

LONDON BOROUGH OF TOWER HAMLETS

DRAFT

ANNUAL FINANCIAL REPORT 2024/25

UNAUDITED



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Narrative Report - 2024/25

Introduction

I am pleased to introduce Tower Hamlets Council's Statement of Accounts for 2024/25, which reports our financial results for the year. This covers the period 1st April 2024 to 31st March 2025.

The primary purpose of the Narrative Report is to provide information on the Local Authority, its objectives and strategies and the principal risks that it faces. The Report also provides a commentary on how the Local Authority has used its resources to achieve its intended outcomes, as identified through the development of its local objectives and strategies.

The Council's Statement of Accounts for the year 2024/25 has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for 2024/25.

Abdulrazak Kassim,

Director of Finance, Procurement & Audit (Acting Section 151 Officer)

Introduction to Tower Hamlets

Tower Hamlets is the best of London in one borough - rich in history and culture and keeping apace. The borough represents London's history with one of the most culturally diverse populations in the UK. It has a rich history with over 300,000 people working in the borough, a global destination for tourism and businesses providing the third largest economic output in the UK. Over the last 50 years, Tower Hamlets has been transformed. We are home to Canary Wharf and the City fringe, an emerging life sciences cluster, and many creative industries/businesses. It is a vibrant place, full of energy and ambition and is now one of the most popular places in the UK to live, work, study and visit. Earlier in January 2025, Tower Hamlets was ranked 33rd best place to live in the UK according to The Times. This makes Tower Hamlets the highest-ranking place to live in, in east London.

This is reflected in our most recent Annual Residents Survey - 84 per cent are satisfied with the local area and 90 per cent said that people from different backgrounds get on well with each other and contribute to community cohesion.

Tower Hamlets boasts extensive waterways, 120 award winning parks including Victoria Park, an assortment of markets, and the Tower of London from which it derives its name. A rich cultural scene consisting of community and music festivals, a vibrant gallery sector and museums, including the Museum of London in the Docklands, and Young V&A (formerly the Museum of Childhood) in Bethnal Green which reflect the historical and contemporary cultural diversity of the East End.

It is a vibrant place, full of energy and ambition and is now one of the most popular places in the UK to live, work and study and visit.

Some key facts about the borough include:

We are one of the fastest growing and most densely populated places in the UK

- Tower Hamlets has the fastest growing population of any Local Authority area across England and Wales. Between 2011 and 2021 the population in Tower Hamlets increased by 22%, from 254,0961 to 310,300. By mid-2023 this had grown to 328,626.
- Tower Hamlets is also the most densely populated borough in England with 15,695 residents per square kilometre compared to an average of 424 per square kilometre in England. By mid-2022, this had increased to 16,478 persons per km². This was almost three times the density of London as a whole (5,640 per km²) and more than 37 times the density of England (438 per km²).
- Tower Hamlets added an additional 19,200 households between 2011 and 2021 with the total number of households increasing from 101,257 to 120,500. This represented a 19% increase, the largest increase in households in the country.
- There were slightly more persons per household than in 2011 with the average household size moving from 2.51 in 2011 to 2.58 in 2021.

- We have fantastic transport links – with 9 London Underground and 7 Overground stations, 17 DLR stations serving seven lines, the Elizabeth Line, 26 daytime bus routes.
- More homes are built here than almost anywhere else. We are expected to accommodate a further 35,000 homes by 2028.
- The median age in the borough in 2021 was 30 years of age, making Tower Hamlets the youngest borough by median age in England and Wales.

We are home to international business districts which generate the third highest economic output in the UK –

Canary Wharf is one of the world's leading finance districts and a cultural hotspot offering office, residential, retail, leisure, hospitality and sport. It has over 310 retailers including 74 cafes bars and restaurants. Up to December 2024, more than 70 million guests visited the retail offering at Canary Wharf. This record-breaking footfall exceeded 2023 by approximately 7.5%.

- The City Fringe includes Whitechapel, Aldgate and Spitalfields. It is being developed to support London's financial sector and the growing digital-creative businesses in Tech City.
- Plans for a world-class life science centre were submitted in 2021 with further amendments submitted September 2023. Proposals to redevelop the site of a disused two-storey office building in Cavell Street were given the go-ahead in March 2025. (Life science is the study of living organisms, including a wide range of disciplines like biology, genetics, cell biology and neurobiology).

We host some of London's best destinations

- We have attractions including the Tower of London, the Young V&A in Bethnal Green (formerly Museum of Childhood) which re-opened in July 2023, the Museum of London Docklands, English National Ballet and Tower Bridge.
- There are over 120 parks including Victoria Park – the 'People's Park' voted one of the top ten green spaces in the UK for the twelfth year running, and Queen Elizabeth Olympic Park won the Green Flag Award for 2023. More recently, Ropemakers Fields in Limehouse is the most recent open space to receive the Green Flag status in 2024. Keep Britain Tidy Green Flag Award recognises well managed parks and green spaces and indicates sign of high standards in park management, maintenance, and facilities. This accreditation is testament to the hard work and dedication of staff and volunteers.
- World famous markets include Spitalfields, Columbia Road, Whitechapel, Watney and Petticoat Lane with Brick Lane a melting pot of food and culture - everything from renowned curry houses to the Old Truman Brewery; Petticoat Lane Food Court won the Best Small Speciality Market Award at the Great British Markets Awards in 2024. In 2025, Columbia Road Flower Market was crowned Best Small Outdoor Market and Whitechapel Market was awarded Best Large Outdoor Market. These markets are a hub of history, culture and community, with new offerings from pop up stalls alongside traditional ones.

- In 2025, Tower Hamlets Town Hall has been shortlisted for a Royal Institute of British Architects 2025 London Award. This follows the restoration of Grade II listed former Royal London Hospital building in Whitechapel.
- Major music festivals and events such as All Points East and the London Marathon happen here.
- World class culture is part of our fabric with 22 art galleