Council dwellings represents a significant balance in the Council's accounts and is subject to revaluation changes on an annual basis. Management is required to make material judgmental inputs and apply estimation techniques to calculate the year end balances recorded in the balance sheet.

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### What are our conclusions?

We have identified a £2.1 million overstatement of council dwellings as a result of the social housing discount factor not being applied to properties acquired during 2023/24, which management have advised will be corrected in the final financial statements.

We have no other observations to report from our procedures.

We have however not been able to complete all of our planned procedures, therefore we are not able to conclude whether the valuation of council dwellings as a whole are free of material misstatement.

### Our response to the key areas of challenge and professional judgement

We have responded to the risk of misstatement within the valuation of council dwellings by:

- ▶ Considering the use of management's specialists - the external valuers - including the scope of work and the professional competencies of the specialists;
- ▶ Sample testing the key asset information used by the specialists in performing their valuations (e.g. the nature and number of beacons, valuations of units within beacons);
- ▶ Considering if there are any specific changes to assets/beacons that have occurred and that these have been communicated to the valuer;
- ▶ Considering the appropriateness of management's consideration of estimation uncertainty;
- ▶ Testing that accounting entries have been correctly processed in the financial statements; and
- ▶ Checking whether additions are valued using the social housing discount factor in the same year that they are capitalised.

We identified a small number of properties acquired during 2023/24 where the Council has not applied the social housing discount factor and has valued the assets at full market value, contrary to the required treatment of council dwellings. As a result, council dwellings are overstated by £2.1 million. Management advised that the Council's final financial statements will include correction of this observation.

We have no other observations to report from these procedures.

# Areas of Audit Focus

IFRS 16

## IFRS 16

### What is the risk, and the key judgements and estimates?

Mandatory implementation of IFRS 16 Leases has been deferred until 2024/25 (though voluntary adoption is permitted and encouraged). IFRS 16 leases is a complex standard that will require a substantial amount of data gathering followed by a number of policy choice decisions.

Impact assessment disclosures will need to be made in the 2023/24 financial statements and the Council will need to ensure that it is prepared for the implementation of this standard.

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### Our response to the key areas of challenge and professional judgement

We have considered the Council's preparations for the implementation of IFRS 16 by:

- ▶ Understanding the Council's process for implementing the new leases standard; and
- ▶ Assessing the readiness of the Council for implementation of this major standard.

Our initial enquiries into the Council's readiness for adoption of IFRS 16 demonstrated that the Council was still in the 'data collection' phase of preparations for IFRS 16 and not as progressed in its readiness for the new standard as we would have expected. This area was therefore one of the first to be deprioritised and more detailed work on the Council's preparations for IFRS 16, including consideration of the disclosures made within the 2023/24 financial statements, have not been performed.

### What are our conclusions?

The Council is not as progressed in its readiness for implementation of IFRS 16 as we would have expected at this stage.

The Council's financial statements disclose that the Council does not expect the new standard to have a material impact upon its financial statements, however the greatest risk lies in the completeness of balances to be recognised.

We will consider this further as part of the 2024/25 audit.

## 03 Value for Money



# Value for Money

## The Authority's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment and status of our work

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

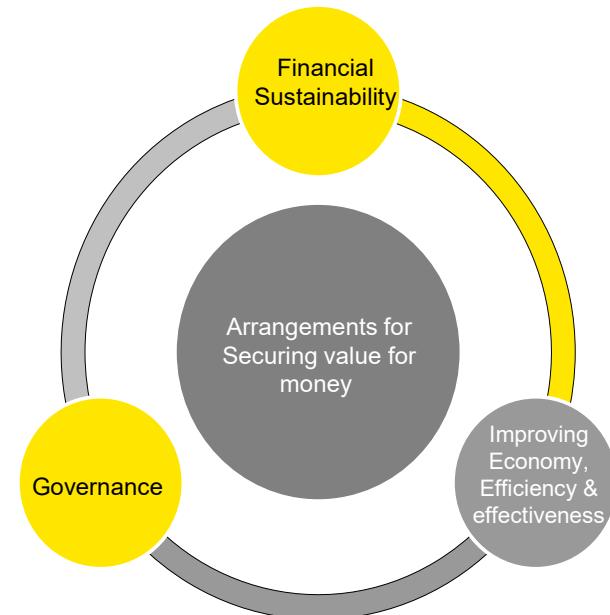
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Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, and to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

- ▶ **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We have completed our detailed VFM work and identified two risks of significant weakness as documented on the next page.



# Value for Money

## Risks of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
<b>Financial Sustainability</b>  The Council has seen a reduction in its available reserves, and growth of its Dedicated Schools Grant (DSG) deficit, over recent years and was only able to report a balanced outturn for 2023/24 due to the application of two significant one-off accounting adjustments.  There is therefore a risk that the Council does not have proper arrangements in place to manage risks to its financial resilience.	<b>Financial Sustainability:</b>  <i>How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.</i>	<b>Our approach focused on:</b> <ul style="list-style-type: none"><li>▶ Assessing the financial resilience of the Council against external benchmarks;</li><li>▶ Reviewing the Council's financial outturn and management against budget for 2023-24;</li><li>▶ Reviewing the Council's financial projections and plans for the period 2024-25 to 2028-29;</li><li>▶ Reviewing the Council's year-to-date performance against budget in 2024-25 (as indicative of the accuracy of forecasts prepared during 2023-24); and</li><li>▶ Concluding on whether the above indicates that a significant weakness in the Council's arrangements exists.</li></ul>
<b>Quality of Council Information (inc. impact on ability to support the external audit)</b>  As highlighted in Section 1, we have encountered difficulty in performing our audit procedures due to a combination of poor quality working papers and supporting information being provided by the Council and capacity limitations within the Council's finance team. The Council's internal auditor has also raised concerns over the quality of the Council's information and the impact of this upon the Council.  There is therefore a risk that the Council does not have proper arrangements in place to ensure it takes properly informed decisions and supports challenge and transparency.	<b>Governance:</b>  <i>How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.</i>	We obtained sufficient evidence on which to base a conclusion in relation to this risk through a combination of: <ul style="list-style-type: none"><li>▶ Our value for money risk assessment procedures, including review of the reports of internal audit; and</li><li>▶ Our observations during the delivery of our planned audit procedures in relation to the financial statements.</li></ul> We did not therefore plan and execute additional specific procedures to respond to this risk.

# Value for Money

## Our VFM conclusions

We have concluded that:

- ▶ The Council does not have proper arrangements in place to identify and manage risks to its financial resilience. We have reached this conclusion based on a number of factors, including:
  - The Council would have reported a significant overspend of £16.6 million (6.3% of the Council's net budget) for 2023/24 had it not been for two one-off accounting adjustments. These adjustments are unlikely to be available in future periods;
  - The reserves of the Council identified by management as available to support Council spending decreased by 25% between 31 March 2023 and 31 March 2024;
  - The cumulative deficit on the Council's Dedicated Schools Grant (DSG) increased by £25.6 million between 31 March 2023 and 31 March 2024, and at £47.5 million now exceeds the available reserves of the Council; and
  - As of the mid-point of 2024/25, the Council is forecasting significant overspends for 2024/25 which we consider indicative that the Council did not fully understand and / or mitigate the scale of demand and inflationary pressures it faces when setting its Medium Term Financial Forecast for the period 2024/25 to 2028/29 during 2023/24.
- ▶ The Council does not have proper arrangements in place to ensure it takes properly informed decisions and supports challenge and transparency. We have reached this conclusion based on a number of factors including:
  - The fact the Council was not able to meet the statutory deadline for commencement of the public inspection period of its draft financial statements, and when it did so the documentation published by the Council did not comply with the requirements of the Accounts and Audit Regulations as the Council did not publish its Annual Governance Statement alongside the draft financial statements;
  - Observations from the Council's internal auditor that "poor data quality, reliance on manual records and reliance on outdated systems that are no longer fit for purpose also impacted on the quality of documentation and performance data available" was a contributing factor to the overall level of assurance offered by the Head of Internal Audit in their annual opinion for 2023/24 being only 'Limited'; and
  - The significant difficulties encountered in the delivery of the Council's external audit for 2023/24, including poor quality working papers and supporting information being provided by the Council.

A copy of our proposed VFM narrative commentary, including further observations in relation to the above weaknesses in the Council's arrangements and our associated recommendations, is included in Appendix G. We will issue our final VFM narrative commentary in our 2023/24 Auditor's Annual Report which we expect to issue in March 2025.

We have only recently shared our recommendations with management therefore management responses to our recommendations will also be included within the Auditor's Annual Report, to ensure that management are provided time to properly consider our recommendations. If we are not satisfied with the Council's response to our recommendations, or the implementation of that response, we will consider exercising our further powers by making formal statutory recommendations.

# Value for Money

## The Council's position

Officers have advised that the Council recognises the scale of the financial challenges faced by the organisation and has taken a number of steps since the end of the period covered by our value for money commentary to respond to them, including:

- ▶ Engagement of external support to assist with Council-wide development of zero-based budgets and the identification of efficiencies;
- ▶ The introduction of senior officer star chambers, focused on each area of service delivery and cross-service thematic sessions to review the Council's operations;
- ▶ Performing a review for optimism bias in Council forecasts and taking steps to remove such bias where identified;
- ▶ Implementing improvements to the Council's financial governance processes to improve reporting and accountability; and
- ▶ Implementing a Finance Improvement Programme with external support from the Chartered Institute of Public Finance and Accountancy.

These actions form part of the Council's arrangements for the year ended 31 March 2025 and are therefore outside of the scope of our value for money assessment for the current period and we have not corroborated management's assertions. We will consider the actions the Council has taken during the year ended 31 March 2025 as part of our value for money work for the Council's 2024/25 external audit.



## 04 Audit Report

# Audit Report

## Expected modification to the audit report

As reported in our November 2024 Audit Completion Report to Those Charged with Governance, we issued a disclaimed audit report on the Authority's 2022/23 financial statements under the Government's legislative arrangements to reset and recover local government audit (Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" and Local Authority Reset and Recovery Implementation Guidance). The reasons for the 2022/23 disclaimed audit report were set out in the aforementioned 2022/23 Audit Completion Report.

As a result of the 2022/23 disclaimed audit report we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore some closing balances (particularly reserves). We also do not have assurance over the 2022/23 comparative amounts disclosed within the 2023/24 financial statements. We did not plan to rebuild this assurance in our 2023/24 audit.

As set out within Section 1 of this report, we have not been able to complete our planned programme of work to obtain sufficient evidence to have reasonable assurance over all closing balances. As we have explained, the Council has not provided good quality working papers or sufficient and appropriate evidence to support your financial transactions in accordance with agreed timescales.

There is now insufficient audit resource available to complete the above outstanding procedures on your audit before the 2023/24 backstop date. Insufficient support to the audit meaning that it takes significantly longer than should be necessary is one example of the factors that led to the backlog in the first place, and why the legislative backstop has been introduced.

Taken together, and alongside the requirement to conclude the 2023/24 audit by the legislative backstop date of the 28 February 2025, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

**The number of account areas where we have not been able to complete our audit procedures is sufficient that the overall impact on our opinion, notwithstanding the impact on opening balance assurances of the disclaimed 2022/23 audit opinion, is pervasive.** We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed.

In line with the Government's legislative arrangements set out above and specifically the 'recovery phase' of those arrangements and with guidance issued by the Financial Reporting Council (FRC) within their 'Accessible Guide' there is an expected minimum 3-year timeline to re-build audit assurances to gain full assurance over opening balances, closing balances and in-year movements. We will reflect on the impact of the areas where we did not gain our planned assurances in 2023/24 through our 2024/25 audit planning and set out our timeline for re-building audit assurance within our Audit Plan.



## 05 Audit Differences

# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted differences

We highlight the following misstatements greater than £0.8 million which have management have advised will be corrected in the final financial statements:

- ▶ The valuation of Ruislip Golf Course was overstated by £16.6 million due to the valuation of a different asset being incorrectly provided as the valuation of Ruislip Golf Course by the Council's external valuer, and the Council not identifying this error. The Council's adjustment to the financial statements totals £17.3 million, however we consider the revised valuation to be understated and report the difference of £0.7 million as an uncorrected misstatement;
- ▶ **The valuation of the Council's investment in Hillingdon First Limited was overstated by £2.6 million as it was based on an assessment of the company as at 31 March 2023 not as at 31 March 2024 (note this was previously reported as an uncorrected misstatement, however management have advised it has now been corrected);**
- ▶ The valuation of council dwellings was overstated by £2.1 million due to the Council not applying the social housing discount factor to a small number of properties acquired during 2023/24 and incorrectly measuring them at full market value; and
- ▶ The Council has not been able to provide evidence of the gross internal area used to inform the valuation of Cobham Manor School, and the floor area used exceeds guidance issued by the Department for Education on the area for a modern equivalent school. We have therefore calculated the expected valuation using the capacity of the school and the guidance issued by the Department for Education, and based on this recalculation consider the valuation to be overstated by £1.7 million.

**At the time of submitting this report we have only just received updated financial statements from management and have not had the opportunity to confirm that the above corrections have been made correctly.**

In addition, within our audit report on the 2022/23 financial statements we reported that the 2022/23 financial statements included property, plant and equipment belonging to two schools which converted to academy status during the year ended 31 March 2022. These assets should have been derecognised by the Council at the point the schools converted to academy status, therefore property, plant and equipment at 31 March 2023 was overstated by £28.5 million. Within the 2023/24 financial statements, the opening balances for property, plant and equipment have been amended to present what would have been the opening position had these assets been correctly derecognised prior to 31 March 2023. As explained in Sections 1 and 4, as a result of the disclaimed audit report on the 2022/23 financial statements we do not have assurance over opening balances for 2023/24 and do not offer a conclusion on whether opening balances are correctly stated within the 2023/24 financial statements.

# Audit Differences

## Summary of unadjusted differences

In addition, we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Audit Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2024 (£'000)	Effect on the current period:		Net assets Increase/(decrease)			
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Current Assets Debit/(Credit)	Non-Current Assets Debit/(Credit)	Current Liabilities Debit/(Credit)	Non-Current Liabilities Debit/(Credit)
<b>Known differences:</b>						
► Our testing of payments made after the year-end identified two payments which related to 2023/24 but had not been recorded within the 2023/24 financial statements.		2,140				(2,140)
<b>Judgemental differences:</b>						
► Our testing of receipts in advance identified a number of grants with no conditions attached which should have been recognised in income at the point of receipt.		(2,911)				2,911
► Our testing of debtors identified an amount of £22,400 which was received prior to 31 March 2024 and therefore shouldn't be recorded as a debtor. Our extrapolation of this finding estimated an overstatement of the population of £2.2 million.		2,159	(2,159)			
► The Council has not made allowance for the impact of the 'Goodwin' legal case in the valuation of pension liabilities (see section 2)		1,872				(1,872)
<b>Total</b>	<b>1,872</b>	<b>1,388</b>	<b>(2,159)</b>	<b>-</b>	<b>771</b>	<b>(1,872)</b>

# Audit Differences

## Other observations

As set out in Section 1, we have not been able to complete all of our planned audit procedures. As a result, we have not obtained the assurances required to enable us to conclude that the financial statements are free of material misstatement and there is an increased risk that additional misstatements to those reported on the previous pages may exist within the financial statement.

In the performance of our audit procedures we have identified the following matters which indicate that a misstatement is likely to exist but we have not been able to complete the procedures necessary to confirm the existence of misstatement and/or determine the size of the misstatement:

- ▶ Our testing of payables identified a balance of £12,000 which relates to activity in 2024/25 and should not therefore have been recognised within the 2023/24 financial statements. Our sample size for this testing was small and the extrapolation of this finding estimates an overstatement of payables of £19 million. We would ordinarily perform additional testing of the population to provide more information on the most likely level of error within the population, however for the reasons set out in Section 1 we have not been able to complete these procedures.
- ▶ Our testing of payables also identified accrued balances in relation to payments to landlords for temporary accommodation which related to periods for which the window for landlords to seek payment has ended, in some cases several years ago. We have identified a population of £2.6 million of such accruals, of which preliminary analysis indicated £1.5 million may be incorrectly recognised, however we have not been able to complete the procedures necessary to confirm the level of error within this population.
- ▶ The Council's borrowings include an effective interest rate (EIR) adjustment of £9.4 million in relation to one specific loan from the Public Works Loan Board which reduces the £18.6 million principal loan value down to a recognised liability of £9.2 million. Whilst the Council has been able to provide workings to support the calculation of this balance, [it was not able to support the basis for why this adjustment is appropriate during the audit period. Further explanations and support for the adjustment have recently been provided and will be evaluated as part of the 2024/25 audit.](#)



06

## Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

The following pages detail the 'high', 'moderate' and 'low' rated observations we have from the audit. The matters reported on are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you. We use the following key when rating our observations:

### Key:

- A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
- Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
- Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

We have only recently shared our recommendations with management therefore management responses to our recommendations will also be included within the Final Audit Results Report, to ensure that management are provided time to properly consider our recommendations.

In addition, we have made recommendations to the Council as part of our value for money work. These recommendations can be found within our value for money commentary at Appendix G.

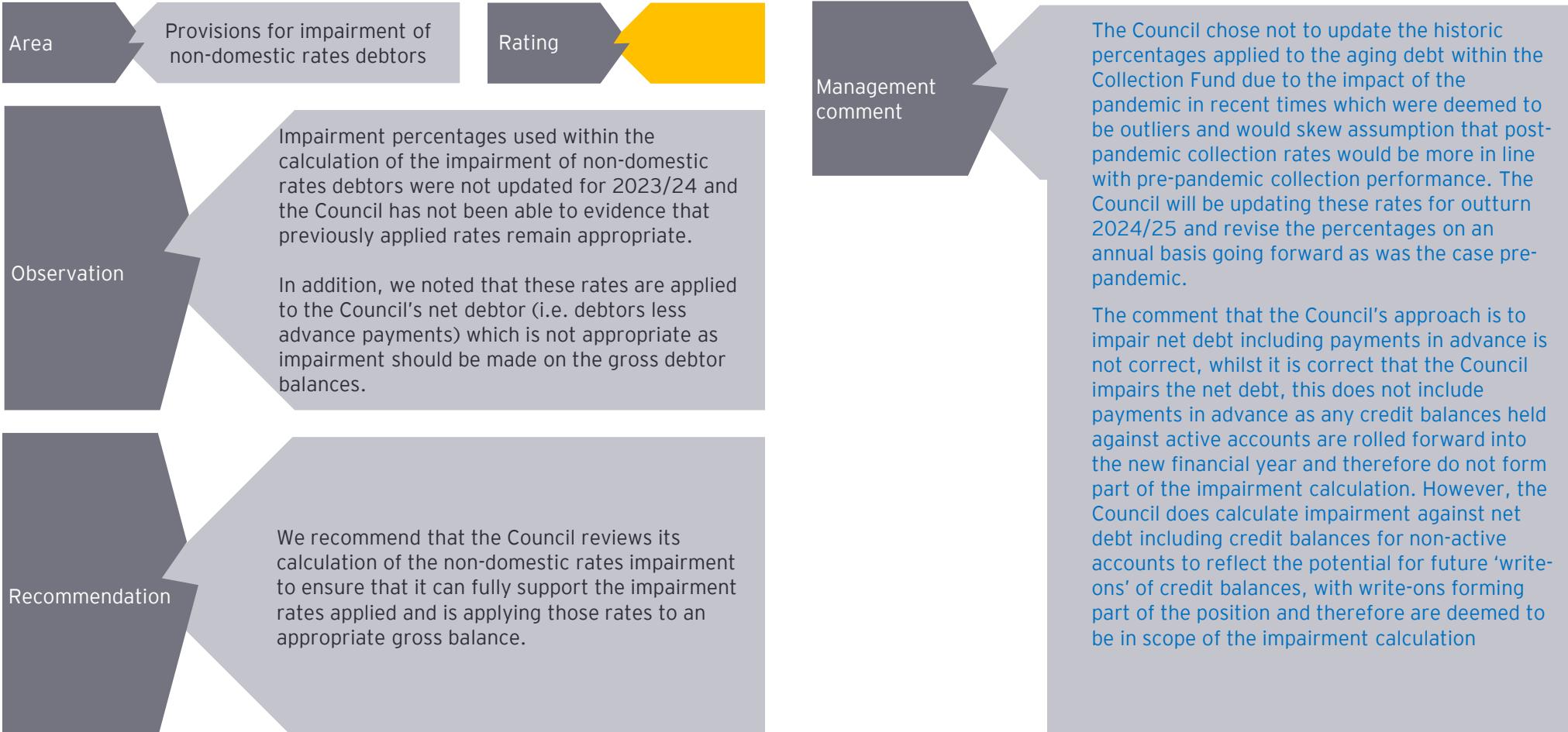
# Assessment of Control Environment

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Area	Exercise of the public inspection period	Rating	Area	Implementation of IFRS 16	Rating
Observation	<p>As reported in Section 1, the Council did not meet the statutory deadline for commencement of the public inspection period of its draft financial statements, and the inspection period it did run did not meet the requirements of the Accounts and Audit Regulations 2015.</p> <p>As a result of the inspection period having to be re-ran, the Council will not meet the statutory backstop date for publication of its final 2023/24 financial statements.</p>		Observation	<p>Our initial enquiries into the Council's readiness for adoption of IFRS 16 demonstrated that the Council was still in the 'data collection' phase of preparations for IFRS 16 and not as progressed in its readiness for the new standard as we would have expected.</p> <p>The main risk in adopting the new standard is incompleteness in the Council's identification of its leases.</p>	
Recommendation	<p>We recommend that the Council ensures that it fully understands the requirements for the public inspection period as set out within the Accounts and Audit Regulations 2015, and ensures that it has processes in place to meet these requirements.</p>		Recommendation	<p>We recommend that the Council reassesses its implementation plan for IFRS 16 to ensure that all appropriate leases will have been identified, assessed and recorded in accordance with the new standard in time for inclusion within the Council's draft 2024/25 financial statements.</p>	
Management comment	<p>We will ensure the requirements of the public inspection period are fully understood and that the AGS will be included in the published draft accounts in future.</p>		Management comment	<p>We acknowledge preparedness for the new standard has not been ideal although capacity to resource this within the team given other pressures has been a challenge. Progress is being made in identifying leases to be able to comply with the standard.</p>	

# Assessment of Control Environment

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# Assessment of Control Environment

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Area	Access to information held by schools	Rating	Area	Assessment of funding grant terms	Rating
Observation	<p>We were unable to complete our review of the disclosures of individuals earning more than £50,000 as the Council was unable to provide us with individual-level payroll information for maintained schools.</p> <p>We also encountered difficulty performing other audit procedures which required information principally held by schools.</p>		Observation	<p>Our testing of grants received and held on the balance sheet as deferred income found a significant proportion had no associated performance conditions and should therefore have been released to income when received.</p>	
Recommendation	<p>We recommend that the Council reviews the processes through which it collates information from maintained schools to ensure that information necessary to support financial statements disclosures is available to the Council, and can be provided for audit.</p>		Recommendation	<p>We recommend that management review the process by which grants received are assessed for performance related conditions and ensures that amounts are released to revenue at the correct point in time.</p>	
Management comment	<p>We will review processes for collating information required for audit from schools however would advise each school has its own payroll provider which presents challenges in gathering consolidated data from all the schools.</p>		Management comment	<p>We acknowledge errors and have provided year end training to budget managers and accountants covering grant conditions/restrictions and appropriate accounting.</p>	

# Assessment of Control Environment

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Area	Accruals for temporary accommodation costs	Rating	Area	Review of externally provided asset valuations	Rating
Observation	<p>Our testing of accruals in relation to payments to landlords for temporary accommodation identified a number of accruals which related to periods for which the window for landlords to seek payment has ended, in some cases several years ago. We have identified a population of £2.6 million of such accruals, of which preliminary analysis indicated £1.5 million may be incorrectly recognised, however we have not been able to complete the procedures necessary to confirm the level of error within this population.</p>		Observation	<p>Our testing of Ruislip Golf Course identified two separate incorrect valuations provided to the Council, one which was materially overstated due to a clerical error by the valuer and one where the valuer had not taken into account a part-disposal of the asset during the year. Neither error was identified by the Council, with the former coming after we had already requested the Council obtain a revised valuation due to concerns over the original valuation.</p>	
Recommendation	<p>We recommend that the Council review the processes for recording temporary accommodation expenditure to ensure that the Council only recognises accruals in relation to amounts for which there may be a future outflow.</p>		Recommendation	<p>We recommend that the Council review its processes to ensure that relevant changes in assets are communicated to its external valuer, and that the valuations provided by the external valuer are subject to appropriate review by the Council, including for consistency with the Council's knowledge of its assets, prior to inclusion within the financial statements.</p>	
Management comment	<p>Management acknowledges the findings regarding temporary accommodation expenditure, and the following improvement action will be taken. Controls and processes regarding the use of the Temporary Accommodation Management system (TAMS) will be tightened. This includes timely updates by the Housing Service to Northgate, the feeder system for TAMS and the reconciliation of tenancies with corresponding rental income periods and collection to determine the likelihood of payment.</p>		Management comment	<p>We will take steps to seek up to date information on asset changes, particularly on development plans for surplus assets, in order to inform the valuer. We will also ensure significant valuation movements are reviewed and clarified with the valuer, to reduce risk of valuation errors being included in the accounts.</p>	



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## Other Reporting Issues

# Other Reporting Issues

## Consistency of other information published with the financial statements, including the Annual Governance Statement

We would ordinarily be required to give an opinion on the consistency of the financial and non-financial information in the London Borough of Hillingdon Statement of Accounts 2023/24 with the audited financial statements.

We would also ordinarily be required to review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

As explained within Section 1, we anticipate issuing a disclaimed 2023/24 audit opinion. A disclaimed opinion does not include reporting on the consistency of the other information with the audited financial statements, therefore we have not completed our review of the other information and have focused our audit effort on maximising the assurance obtained over the financial statements. We therefore offer no observations on the consistency of the other information with the financial statements.

[We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have provided some comments to management around how the updated Annual Governance Statement narrative reflects the observations highlighted in Section 3 of this report, but otherwise have no matters to report as a result of this work.](#)

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## Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

The National Audit Office have not yet issued instructions to us on the extent of procedures required in relation to the Council's 2023/24 Whole of Government Accounts return, therefore we have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State.

We did not identify any issues which required us to issue a report in the public interest or to issue statutory recommendations under Schedule 7.

# Other Reporting Issues

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

We set out in Section 1 the significant difficulties encountered during the audit and expected modifications to the audit report. We have no other matters to report.

# Other Reporting Issues

## ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 was effective from 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- ▶ Risk Assessment;
- ▶ Understanding the entity's internal control;
- ▶ Significant risk; and
- ▶ Approach to addressing significant risk (in combination with ISA 330)

Given that we have disclaimed the 2022/23 audit of the Council's financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- ▶ Drive consistent and effective identification and assessment of risks of material misstatement;
- ▶ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability');
- ▶ Modernise ISA 315 to meet evolving business needs, including:
  - ▶ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
  - ▶ how auditors understand the entity's use of information technology relevant to financial reporting; and
- ▶ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

Our planned procedures to be performed in relation to ISA 315 (Revised) included:

- ▶ Obtaining an understanding of the IT processes related to the IT applications of the Council;
- ▶ Performing procedures to determine if there are typical controls missing or control deficiencies identified, and evaluating the consequences for our audit strategy; and
- ▶ When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, performing additional procedures.

For the reasons set out in Section 1, we have not been able to complete the above procedures for 2023/24.



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## Independence

# Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your body, and its directors and senior management and its affiliates, including all services provided by us and our network to your body, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

## Relationships

There are no relationships from 1 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by EY

There are no services provided by EY from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## Confirmations

We are not aware of any inconsistencies between the Council's policy for the supply of non-audit services and the FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers, managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

## EY Transparency Report 2024

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 28 June 2024 and can be found here: [EY UK 2024 Transparency Report | EY - UK](#).

# Independence

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

As set out in our Provisional Audit Planning Report the agreed fee presented was based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our financial statements opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council;
- ▶ The Council has an effective control environment; and
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities (see Appendix F)

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year	Scale Fee	Prior Year
	£	£	£
Scale fee - Council	403,723	403,723	142,846
Scale fee - Pension Fund	81,688	81,688	24,954
Scale fee variation - Council (1) (2)	TBC	N/A	TBC
Scale fee variation - Pension Fund (3) (4)	5,000	N/A	TBC
IAS 19 Procedure Fees - Pension Fund (5)	N/A	N/A	8,700
<b>Total audit fees</b>	<b>TBC</b>	<b>485,411</b>	<b>TBC</b>
Non-audit work - Housing Benefit certification (6)	TBC	N/A	TBC
Non-audit work - Teachers' Pension certification (7)	N/A	N/A	9,500
Non-audit work - Housing Capital Receipts certification (7)	N/A	N/A	15,500
<b>Total non-audit services fees</b>	<b>TBC</b>	<b>-</b>	<b>TBC</b>
<b>Total fees</b>	<b>TBC</b>	<b>485,411</b>	<b>TBC</b>

Notes overleaf

# Independence

## Notes

(1) As highlighted within this report, we have encountered difficulty in performing our audit procedures due to a combination of poor quality working papers and supporting information being provided by the Council and capacity limitations within the Council's finance team. The audit resources expended in seeking to maximise the assurance obtained in light of these difficulties has exceeded the effort with which we would have expected to be able to complete your audit. **We estimate that the impact of this additional effort on our audit fees will be in the range £80,000 to £120,000, however we will provide management with our full assessment once the audit is concluded and make submission to PSAA for a variation to the scale fee.**

(2) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by MHCLG and the FRC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit. In doing so, PSAA will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

(3) Our audit of the Pension Fund identified a number of in-year risks which required additional audit effort. In addition, the application of ISA 315 (Revised) as explained in Section 7, and the associated audit effort, was not factored into the scale fee determined by PSAA. We have proposed additional fees of £5,000 to management in relation to the 2023/24 audit of the Pension Fund to reflect this additional effort.

(4) The scale fee variation for the 2022/23 audit of the Pension Fund is subject to determination by PSAA. As previously reported in the separate 2022/23 Audit Results Report for the audit of the Pension Fund, the amount we have requested from PSAA includes £8,874 in relation to changes in work required to address professional and regulatory requirements and scope associated with risk and an amount in the range £20,000 to £30,000 in relation to additional audit procedures necessary to respond to specific audit findings during the delivery of the audit.

(5) Effective from 2023/24, audit fees for the performance of IAS 19 procedures which were previously subject to separate agreement are incorporated into the PSAA scale fee. No separate amount is therefore reported for this work in 2023/24.

(6) Our work in relation to the Council's 2022/23 Housing Benefit return is just concluding and we expect to issue our report between the issuance of this report and the date of the Audit Committee. The final fees for this work will be agreed prior to issuing our report. We have also agreed to perform the assurance work in relation to the Council's 2023/24 Housing Benefit return, and our fees will depend upon the results of our testing and whether additional testing is required in-line with the guidance issued by the Department for Work and Pensions.

(7) We have agreed with the Council that we will not provide assurance work in relation to the Council's submission to Teachers' Pension or its Pooling of Housing Capital Receipts returns for 2023/24.



## 10 Appendices



# Appendix A - Summary of Assurances

## Summary of assurances

As we have set out in Sections 1 and 4 of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements.

In addition, we have encountered difficulty in performing our audit procedures due to a combination of poor quality working papers and supporting information being provided by the Council and capacity limitations within the Council's finance team. Due to the implementation of the backstop date of 28 February 2025 for the completion of the audit, we agreed with management that both Council and audit resources would be prioritised on those account areas which contribute the most towards the rebuilding of assurance following the disclaimed 2022/23 audit report. Consequently, we have not been able to complete all of our planned procedures and have not obtained sufficient assurance to enable conclusion, notwithstanding the lack of assurance over the brought forward balances from 2022/23, to enable conclusion on whether the Council's 2023/24 financial statements are free from material misstatement.

The table overleaf summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the Audit Committee the level of assurance that has been obtained as a result of the financial statements audit, using the key below. We do not provide a separate opinion on these matters as the assurance we have gained is in the context of our audit of the financial statements as a whole, and our disclaimer of opinion on those financial statements.

**Key:**

- █ We have been able to complete our audit procedures and obtain assurances over the relevant account or disclosure.
- █ We have completed some procedures and obtained some assurances over the relevant account or disclosure, however either due to not being able to complete other procedures or the impact of not having assurance over opening balances we have not obtained assurance over the relevant account or disclosure as a whole.
- █ We have not been able to complete our procedures and no assurance over the relevant account or disclosure has been obtained.

# Appendix A - Summary of Assurances

Account area	Assurance rating	Summary of work performed
Property, plant and equipment - additions and disposals	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over these movements for the year ended 31 March 2024.
Property, plant and equipment - council dwellings	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the closing balance at 31 March 2024.
Property, plant and equipment - land and buildings	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the closing balance at 31 March 2024.
Property, plant and equipment - other balances	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the closing balance at 31 March 2024.
Infrastructure assets	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the closing balance at 31 March 2024.
Investments	Green	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Debtors	Yellow	We have completed our planned audit procedures in relation to collection fund debtor balances. We have not been able to complete our procedures in relation to other debtor balances, and have therefore not obtained assurance over the closing debtors balance as a whole as at 31 March 2024.
Cash and cash equivalents	Green	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Creditors - capital grants received in advance	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the closing balance at 31 March 2024.

# Appendix A - Summary of Assurances

Account area	Assurance rating	Summary of work performed
Creditors - unrecorded liabilities (completeness)	Green	We have completed our planned audit procedures in this area and have obtained assurance over the completeness of creditors at 31 March 2024 with regards to unrecorded liabilities.
Creditors - other	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the closing balance at 31 March 2024.
Borrowings	Yellow	We have completed our planned audit procedures in this area and have obtained assurance over the overall closing balance at 31 March 2024, other than in respect of the EIR adjustment noted in section 5 of this report. We have not been able to complete our planned audit procedures over the split of the overall balance between current and non-current, and therefore have not obtained assurance over this split.
Defined-benefit pensions	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the closing balance at 31 March 2024.
Revenue expenditure funded from capital under statute (REFCUS)	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the transactions occurring during 2023/24.
Reserves	Red	We have not been able to complete our work on the movements in reserves in 2023/24. In addition, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning reports.
Taxation and non-specific grant income	Green	We have completed our planned audit procedures in this area and have obtained assurance over the transactions occurring during 2023/24.
Grant income	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the transactions occurring during 2023/24.

# Appendix A - Summary of Assurances

Account area	Assurance rating	Summary of work performed
Other income	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the transactions occurring during 2023/24.
Schools income and expenditure	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the transactions occurring during 2023/24.
Housing benefit income and expenditure	Yellow	We have completed planned analytical procedures over Housing Benefit amounts, however we have not been able to complete our review of the underlying IT system parameters and therefore have not obtained full assurance over the transactions occurring during 2023/24.
Page 217 Financing and investment expenditure	Yellow	We have completed our planned audit procedures in this area and have obtained assurance over the consistency of amounts disclosed for 2023/24 with other movements within the financial statements. As a significant proportion of this balance relates to interest on pension liabilities, and we have not completed our planned audit procedures over pension scheme liabilities, we are unable to conclude that this element of the balance is fairly stated.
Employee costs	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the transactions occurring during 2023/24.
Other expenditure	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the transactions occurring during 2023/24.
Statement of cash flows	Yellow	We have completed our planned audit procedures in relation to the draft statement of cash flows. We however note that the Council has made changes to the financial statements and agreed to correct immaterial misstatements identified by our procedures, but we have not confirmed that these have been correctly implemented in the final statement of cash flows.
Housing Revenue Account - income	Green	We have completed our planned audit procedures in this area and have obtained assurance over the transactions occurring during 2023/24. We have also obtained assurance over the transactions which occurred during 2022/23 which supports assurance over the Council's HRA reserves at 31 March 2024.

# Appendix A - Summary of Assurances

Account area	Assurance rating	Summary of work performed
Housing Revenue Account - expenditure	Green	We have completed our planned audit procedures in this area and have obtained assurance over the transactions occurring during 2023/24. We have also obtained assurance over the transactions which occurred during 2022/23 which supports assurance over the Council's HRA reserves at 31 March 2024.
Collection Fund - income	Green	We have completed our planned audit procedures in this area and have obtained assurance over the transactions during 2023/24. We have also obtained assurance over the transactions which occurred during 2022/23 which supports assurance over the Collection Fund surplus or deficit at 31 March 2024.
Collection Fund - expenditure	Green	We have completed our planned audit procedures in this area and have obtained assurance over the transactions during 2023/24. We have also obtained assurance over the transactions which occurred during 2022/23 which supports assurance over the Collection Fund surplus or deficit at 31 March 2024.
Journal entries	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over the transactions occurring during 2023/24.
Remuneration disclosures - senior officers' remuneration	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over these disclosures.
Remuneration disclosures - individuals earning >£50k	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over these disclosures.
Remuneration disclosures - exit packages	Green	We have completed our planned audit procedures in this area and have obtained assurance over these disclosures.
Remuneration disclosures - members allowances	Green	We have completed our planned audit procedures in this area and have obtained assurance over these disclosures.
Segmental reporting - the expenditure and funding analysis	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over these disclosures.

# Appendix A - Summary of Assurances

Account area	Assurance rating	Summary of work performed
Accounting policies	Yellow	We have reviewed the disclosed accounting policies and confirmed they are consistent with the external reporting framework. As we have not completed all of our procedures over the financial statements we are however unable to conclude on whether the accounting policies accurately describe the underlying accounting treatments adopted by the Council.
Going concern	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over these disclosures. We would also highlight observations on the Council's financial standing within our value for money commentary which should be highlighted within the going concern disclosures.
Group boundary assessment	Green	We have completed our planned audit procedures in this area and have obtained assurance over these disclosures.
Related party disclosures	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over these disclosures.
All other disclosures not separately identified	Red	We have not been able to complete our planned audit procedures in this area and have therefore not obtained assurance over these disclosures.

# Appendix B - Audit Approach

## Audit approach

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

We have tested each of these assertions substantively for all material balances included in the balance sheet.

# Appendix C - Required Communications with the Audit Committee

## Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

Required communications	What is reported?	Our Reporting to you
		When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The Statement of Responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Planning Report (April 2024)
Planning and audit approach	Communication of: <ul style="list-style-type: none"><li>▶ The planned scope and timing of the audit</li><li>▶ Any limitations on the planned work to be undertaken</li><li>▶ The planned use of internal audit</li><li>▶ The significant risks identified</li></ul> When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Provisional Audit Planning Report (April 2024)
Significant findings from the audit	<ul style="list-style-type: none"><li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li><li>▶ Significant difficulties, if any, encountered during the audit</li><li>▶ Significant matters, if any, arising from the audit that were discussed with management</li><li>▶ Written representations that we are seeking</li><li>▶ Expected modifications to the audit report</li><li>▶ Other matters if any, significant to the oversight of the financial reporting process</li></ul>	Provisional Audit Results Report (February 2025) <a href="#">Final Audit Results Report (March 2025)</a>

# Appendix C - Required Communications with the Audit Committee

Required communications	What is reported?	Our Reporting to you When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"><li>▶ Whether the events or conditions constitute a material uncertainty related to going concern</li><li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li><li>▶ The appropriateness of related disclosures in the financial statements</li></ul>	Provisional Audit Results Report (February 2025) <a href="#">Final Audit Results Report (March 2025)</a>
Misstatements	<ul style="list-style-type: none"><li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li><li>▶ The effect of uncorrected misstatements related to prior periods</li><li>▶ A request that any uncorrected misstatement be corrected</li><li>▶ Material misstatements corrected by management</li></ul>	Provisional Audit Results Report (February 2025) <a href="#">Final Audit Results Report (March 2025)</a>
Fraud	<ul style="list-style-type: none"><li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li><li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li><li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:<ol style="list-style-type: none"><li>a. Management;</li><li>b. Employees who have significant roles in internal control; or</li><li>c. Others where the fraud results in a material misstatement in the financial statements.</li></ol></li><li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li><li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li><li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility.</li></ul>	Provisional Audit Results Report (February 2025) <a href="#">Final Audit Results Report (March 2025)</a>

# Appendix C - Required Communications with the Audit Committee

Required communications	What is reported?	Our Reporting to you
		When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"><li>▶ Non-disclosure by management</li><li>▶ Inappropriate authorisation and approval of transactions</li><li>▶ Disagreement over disclosures</li><li>▶ Non-compliance with laws and regulations</li><li>▶ Difficulty in identifying the party that ultimately controls the entity</li></ul>	Provisional Audit Results Report (February 2025) <a href="#">Final Audit Results Report (March 2025)</a>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"><li>▶ The principal threats</li><li>▶ Safeguards adopted and their effectiveness</li><li>▶ An overall assessment of threats and safeguards</li><li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li></ul> <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	Provisional Audit Planning Report (April 2024) Provisional Audit Results Report (February 2025) <a href="#">Final Audit Results Report (March 2025)</a>
Consideration of laws and regulations	<ul style="list-style-type: none"><li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li><li>▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li></ul>	Provisional Audit Results Report (February 2025) <a href="#">Final Audit Results Report (March 2025)</a>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"><li>▶ Significant deficiencies in internal controls identified during the audit.</li></ul>	Provisional Audit Results Report (February 2025) <a href="#">Final Audit Results Report (March 2025)</a>

# Appendix C - Required Communications with the Audit Committee

Required communications	What is reported?	Our Reporting to you
		When and where
Group Audits	<ul style="list-style-type: none"><li>An overview of the type of work to be performed on the financial information of the components</li><li>An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li><li>Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li><li>Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li><li>Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li></ul>	Provisional Audit Planning Report (April 2024) Provisional Audit Results Report (February 2025) <a href="#">Final Audit Results Report (March 2025)</a>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"><li>Written representations we are requesting from management and/or those charged with governance</li></ul>	Provisional Audit Results Report (February 2025) <a href="#">Final Audit Results Report (March 2025)</a>
System of quality management	<ul style="list-style-type: none"><li>How the system of quality management (SQM) supports the consistent performance of a quality audit</li></ul>	Provisional Audit Results Report (February 2025) <a href="#">Final Audit Results Report (March 2025)</a>
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"><li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li></ul>	Provisional Audit Results Report (February 2025) <a href="#">Final Audit Results Report (March 2025)</a>
Auditors report	<ul style="list-style-type: none"><li>Key audit matters that we will include in our auditor's report</li><li>Any circumstances identified that affect the form and content of our auditor's report</li></ul>	Provisional Audit Results Report (February 2025) <a href="#">Final Audit Results Report (March 2025)</a>

# Appendix D - Outstanding Matters

## Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Signed Statement of Accounts	We require a copy of the final signed Statement of Accounts against which the audit report is issued. We have also not seen an unsigned version of the final Statement of Accounts.	Management
Management representations letter	We require receipt of the signed management representations letter before we can conclude our audit.	Management / Audit Committee
Subsequent events review	Procedures to identify and consider subsequent events should be performed up to the date of signing	Management / EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Statement of Accounts.

# Appendix E - Management Representation Letter

## Management representation letter

A copy of our proposed management letter is provided alongside this report.

# Appendix F - PSAA Statement of Responsibilities

## PSAA Statement of Responsibilities

As set out in Section 8 our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

### *Preparation of the statement of accounts*

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- ▶ prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ▶ ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- ▶ assign responsibilities clearly to staff with the appropriate expertise and experience;
- ▶ provide necessary resources to enable delivery of the plan;
- ▶ maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ▶ ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ▶ ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- ▶ during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

# Appendix G – Value for Money Commentary

## Value for money commentary

As explained in Section 3, we are required to provide a commentary on the Council's arrangements against the reporting criteria detailed in Section 3. This commentary is presented below:

### Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services

*How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them*

The Council identifies all the significant financial pressures that are relevant to its medium-term plans through its Medium Term Financial Forecast ('MTFF'), which is the financial plan for the Council and it contains the funding strategy for delivering the Council's objectives for a forward-looking period of five years. This forecast is revisited and extended on an annual basis. Additional MTFFs may be produced mid-year if necessary, however this was not required during 2023/24. This forecast enables emerging risks and issues to be reflected in the Council's financial planning in a timely manner.

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The budget setting cycle represents a continuous programme of activity across the financial year. Monthly budget monitoring reports are used to identify and address short term financial pressures. This is the process of comparing actual and forecast expenditure and income throughout the financial year, both through budget monitoring and at the point of committing expenditure. It involves identifying variances, pressures and risks while taking prompt action to prevent budget pressures or to bring pressures that have arisen back under control. Budget managers carry out monitoring of the actual positions while being aware of wider factors that may impact upon the budget position. These monthly reports are reviewed by Cabinet, enabling corrective action to be taken in response to emerging pressures.

The Council has recognised that growing demand for council services is increasingly stretching its resources and during 2023/24 began to implement an externally supported zero-based budgeting exercise across the Council. As part of this exercise senior managers, along with budget managers, are reviewing their services in detail to create alternative and improved options for operational delivery. This exercise was ongoing as of the end of 2023/24, with the detailed outputs expected to form the basis for the MTFF for the period 2025/26 to 2029/30 to be prepared during 2024/25.

The Council monitors the financial performance of its schools budget separately from the rest of its budget as associated funding is externally ringfenced. The Council reported a deficit of £25.6 million against its schools budget for 2023/24, driven by rising demand for and costs of high needs placements, significantly exceeding the planned deficit of £2.3 million and the cumulative deficit on the Council's Dedicated Schools Grant (DSG) increased to £47.5 million at 31 March 2024. A statutory override is currently in place allowing the Council to treat its DSG deficit as an unusable reserve, however this is currently due to end in March 2026 and the Council's current financial plans assume the deficit will increase further by that date. The Council's DSG deficit exceeds the available reserves of the Council and, without additional external support, poses a significant risk to the Council's financial viability. The issue of DSG deficits is a challenge across the sector and the Council submitted an updated DSG Management Plan to the Department for Education (DfE) in December 2023 as part of the DfE's Safety Valve programme.

*How the body plans to bridge its funding gaps and identifies achievable savings*

The Council seeks to achieve balanced budgets through delivering efficiency savings, increases in Council Tax and increases to the fees it charges the users of Council services. The Council seeks to identify deliverable savings through a combination of measures, including:

# Appendix G – Value for Money Commentary

## Value for money commentary

- ▶ Redesign of the end-to-end delivery of business processes, including greater use of digital channels for customer interactions, greater automation within back-office functions and the implementation of more efficient ways of working;
- ▶ The modernisation and reshaping of service delivery models, including greater use of integrated service hubs and greater efficiency in the delivery of services;
- ▶ The streamlining and refocussing of Council management structures and the associated staffing structures through Business Improvement District ('BID') reviews; and
- ▶ Maximising the use of Council assets, including sale of surplus assets, strategic review of the capital programme and regular reviews of the Council's financing requirements.

The Council's budget for 2023/24 incorporated £22.8 million of assumed savings, including £1.6 million of savings deferred from 2022/23. The Council has reported that £17 million (75%) of these savings were achieved, £0.9 million (4%) are considered to be on-track for delivery, £0.7 million (3%) to be behind schedule but still achievable and £4.2 million (18%) to be either unachievable or facing potential problems in delivery.

The Council's MTFF for the period 2024/25 to 2028/29 includes identified savings of £33.4 million, of which £15.8 million are to be delivered during 2024/25, and a remaining budget gap which will need to be met through further savings or reductions in services of £53 million (including planned contributions of £7.5 million towards rebuilding reserves). Whilst it is not uncommon for budget gaps beyond a 12-24 month horizon to be addressed in future budgets, the scale of the gap to be closed by the Council is significant with planned savings and the unbridged gap in aggregate equating to 5.6% of planned expenditure over the MTFF period. It will require concerted effort by officers and elected members to ensure that the Council remains financially resilient over the medium term.

### *How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities*

The Council's constitution lays out its core strategic priorities. The full Council considers at its annual meeting whether any additional plans or strategies, both statutory or non-statutory, should be adopted or approved. The Council's plans and strategies then make up the Council's budgetary and policy framework.

The Council's budget setting process is service-led, underpinned by assessments of the forecast level of demand for services and the level of investment required flowing from the monthly budget monitoring process into future budget plans. Bi-annual budget setting reports and regular budget monitoring reports are presented to Cabinet to provide updates on the Council's financial position. This approach covers the full range of activity within the Council's budget, with particular focus being placed on areas such as social care placements, waste disposal costs and support for homeless households where budgets are realigned to meet demand prior to the consideration of the potential to generate savings in these areas.

### *How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system*

The MTFF and budget setting processes are designed to draw upon and integrate with other plans and strategies, including:

# Appendix G – Value for Money Commentary

## Value for money commentary

- The Corporate Transformation / Business Improvement District ('BID') Teams work closely with service departments and the dedicated Transformation (Finance) Business Partner within the Corporate Finance Team to ensure that service design and transformation activity is effectively captured in budgets;
- There is an annual process of budget approval by all Tier 3 managers in the organisation (i.e. Deputy Directors and Heads of Service reporting to Corporate Directors) to ensure that the output from the MTFF process is aligned to local service requirements;
- The staffing budgets reflect the HR-owned master establishment list to ensure that workforce plans and budgets are wholly aligned. This is included within the annual budget process and then updated on a monthly basis through the post-level budget monitoring process included in the Council's budget management system;
- Capital & investment strategies are linked into the MTFF and budgets with the MTFF fully reflecting the future debt servicing and repayment costs associated with proposed capital programmes; and
- Where appropriate, joint strategies such as the Better Care Fund Section 75 Agreement are fully aligned to the MTFF to ensure that Council financial plans are aligned to any externally agreed funding or service delivery plans.

### *How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans*

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The Council identifies risks to financial resilience through its budget monitoring and MTFF processes, as well as through engagement with external stakeholders such as the Society of London Treasurers, the Deputy Treasurers Group and the Association of Directors of Adult Services, where regular discussion, information sharing and benchmarking is used to supplement the Council's own local intelligence.

The identified financial risks, along with the Council's broader operational risks, are summarised in a corporate risk register which is updated on a continuous basis and discussed at Council meetings. Towards the end of 2023/24, the Council began a redesign of the Council's strategic risk reporting to better align the risks from the corporate risk register against the Council's 2022-2026 strategy. This reporting came into use in 2024/25.

Financial risks identified through risk management processes are regularly reviewed against the Council's earmarked reserves and General Fund balance, with appropriate modifications made to the recommended minimum reserves balances where appropriate. Specific earmarked reserves are used to manage the most significant financial risks.

The Council had a net operating budget of £268 million for 2023/24 and reported outturn against this budget with only a £2,000 variance, however this was after two significant one-off adjustments equal to 6.2% of the Council's budget to mitigate the impact of higher than forecast demand for services and inflationary pressures:

1. The release of £9.4 million to reserves as a result of a review of the historical overprovision of Minimum Revenue Provision (MRP). Note that for the reasons set out elsewhere in our Audit Completion Report, we have not reviewed the appropriateness of this MRP adjustment; and
2. The release of £7.2 million more than was budgeted from earmarked reserves, resulting in lower earmarked reserves at 31 March 2024 than had been budgeted for.

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Due to the above one-off adjustments, the Council's General Fund balance at 31 March 2024 of £26.8 million was as planned in the Council's MTFF for the period 2023/24 to 2027/28, however available earmarked reserves have reduced from a planned £15.5 million to £8.3 million at 31 March 2024 (note not all earmarked reserves presented within the financial statements are considered by management to be 'available' to meet spending pressures).

The Council has seen a steady decline in its available reserves over the past few years, with a 25% reduction in the sum of the General Fund and available earmarked reserves between 31 March 2023 and 31 March 2024. Comparison against its peers using the CIPFA Financial Resilience Index demonstrates that the Council has lower borrowing and finance costs but is otherwise significantly less financially resilient than the majority of its peers. As noted earlier in this commentary, the Council's DSG deficit also now exceeds the available reserves of the Council.

Significant drivers of the utilisation of the Council's reserves include increased demand for services and inflationary pressures. As of P6 in 2024/25, the Council is forecasting an overspend against its 2024/25 budget of £41.9 million prior to mitigating actions which is equal to 15% of the total net budget for 2024/25 (further commentary on management's mitigating actions will be provided as part of the commentary on arrangements for 2024/25). The emergence of significant overspends during the first half of the year is indicative that the Council has not accurately captured the scale of the increasing demand for its services or the cost pressures it faces in setting its 2024/25 MTFF during 2023/24.

Both elected members and officers of the Council are proud that the Council is perceived as offering high quality universal services, however this comes at a cost to the Council. Council Tax levels set by the Council are, on the other hand, amongst the lowest in the Council's peer group with the Council having the second lowest Council Tax rates amongst Outer London boroughs at just 84% of the average Council Tax rate for such authorities. This combination of higher than average expenditure on services and lower than average Council Tax receipts poses a challenge the Council will need to manage over the short to medium term.

Given the ongoing deterioration in the Council's financial position, indications that the Council has not fully grasped the scale of the demand and inflationary pressures it faces - and therefore is likely to continue to overspend against forecasts and further erode its reserves - and the absence of detailed plans to return the Council's schools budget to break-even, let alone begin to recover the significant DSG deficit, we are unable to conclude that the Council has had proper arrangements in place to manage its financial position during 2023/24 and conclude that the absence of such arrangements represents a significant weakness in the Council's arrangements to secure value for money. We make the following recommendations to the Council to address this significant weaknesses in the Council's arrangements, and note that failure to take significant and urgent action to address the Council's financial position places the Council's financial sustainability at significant risk:

1. We recommend that the Council builds upon the steps already taken to control its expenditure to identify specific deliverable savings over the short term and medium term (next 12-24 months) to protect its limited remaining reserves [in the context of the forecast levels of funding](#).
2. We recommend that the Council reviews its service delivery models to ensure that they are efficient, represent value for money and achieve the outcomes required for the resources invested. Where opportunities to improve service delivery models are identified, the Council should develop detailed plans for implementation of service delivery transformation and how the up-front transformation costs will be funded.
3. We recommend that the Council seeks to balance its schools budget to prevent further growth in its Dedicated Schools Grant (DSG) deficit. In the absence of confirmed alternative arrangements, the Council should also perform scenario planning for how it would manage the impact of the current deficit on its financial position when the current statutory override ends in March 2026.

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4. We recommend that the Council review its financial forecasting processes to understand why significant financial pressures, over and above those anticipated and reflected in the Council's annual budget, emerge and ensure future forecasting reflects the lessons learned.

### Governance: how the body ensures that it makes informed decisions and properly manages its risks

*How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud*

The Cabinet is responsible for approving the Council's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The Corporate Director of Finance is responsible for preparing the risk management policy statement, for promoting it throughout the Council and for advising the Cabinet on proper insurance cover where appropriate. He is also responsible for advising on effective systems of internal control.

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It is the responsibility of chief officers to establish sound arrangements for planning, appraising, authorising and controlling their operations. Chief officers are responsible for identifying and controlling hazards and the containment of losses. They notify the Corporate Director of Finance of any new risks or changes which affect insurable risks and they update the Directorate Risk Registers on a quarterly basis. The most significant risks are escalated and summarised in the Corporate Risk Register.

A Corporate Risk Management Group, chaired by the Corporate Director of Finance, reviews the Corporate Risk Register on a quarterly basis and advises the Cabinet and Corporate Management Team on the most significant risks. The Corporate Risk Register is also presented to the Audit Committee on a quarterly basis. Where applicable, financial impacts of corporate risks are incorporated into the MTFF exercise. The Audit Committee monitors and reviews the Council's risk management arrangements, including regularly reviewing the Corporate Risk Register (giving reference to the underpinning Directorate Risk Registers) and seeking assurances that action is being taken on strategic risk related issues.

The Council maintains an internal audit function as required by the Accounts and Audit Regulations 2015. The annual internal audit plan takes into account the strategic risks identified by the Council. Chief officers are required to give proper consideration to internal audit recommendations and to respond accordingly.

The Corporate Director of Finance oversees the development and maintenance of a prevent and detect anti-fraud and anti-corruption policy, with a duty on all Council employees to report any actual or suspected financial irregularity or loss. Notifications are primarily made through line managers, however matters may alternatively be raised with officers listed in the Council's whistleblowing policy or with internal audit. In line with the Council's constitution, all losses must be reported to the Head of Internal Audit.

The Council has a Counter Fraud Team that undertakes activities to detect and resolve external fraud against the Council. In their 2023/24 Annual Report, the Council's Counter Fraud Team reported having delivered £11.2 million of savings for the year, including £6.1 million in relation to housing fraud which has been assessed as the Council's most significant fraud risk. The Council's Counter Fraud Team were awarded the 'Outstanding Fraud Prevention, Detection and Recovery and Grand Prix' award at the Public Finance Awards 2023.

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*How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services*

The Council seeks to appoint statutory officers who have the skills, resources and support necessary to ensure compliance with the Council's statutory and regulatory requirements.

The Council's Monitoring Officer has statutory reporting duties in respect of unlawful decision making and maladministration. After consulting with the Head of Paid Service and Corporate Director of Finance, the Monitoring Officer reports to full Council or to the Cabinet if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report has the effect of stopping the proposal or decision being implemented until the report has been considered.

The Council's Standards Committee is established by full Council and is responsible for promoting and maintaining high standards of conduct amongst elected members. In particular, it is responsible for advising the Council on the adoption and revision of the Member Code of Conduct, which applies to both councillors and officers.

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Clear guidance is in place for members and officers regarding the acceptance of gifts and hospitality detailed in the Gifts and Hospitality Policy, Golden Rules for Employees and the Council's Constitution. Conflicts of interest can potentially arise in a variety of situations and the Council adopts a rule of thumb of "if in doubt declare it". Examples of situations where a conflict can arise are set out in the Council's Constitution, including guidance around financial and non-financial interests, family members and personal relationships, other employment, personal opinions and social media behaviour, relationships with colleagues and obligations towards the Council's residents, as well as looking after and using Council's assets and resources.

The Member Register of Interests records the pecuniary and non-pecuniary interests of members and co-opted members of the Council. There is a separate Related Parties Register that all members and a selection of senior officers are required to complete each year declaring the relationship and allowing the Council to assess the nature of any transactions which the Council has entered into with related parties. Related party transactions are disclosed in the Council's Statement of Accounts, which are approved by the Audit Committee on an annual basis.

*How the body approaches and carries out its annual budget setting process*

The Corporate Director of Finance is responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Cabinet, before submission to full Council. It is the responsibility of chief officers to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the Cabinet.

Following a robust challenge process involving both chief officers and members, as well as a statutory budget consultation process with business ratepayers and residents in the borough, the Council may decide to adopt the Cabinet's proposals, amend them, refer them back to the Cabinet for further consideration, or substitute with its own proposals. Any decision is made on the basis of a simple majority of votes cast at a Council meeting. Once the decision has been taken by the Council, it will be publicised and implemented.

The Council's budgets include the General Fund, the Housing Revenue Account and the capital budgets. Detailed approval limits and roles, as well as conflict resolution guidelines on adoption of plans or strategies are set out within the Council's constitution.

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*How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships*

Chief officers control income and expenditure within their area and they monitor performance on a monthly basis, taking account of financial information provided by the Corporate Director of Finance, as well as non-financial information, where appropriate. They report on variances within their own areas and they take any action necessary to avoid exceeding their budget allocation and alert the Corporate Director of Finance to any problems. Budget manager engagement is actively tracked against a four-day deadline for monitoring returns each month.

As part of the monthly budget monitoring process, the financial position of each department is reviewed in detail by the Corporate Director of Finance with dedicated monthly meetings with each Corporate Director to ensure that issues and actions emerging from the monitoring process are dealt with and reflected in the MTFF, as appropriate. The outputs from this process are presented to Cabinet on a monthly basis, alongside informal briefings to the Cabinet Member for Finance and other portfolio members, as appropriate.

The general format of the budget is approved by full Council and proposed by the Cabinet on the advice of the Corporate Director of Finance. The draft budget includes an allocation to different services and projects, proposed taxation levels and contingency and reserve funds, in order to comply with statutory requirements.

The Audit Committee reviews and monitors the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risks and/or weakens the control environment. This includes their review and approval of the statutory annual statement of accounts. Specifically, they consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements or from the external auditor that need to be brought to the attention of the Council. In addition, the Audit Committee considers the external auditor's report to those charged with governance on issues arising from the external audit of the financial statements.

The Accounts and Audit Regulations 2015 require that local authorities undertake a period of public inspection of the Council's draft financial statements. The statutory deadline by which this period of inspection was required to have commenced for the year ended 31 March 2024 was 1 June 2024. The Council did not meet this deadline, instead commencing its inspection period on 1 July 2024.

In addition, the Accounts and Audit Regulations 2015 require that prior to the commencement of the inspection period local authorities must publish the Annual Governance Statement and the Narrative Statement alongside the draft financial statements. The Council did not comply with this requirement as no Annual Governance Statement was published by the Council. Due to this fact, the inspection period run by the Council did not meet the requirements of the Accounts and Audit Regulations 2015 and the Council is required to re-run the inspection period. As a result, the Council will not be able to publish its final Statement of Accounts for 2023-24 by the statutory deadline of 28 February 2025 set out within the Accounts and Audit (Amendment) Regulations 2024. We have made a control recommendation to the Council to ensure it fully understands and has processes in place to ensure compliance with the Accounts and Audit Regulations 2015 as part of our audit observations on the Council's internal control environment.

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## Value for money commentary

*How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee*

The Council issues and keeps up to date a record of what part of the Council or individual has responsibility for particular types of decisions or decisions relating to particular areas or functions. The Council's Constitution sets out the key roles and responsibilities for decision making, as well as the procedures that are followed to ensure that the decisions taken are efficient, transparent and accountable to local people. The Constitution is reviewed at full Council meetings as required and also more comprehensively on an annual basis at each Annual General Meeting, as required.

Part 2 of the Council's Constitution sets out the 'Cabinet Scheme of Delegations'. This governs the allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet and individual Cabinet Members. This is regularly updated to reflect changes to Cabinet Member portfolio responsibilities in line with business priorities and Directors' responsibilities.

Part 3 of the Constitution sets out the 'Scheme of Delegations to Officers'. This governs the responsibilities allocated to officers to perform the authority's activities and details what decisions may be taken by officers without member approval. Further specific delegations may be granted by Council committees during public meetings.

The Council is committed to the seven Nolan Principles of Public Life and these are detailed in the Constitution. All Council and committee meetings are held in public (the public are excluded only in limited circumstances of consideration of confidential or exempt information), with agenda and reports being produced and published on the Council's website. Key Council meetings are broadcast live on YouTube including full Council, Cabinet, Planning Committees, Licensing Sub Committee and Petition Hearings (subject to public interest).

The Audit Committee's role is to review, monitor and challenge the Council's internal and external audits, governance, risk management and the associated control environment.

As reported in our Audit Completion Report for the 2022/23 audit, the Council opted to delay publication of its draft financial statements for 2022/23 until the audit of the Council's 2021/22 financial statements was completed on 28 September 2023. Due to the timing of completion of the 2021/22 audit and delayed publication of the draft 2022/23 financial statements, we assessed that we did not have the audit resources necessary to perform the 2022/23 audit before the anticipated backstop date and advised the Council to focus its attention on its preparations to support the external audit of its 2023/24 financial statements.

As noted earlier in this commentary, the Council did not meet the statutory deadline to commence the inspection period of its draft 2023/24 financial statements by 1 June 2024 and commenced the inspection period on 1 July 2024.

Audit fieldwork to support the opinion on the Council's 2023/24 financial statements took place between July 2024 and December 2024. Despite the audit resources deployed during this period being in-line with the requirements of the size and complexity of the Council, we were able to complete less than half of our planned audit procedures and are therefore unable to form an overall opinion on the Council's 2023/24 financial statements. A significant driver of the inability to complete our audit work was the quality of working papers and other information produced by the Council. This includes information received from the Council's finance team and information received from other teams within the Council relevant to the production of its financial statements, though the finance team should provide a level of quality assurance over such information where it relates to the financial statements. The capacity and knowledge within the Council's finance team, which has seen the departure of several experienced individuals, was also a contributing factor. In our view, the Council did not have proper arrangements in place to support the timely production and audit of its 2023/24 financial statements.

# Appendix G – Value for Money Commentary

## Value for money commentary

The overall opinion of the Council's Head of Internal Audit for 2023/24 was only able to offer 'Limited' assurance that the system of internal control in place for the year ended 31st March 2024 accorded with proper practice. The Council's commitment to engaging with internal audit to continuously improve, rather than focusing on traditional compliance-based audits, as well as the impact of significant transformation work ongoing across the Council were noted as contributing to the increase in the number of limited assurance internal audit reports, however in summarising the basis for this conclusion the Head of Internal Audit also noted that "poor data quality, reliance on manual records and reliance on outdated systems that are no longer fit for purpose also impacted on the quality of documentation and performance data available". In our view, this is indicative that the challenges encountered in the delivery of the Council's external audit extend beyond the production and audit of the financial statements and are likely to be undermining the reliability of information used across the Council, including where used in the monitoring of Council performance and to inform decision making.

The observations of the Council's internal auditor indicate that the inability of the Council to produce its draft financial statements by the statutory deadline or support the external audit of those statements is a symptom of more fundamental weaknesses in the way the Council records, processes and reports on the information it holds. Such weaknesses increase the risk that the Council is unable to make properly informed decisions, or makes incorrect decisions based on poor quality information, and is not able to support effective scrutiny of its financial and non-financial performance by reporting timely, accurate and meaningful data. We also note that poor data quality may be a contributing factor as to why the Council has ongoing difficulty in accurately predicting demand for its services, as noted earlier in this commentary.

Given these observations, we are unable to conclude that the Council had proper arrangements in place to ensure that it makes informed decisions and properly manages its risks and conclude that the absence of such arrangements represents a significant weakness in the Council's arrangements to secure value for money. We make the following recommendations to the Council to address this significant weaknesses in the Council's arrangements:

5. We recommend that the Council perform data quality assessments, using the Government Data Quality Framework or another suitable framework, of its key activities to enable it to better understand what its key data sources are, how it uses such data, the maturity of its data quality processes and any limitations in the data it uses;
6. We recommend that having completed the data quality assessments, the Council should develop actions plans to address [any areas of weakness identified and ensure that implementation of those action plans is monitored and remedial action taken where necessary](#);
7. We recommend that the Council review the capacity and skill mix within the Council's finance team to ensure that the Council is able to support the production and audit of its financial statements within statutory timeframes, as this is a key enabler for supporting appropriate scrutiny of the Council's financial performance by stakeholders.

# Appendix G - Value for Money Commentary

## Value for money commentary

**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**

*How financial and performance information has been used to assess performance to identify areas for improvement*

The Council's Performance Management Framework is a Council-wide framework requiring all service areas and teams to set annual service delivery plans and targets, identify delivery risks and report performance against Council priorities. Management's objectives are that key aspects of performance are monitored on a regular basis through a combination of reporting against service targets and performance scorecards, the results of which are regularly presented to Senior Management Teams and reported quarterly to the Corporate Management Team.

In addition, the monthly budget monitoring process, as described in the previous sections of this commentary, is the main tool used by the Council to assess its financial performance against set targets and to identify areas for savings and efficiencies. The Council's aspires for its budget monitoring processes to be aligned to key performance data, including in relation to workforce, demand-led activities and income from fees and charges, however recognises that further improvement in this area is required.

*How the body evaluates the services it provides to assess performance and identify areas for improvement*

The effectiveness of the Council's interventions and the quality of its services is monitored through the preparation of regular performance reports showing progress towards goals and targets set in the budget and business plans. Key areas are highlighted for decision-makers to ensure that where corrective action may be required this is communicated.

The Council uses key performance indicators to monitor internally and externally produced services. Regular reporting of performance against key performance indicators is submitted to senior management teams, the corporate management team and members. Where Council services are procured from an external provider, expected performance against key performance indicators forms part of the contracting arrangement and is used to monitor the effectiveness of the services received.

The Hillingdon Improvement Programme ('HIP') is aimed at delivering a range of key improvements to the way the Council works and improving services to the Council's service users. The programme is led by the Leader of the Council, and the Chief Executive is the Programme Director. Cabinet Members and Corporate Directors have responsibility for the delivery of individual HIP projects.

The Council allows for members of the public, employees or organisations which deliver services on behalf of the Council to submit complaints in relation to the services it provides and reviews the nature of complaints received, along with the nature of enquiries from elected members, to identify themes which may indicate areas for improvement. Managers are encouraged to highlight areas of inefficiency or poor performance in their service area for improvement and build this in to future budgets.

The Council's children's services were subject to inspection by Ofsted in October 2023, with the Council receiving an 'outstanding' rating for overall effectiveness with Ofsted noting "Children in the London Borough of Hillingdon continue to receive highly effective services. Very strong political support and diligent partnerships have enabled the senior leadership team to be an excellent champion for children, families and young people. Since the last inspection of local authority children's services (ILACS) in 2018, leaders have continued to strengthen and improve practice, despite the increasing demands on services. An ongoing 'transformation' of services has improved frontline practice with children and families. There are areas of innovation that stand out as exceptional practice, improving children's experiences and progress, such as the enhanced offer to children and families out of hours".

# Appendix G – Value for Money Commentary

## Value for money commentary

*How the body 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 Cabinet is the primary forum through which the Council's engagement with other local public, private and voluntary sector organisations is overseen, and has responsibility for approving frameworks under which partnership working takes place.

The Cabinet has delegated specific authorities to the Cabinet Member for Corporate Services & Transformation to promote effective methods of partnership working in consultation with the appropriate Cabinet Member, if it relates to specific service areas, and to oversee proposed arrangements with public and other bodies for the delivery and funding of partnership initiatives which affect the Council.

The Corporate Director of Finance considers the overall corporate governance arrangements, legal matters (with input from the Monitoring Officer) and other risks when arranging contracts with external partners. Chief officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to partnership arrangements.

The Council works closely with a broad range of stakeholders and partners, co-ordinated through the Community Engagement Team, to ensure that partnerships deliver the expected outcomes. An annual review of the voluntary sector grants programme is reported to Cabinet to support monitoring of the impact of grants and the reallocation of resources, where appropriate.

Contact details for key partners are published on the Council's website along with contact information and details of any complaints procedures operated by partners.

*Where the body commissions or procures services, how it assesses whether it is realising the expected benefits*

The Council's Constitution lays out the framework for procurement and contract standing orders for every contract awarded by or on behalf of the Council in respect of goods, works or services. Compliance with the procurement standard operating procedures is mandatory across all Council departments, together with the application of best practice.

Corporate Directors, Directors, Deputy Directors and Heads of Service are responsible for ensuring that all officers who procure goods, works or services comply with the Constitution and the Procurement Standard Operating Procedures. Only officers who are deemed to be qualified and competent by the Head of Procurement, in conjunction with the appropriate Corporate Director, are allowed to procure goods, works or services. These officers are identified within each Department's individual Scheme of Delegations.

Where external or specialist advice is required, a specific legal budget exists within procurement that is used to mitigate risks in the work the Council undertakes. Procurement is a recurring area of focus for internal audit activity and where recommendations are made, appropriate action is taken.

The Council's overall process for assessing performance, as discussed previously in this commentary, is also applied to the performance monitoring of services delivered by third parties and enables the assessment of the benefits received from partner organisations against the relevant pre-determined key performance indicators.

# Hillingdon Pension Fund

Audit Planning Report  
Year ending 31 March 2025  
28 April 2025



The better the question. The better the answer. The better the world works.



Shape the future  
with confidence



28 April 2025

Audit Committee  
London Borough of Hillingdon  
Uxbridge  
UB8 1UW Address

Dear Audit Committee Members

Audit Planning Report

Attached is the Audit Planning Report for the upcoming meeting of the Audit Committee. This report aims to provide the Audit Committee of Hillingdon Pension Fund (the Fund) with a basis to review the proposed audit approach and scope for the 2024/25 audit. This is in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements. This report summarises our evaluation of the key issues driving the development of an effective audit. We have aligned our audit approach and scope accordingly. The report also addresses the broader impact of Government proposals aimed at establishing a sustainable local audit system.

As the Fund's body charged with governance, the Audit Committee plays a crucial role in ensuring assurance over both the quality of the draft financial statements prepared by management and the Fund's wider arrangements to support a timely and efficient audit. Failure to achieve this will affect the level of resources required to fulfil our responsibilities. We will report on any issues identified in the Fund's external financial reporting arrangements as part of our Audit Results Reports and communications with those charged with governance. We direct Audit Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing financial statements (see Appendix A).

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be, and should not be used, by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 14 May 2025 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson  
For and on behalf of Ernst & Young LLP  
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1 Overview of our 2024/25 audit strategy

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4 Scope of our audit

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of the London Borough of Hillingdon. Our work has been undertaken so that we might state to the Audit Committee and management of the London Borough of Hillingdon those matters we are required to state to them in this 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 Audit Committee and management of the London Borough of Hillingdon for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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# 2024/25 audit strategy overview

# 2024/25 audit strategy overview

## Context

Timely, high-quality financial reporting and audit of local bodies play a crucial role in our democratic system. It aids in effective decision-making by local bodies and ensures transparency and accountability to local taxpayers. There is a consensus that the delay in publishing audited financial statements by local bodies has reached an unacceptable level, and it is acknowledged that cooperation among all stakeholders in the sector is necessary to address this issue. The reasons for the backlog are well-documented and include:

- Insufficient capacity within the local authority financial accounting profession.
- Increased complexity of reporting requirements within the sector.
- Insufficient capacity within audit firms with public sector experience.
- Heightened regulatory pressure on auditors, leading to an expanded scope and extent of audit procedures performed.

The Ministry for Housing, Communities and Local Government (MHCLG) has collaborated with the Financial Reporting Council (FRC) and other system partners to develop and implement measures to address the backlog. SI 2024/907, along with the NAO Code and the Local Authority Reset and Recovery Implementation Guidance, have been created to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). In February 2025, responsibilities for leadership of the local audit system transferred from the FRC back to MHCLG. This change follows the December 2024 launch of the Government's strategy for reforming the local audit system in England, which includes plans to establish a Local Audit Office. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset; clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This is largely complete.
- Phase 2: Recovery from Phase 1; from 2023/24, use backstop dates to prevent a recurrence of the backlog and allow assurance to be rebuilt over multiple audit cycles. The backstop date for the audit of the 2024/25 financial statements is 27 February 2026. Auditors are waiting for guidance from the system leader to effectively, efficiently and consistently build back assurance over disclaimed audit periods.
- Phase 3: Reform; involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

The resetting phases noted above have implications for the audit of the London Borough of Hillingdon Council.

The audit of the Pension Fund has however been completed successfully, and we have issued unmodified opinions for the years 2022/23 and 2023/24. We issued our opinion on the 2023/34 accounts on 17<sup>th</sup> March 2025.

# 2024/25 audit strategy overview (cont'd)

## Responsibilities of management and those charged with governance

The Administrating Body's Section 151 Officer is responsible for preparing the financial statements of the Fund in accordance with proper practices and confirming they give a true and fair view at the 31 March 2025. To complete the audit in a timely and efficient manner, it is essential that the financial statements are supported by high-quality working papers and audit evidence, and that Pension Fund resources are available to support the audit process within agreed deadlines. The Audit Committee has an essential role in ensuring that it has assurance over both the quality of the financial statements and the Pension Fund's wider arrangements to support the delivery of a timely and efficient audit. Where these conditions are not met, we will:

- Consider and report on the adequacy of the Pension Fund's external financial reporting arrangements as part of our Audit Results Report and other communications with those charged with governance.
- Assess the impact on available audit resource and where additional resources are deployed, seek a fee variation from PSAA. We have set out the factors that will lead to a fee variation at Appendix B, together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

# 2024/25 audit strategy overview (cont'd)

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Presumptive risk of management override of controls	Fraud risk	No change/increase in risk or focus	<p>There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.</p>
Valuation of hard to value investments (Level 3 Investments)	Significant risk	No change/increase in risk or focus	<p>The Fund's Investments includes a significant balance of hard to value Level 3 investments. The Pension Fund held Level 3 assets valued at £268 million as at 31 March 2024 per the audited 2023/24 accounts. Judgements are taken by Investment Managers to value those investments where prices are not publicly available.</p> <p>There is a risk that these are materially misstated given the complexity of the measurement and degree of estimation involved.</p>
Fair value classification of Level 2 and Level 3 investments	Significant risk	No change/increase in risk or focus	<p>The assessment of Fair Value hierarchies can be subjective. For 2023/24, as part of our audit of fair value hierarchies of the Pension Fund's assets we agreed with the Fund that the classification of one investment of £19.2 million should be reclassified from Level 2 to Level 3. There were similar reclassifications in the 2022/23 and 2021/22 accounts of £64 million and £47 million respectively.</p> <p>We continue to consider this to be a significant risk in the current year and will work with the Pension Fund to agree proposed classifications early in the audit process. As part of this we will scrutinise and challenge the Pension Fund's proposed classifications.</p>

# 2024/25 audit strategy overview (cont'd)

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Implementation of the new finance system (Oracle Fusion)	Significant risk	New significant risk	<p>The Council (and therefore Pension Fund) upgraded its finance system in May 2024. Major changes to the finance system give rise to a risk that financial data is lost or changed during migration. The Council continued to use the old system for finalisation of the 2023/24 financial statements for the Council and Pension Fund after the main data migration occurred and has therefore had to manually replicate all transactions recorded after this date in the new system. This increases the risk of error or omission in relation to 2024/25 transactions and data.</p> <p>The implementation of the new system has not gone smoothly. Therefore, there is also an increased risk of misstatements arising as a result of challenges encountered in its implementation.</p> <p>As the Pension Fund uses the integrated system, there is risk related to the Pension Fund data as well.</p> <p>Given the pervasive nature of these risks, we consider that they pose a risk of material misstatement.</p>

# 2024/25 audit strategy overview (cont'd)

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus			
Risk/area of focus	Risk identified	Change from PY	Details
IAS26 disclosure – actuarial present value of promised retirement benefits	Risk of material misstatement (ROMM)	No change in risk or focus	<p>Every three years, a formal valuation of the whole Fund is carried out under the Local Government Pension Scheme Regulations 2013 to assess and examine the ongoing financial position of the Fund. The last fund valuation was 31 March 2022 when the fund's liability was recalculated by the actuary and was used to set employer contribution rates and underpin investment management strategy.</p> <p>IAS26 requires post-employment benefits plans to disclose annually the basis used to determine the actuarial present value of promised retirement benefits, including demographic and financial key assumptions.</p> <p>The estimate is based on a roll-forward of data from the last triennial valuation, updated where necessary, and takes into account various factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields.</p> <p>We consider there is a risk around the estimation process, data and assumptions used by the actuary when estimating the actuarial present value of promised retirement benefits.</p>
Completeness of investment income	Risk of material misstatement (ROMM)	New ROMM	<p>In both the 2023/24 and 2022/23 audits we have identified the same error in relation to income from the LCIV Mac fund. Distributions from this fund are reinvested at year end and, in both years, this was not communicated by the fund manager nor identified by the custodian.</p> <p>As a result, income was understated and profit/loss on disposal of investments and change in market value was overstated. The amounts involved were £3.4 million in 2023/24 and £4.2 million in 2022/23.</p> <p>We identified this as a control deficiency in addition to an error in the prior year to reflect that fact that management should have identified this error given that it had also happened in the prior year.</p>

We will continue to keep the Audit Committee updated on our assessment of any changes to audit risk.

# 2024/25 audit strategy overview (cont'd)

## Materiality

### Planning materiality

£13.6m

Materiality has been set at £13.6 million, which represents 1% of the net assets of the scheme as at 31 March 2024

### Performance materiality

£10.2m

Performance materiality has been set at £10.2 million, which represents 75% of materiality.

### Audit differences

£0.69m

We will report all uncorrected misstatements relating to the Fund Account and Net Asset Statement greater than £0.69 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

We will continue to keep the Audit Committee updated on our assessment of any changes to audit risk.

# 2024/25 audit strategy overview (cont'd)

## Audit scope and timeline

This Audit Planning Report covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Hillingdon Pension Fund (the Pension Fund) give a true and fair view of the financial transactions during the year ended 31 March 2025 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2025; and
- Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund Annual Report with the published financial statements of the London Borough of Hillingdon.

Our audit will also include the required mandatory procedures in accordance with applicable laws and auditing standards.

When planning the audit we consider several key inputs:

- strategic, operational and financial risks relevant to the financial statements;
- developments in financial reporting and auditing standards;
- the quality of systems and processes;
- changes in the business and regulatory environment; and
- management's views on all the above.

By considering these inputs, our audit is focused on the areas that matter, and our feedback is more likely to be relevant.

Considering the above, our professional duties require us to independently assess audit risks and take appropriate actions. The Terms of Appointment with the PSAA permit fee adjustments based on 'the auditor's assessment of risk and the work needed to meet their professional responsibilities'. Therefore, we outline these risks in this audit planning report and will discuss any impact on the proposed scale fee with management.

### Effects of climate-related matters on financial statements

Public interest in climate change is growing. We recognize that climate-related risks may span a long timeframe, and while these risks exist, their impact on the current financial statements may not be immediately significant. However, it remains essential to understand these risks to conduct a proper evaluation. Additionally, comprehending climate-related risks may be pertinent in the context of qualitative disclosures in the notes to the financial statements.

We inquire about climate-related risks during every audit as part of our understanding of the entity and its environment. As we continually re-evaluate our risk assessments throughout the audit, we consider the information obtained to help us assess the level of inherent risk.

### Audit scope and approach

We plan to adopt a substantive audit approach.

### Timeline

An audit timetable has been agreed with management. In Section 06 we include a provisional timeline for the audit. It is essential that all parties collaborate to ensure compliance with this timeline.



## 02 Audit risks

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.



## What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

## What will we do?

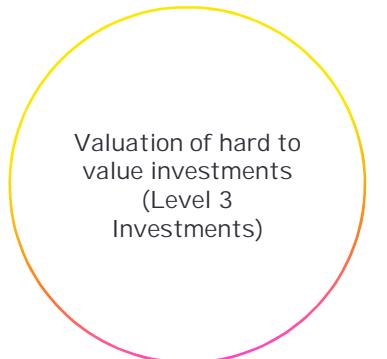
- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considering whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Evaluating the business rationale for significant unusual transactions outside the normal course of business.
- Assessing accounting estimates for evidence of management bias

Having evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We concluded that no other procedures are required.

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

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## What is the risk?

The Fund's investments include Level 3 investments.

Judgements are made by the fund managers to value these investments, whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.

## What will we do?

Our approach will focus on:

- Analysing the schedule of investments to ensure correct classification, presentation and disclosure of items in the financial statements and corresponding notes.
- Understanding and evaluating of the work of the fund managers.
- Evaluating the ISAE 3402 report for the custodian and fund managers, where applicable.
- Reviewing the latest audited accounts for the relevant fund managers to ensure there are no matters arising that highlight weaknesses in the funds' valuation.
- Where the latest audited accounts are not as at 31 March 2025, make inquiries to establish what procedures management have performed to take account of this risk. We will also perform analytical procedures and check the valuation output for reasonableness against our own expectations.
- Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used.
- Reviewing investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 Investments have been appropriately made in the financial statements.
- Performing triangulation work to agree amount per the financial statements to fund managers and the custodian.
- Checking accounting entries have been correctly processed in the financial statements.
- Assessing any topside adjustments and journal entries for evidence of management bias and evaluating the business rationale.

## Financial statement impact

Misstatements that occur in relation to complex investments valued at Level 3 fair value hierarchy such as private equities, private credit, pooled property and infrastructure investments.

The total of Level 3 investments held by the Fund at 31 March 2024 was £268 million per the 2023/24 audited accounts. This accounts for over 20% of the overall Fund's assets.

If the valuation of these investments was misstated, it would impact on Investment Assets and Net Assets in the Net Asset Statement and Return on Investments section of the Fund Account.

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

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## Financial statement impact

Misstatements may occur in relation to disclosure of fair value hierarchy of Level 2 and Level 3 investments. This may lead to incorrect disclosures, which can impact the transparency of financial statements. These fair value hierarchy misstatements may lead to incorrect valuations of investments. This can result in either overstatement or understatement of asset values on the balance sheet.

### What is the risk?

The assessment of fair value hierarchies can be subjective. For 2023/24, as part of our audit of fair value hierarchies of the Pension Fund's assets we agreed with the Fund that the classification of an investment should be adjusted. This resulted in £19.2 million of investments being reclassified. There were similar reclassifications in the 2022/23 and 2021/22 years of 64 million and £47 million respectively.

As a result, we continue to consider this to be a significant risk in current year and will work with the Pension Fund to agree proposed classifications early in the audit process. As part of this we will scrutinise and challenge the Pension Fund's proposed classifications.

### What will we do?

Our approach will focus on:

- Gain an understanding of the Pension Fund's approach to classification and the nature of its investments and work with the Pension Fund to agree the proposed classifications early in the audit process
- Assess the significance of market inputs used in the hierarchy valuation as well as the sources of the inputs.
- Confirm the basis of the valuation of each class of investment asset and assess whether it is appropriate
- Obtain quoted prices directly from independent sources and compare these with the Pension Fund's assessment of observable market inputs (bid market price, current yields, and closing bid price) to confirm correct classification.
- Test accounting entries have been correctly processed in the financial statements.

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

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## Financial statement impact

We have assessed that the risk of material misstatement of the financial statements is most likely to occur as a result of:

- Data loss or error in the process of migration between the old and new systems;
- Incomplete and inaccurate recording in the new system of entries made to the old system after the main data migration; and
- Incorrect or incomplete entries being made in the new system as a result of errors in system configuration or other implementation issues.

Due to the nature of this risk, there is potential for misstatement to occur in all financial statement balances.

## What is the risk?

The Council upgraded its finance system in May 2024. Major changes to the finance system give rise to a risk that financial data is lost or changed during migration. The Council also continued to use the old system for finalisation of its 2023/24 financial statements after the main data migration occurred and has therefore had to manually replicate all transactions recorded after this date from the old to the new system, which increases the risk of error and omission in relation to 2024/25 transactions and data.

The implementation of the new system has not gone smoothly. Therefore, there is an increased risk of misstatements as a result of challenges encountered in the implementation.

As the Pension Fund uses the integrated system, there is risk related to the Pension Fund data as well.

Given the pervasive nature of these risks, we consider that they pose a risk of material misstatement.

## What will we do?

- ▶ Understand the governance processes around the new system implementation and the assurances obtained by the Council's own processes, including with regards to completeness of data migration and any subsequent issues with using the new system.
- ▶ With support from our own IT audit specialists, design and execute procedures which respond to the specific risks identified in the Council's implementation of the new system.

At this time we are not able to describe the detailed procedures we will perform as we are still working with management to understand the nature of the challenges the Council has faced with the system implementation and evaluate what financial statement risks these may give rise to. We will provide a further update to the Audit Committee once our detailed scope of work is determined.

# Other areas of audit focus example area of audit focus

We have identified other areas of the audit, that have not been classified as significant risks but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be included in our Audit Results Report.

What is the risk/area of focus, and the key judgements and estimates?

IAS26 disclosure – actuarial present value of promised retirement benefits

IAS26 requires post employment benefits plans to disclose annually the basis used to determine the actuarial present value of promised retirement benefits, including demographic and financial key assumptions.

The estimate is based on a roll-forward of data from the last triennial valuation in 2022, updated where necessary, and takes into account assumptions.

The information disclosed is based on the IAS 26 report issued to the Fund by the Fund Actuary.

Accounting for the pension scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response: Key areas of challenge and professional judgement

We will:

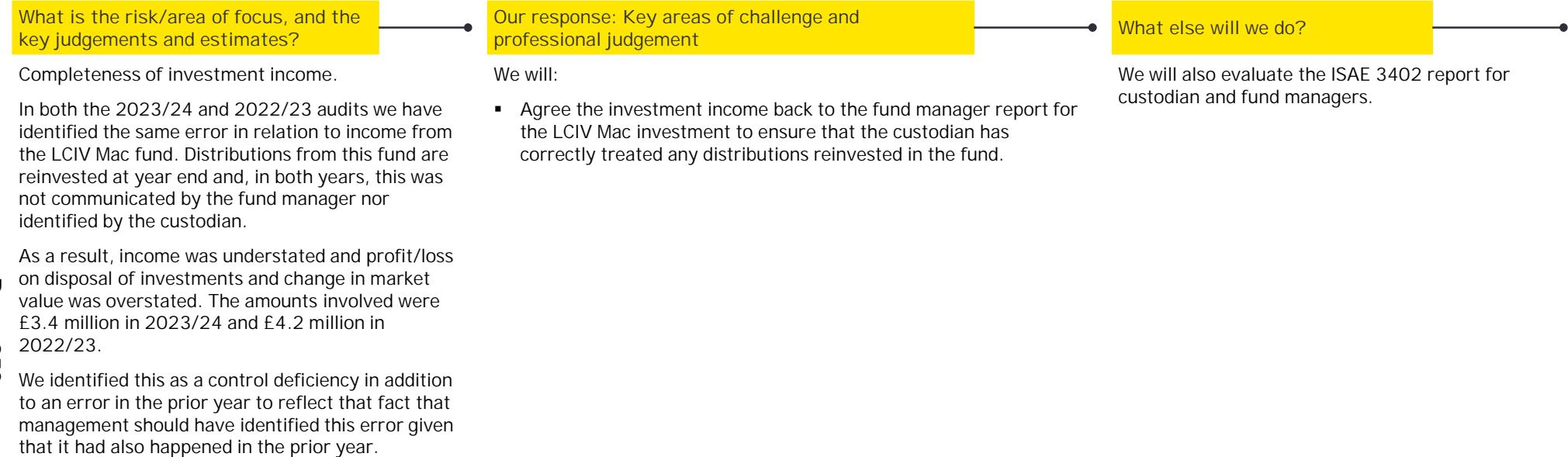
- Assess the work of the Pension Fund Actuary including the assumptions they have used by relying on the work of PWC as the consulting actuaries commissioned by the National Audit Office for all local government sector auditors, and considering relevant reviews by the EY actuarial team; and
- Evaluate the reasonableness of the Pension Fund Actuary's calculations by comparing them to the outputs of our own auditor's specialist model

What else will we do?

We will also ensure that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.

# Other areas of audit focus example area of audit focus

We have identified other areas of the audit, that have not been classified as significant risks but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be included in our Audit Results Report.





# 03 Audit materiality

# Materiality

## Materiality

For planning purposes, materiality has been set at £13.6 million. This represents 1% of the Pension Fund's net assets at 31 March 2024. It will be reassessed on receipt of the draft 2024/25 financial statements and throughout the audit process. We have chosen net assets as the Pension Fund reports on the net assets available to pay pension benefits and is asset-driven. The focus for the users of the financial statements relates to the valuation of the investments within the Pension Fund and the associated liability. The net assets of the Fund represent the net of these investment assets and liabilities. We have provided supplemental information about audit materiality in Appendix F.

Net asset  
£1,362m



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## Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £10.2 million which represents 75% of materiality. Our assessment reflects the strong control environment present at the Fund and our expectation of a relatively low level of misstatements based on results from previous audits.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee or are important from a qualitative perspective.

We will keep the Audit Committee updated on any changes to materiality levels as the audit progresses.

We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.



04

## Scope of our audit

# Audit process and strategy

## Objective and scope of our audit

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. We issue an audit report that covers:

### 1. Financial statement audit

Our opinion on the financial statements:

- Whether the financial statements give a true and fair view of the Revenue and Fund Account and Net Asset Statement for the Pension Fund for the period in question, including on the consistency of the Pension Fund financial statements within the Pension Fund Annual Report with the published financial statements of London Borough of Hillingdon ; and
- Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- Whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- Reviewing and reporting on matters on which we report by exception as required.

# Audit process and strategy (cont'd)

## Audit process overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.
- Reliance on the work of other auditors where appropriate;
- Reliance on the work of experts in relation to areas, such as valuation of the Pension Fund and IT specialists with an expertise in data migration.

Our initial assessment of the key processes across the Fund has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

**Page 261**  
Analytics

We will use a data driven approach to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



# 05 Audit team

# Audit team

Debbie Hanson\*

Audit partner

Nimisha Dosa

Manager

Josna Jose

Senior

Specialist - Pensions  
(PWC consulting actuary and EY Actuaries)

Specialist - IT  
(EY IT Audit Specialists)

# Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where specialists are expected to provide input for the current year audit are:

Planning stage	Final stage
Pension Fund Valuation and Disclosures	Fund Actuary PWC as Consulting Actuary to the NAO on behalf of audit providers EY Pension Advisory Team
Implementation of the new finance system (Oracle Fusion)	EY IT Specialists

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- Assess the reasonableness of the assumptions and methods used
- Consider the appropriateness of the timing of when the specialist carried out the work
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements



06

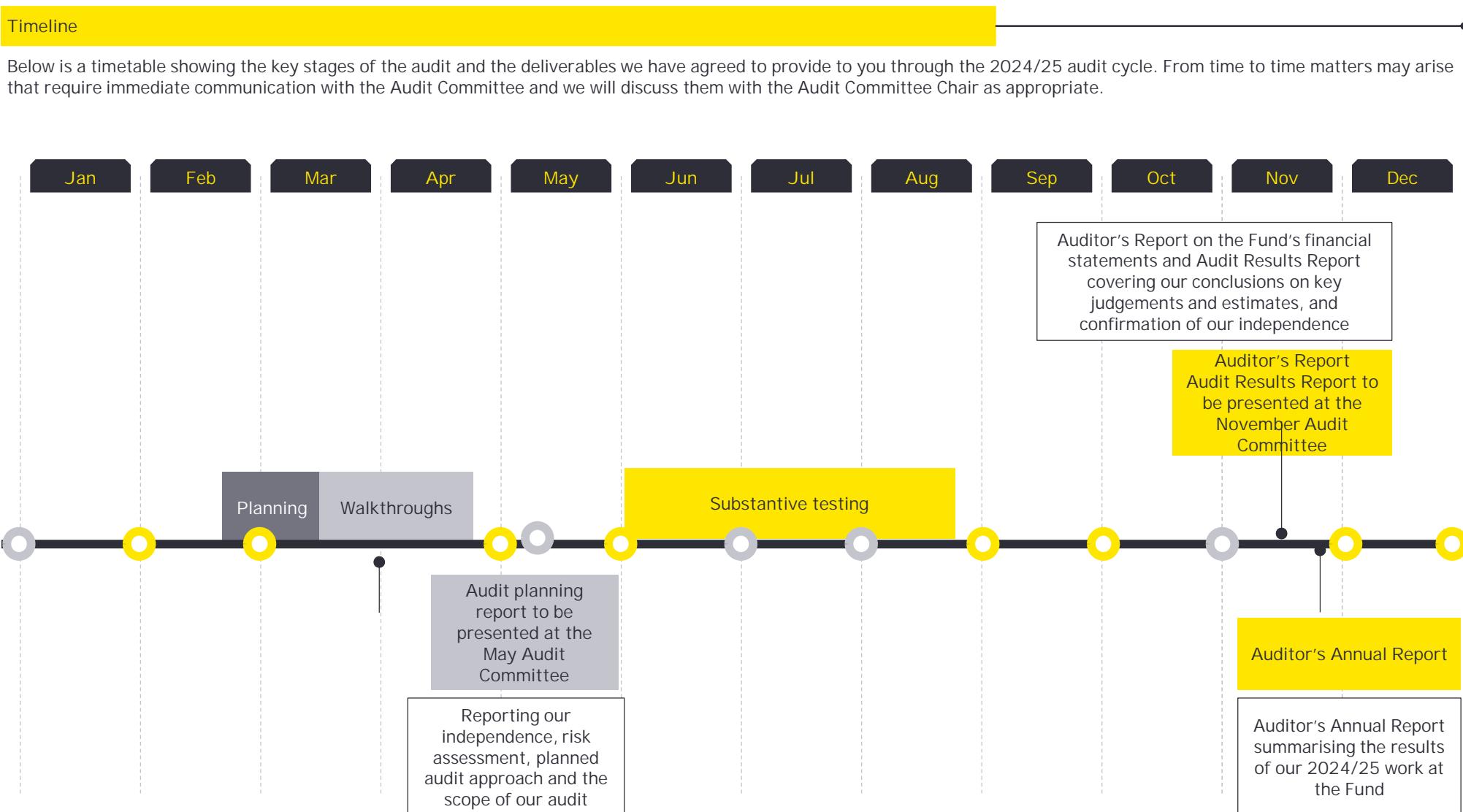
## Audit timeline

# Timetable of communication and deliverables

## Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the 2024/25 audit cycle. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate.

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07

# Independence

# Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<p>Planning stage</p> <ul style="list-style-type: none"><li>▪ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between you, your affiliates and directors and us;</li><li>▪ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li><li>▪ The overall assessment of threats and safeguards;</li><li>▪ Information about the general policies and process within EY to maintain objectivity and independence</li></ul> <p>Final stage</p> <ul style="list-style-type: none"><li>▪ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li><li>▪ Details of non-audit/additional services provided and the fees charged in relation thereto;</li><li>▪ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</li><li>▪ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner</li><li>▪ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</li><li>▪ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and</li><li>▪ An opportunity to discuss auditor independence issues.</li></ul>	

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In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

# Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary, agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, there are no non-audit fees to audit fees with Hillingdon Pension Fund. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

## Self review threat

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work. There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

# Other communications

## EY Transparency Report 2024

EY has policies and procedures that instill professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2024 and can be found here: [EY UK 2024 Transparency Report](#).



# 08 Appendices

# Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

## Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- Prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- Ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- Assign responsibilities clearly to staff with the appropriate expertise and experience;
- Provide necessary resources to enable delivery of the plan;
- Maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- Ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- Ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- During the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable, and the start date of the audit will be delayed.

# Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statement opinion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- An effective control environment; and
- Compliance with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	2024/25 Current Year	2023/24 Prior Year
	£	£
Code work – scale fee	92,572	81,688
Changes in work required to address professional and regulatory requirements and scope associated with risk	Note 2	Note 1
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>

*All fees exclude VAT*

(1) For 2023/24 the scale fee represents the base fee, i.e. not including any extended testing. We have submitted a scale fee variation of £9k to PSAA for determination. This is in relation to a number of areas of additional work, including the revision to ISA (UK) 315, which will continue to impact our scope and approach since implementation in 2022/23. This requires us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements.

(2) The impact of ISA (UK) 315 has been included in the scale fee for 2024/25. The scale fee may however also be impacted by a range of other factors which will result in additional work. These include but are not limited to:

- Non-compliance with law and regulation with an impact on the financial statements.
- Prior period adjustments.

# Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

Required communications	What is reported?	Our Reporting to you	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.		The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter		The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"><li>▪ The planned scope and timing of the audit</li><li>▪ Any limitations on the planned work to be undertaken</li><li>▪ The planned use of internal audit</li><li>▪ The significant risks identified</li></ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>		Audit planning report- April 2025
Significant findings from the audit	<ul style="list-style-type: none"><li>▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li><li>▪ Significant difficulties, if any, encountered during the audit</li><li>▪ Significant matters, if any, arising from the audit that were discussed with management</li><li>▪ Written representations that we are seeking</li><li>▪ Expected modifications to the audit report</li><li>▪ Other matters if any, significant to the oversight of the financial reporting process</li><li>▪ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)</li></ul>		Audit results report- November 2025

# Appendix C – Required communications with the Audit Committee (cont'd)

Required communications	What is reported?	When and where	Our Reporting to you
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▪ Whether the events or conditions constitute a material uncertainty</li> <li>▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▪ The adequacy of related disclosures in the financial statements</li> </ul>		Audit results report- November 2025
Misstatements	<ul style="list-style-type: none"> <li>▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▪ The effect of uncorrected misstatements related to prior periods</li> <li>▪ A request that any uncorrected misstatement be corrected</li> <li>▪ Material misstatements corrected by management</li> </ul>		Audit results report- November 2025
Fraud	<ul style="list-style-type: none"> <li>▪ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ul> </li> <li>▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▪ Any other matters related to fraud, relevant to Audit Committee responsibility</li> </ul>		Audit results report- November 2025

# Appendix C – Required communications with the Audit Committee (cont'd)

Required communications	What is reported?	Our Reporting to you
		When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▪ Non-disclosure by management</li> <li>▪ Inappropriate authorisation and approval of transactions</li> <li>▪ Disagreement over disclosures</li> <li>▪ Non-compliance with laws and regulations</li> <li>▪ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report- November 2025
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>▪ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</li> <li>▪ The principal threats</li> <li>▪ Safeguards adopted and their effectiveness</li> <li>▪ An overall assessment of threats and safeguards</li> <li>▪ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report - April 2025 Audit results report - November 2025
External confirmations	<ul style="list-style-type: none"> <li>▪ Management's refusal for us to request confirmations</li> <li>▪ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit results report - November 2025
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▪ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit results report - November 2025
Internal controls	<ul style="list-style-type: none"> <li>▪ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit results report - November 2025

# Appendix C – Required communications with the Audit Committee (cont'd)

Required communications	What is reported?	When and where	Our Reporting to you
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – November 2025	
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report – November 2025	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – November 2025	
Auditors report	<ul style="list-style-type: none"> <li>▪ Key audit matters that we will include in our auditor's report</li> <li>▪ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report – November 2025	

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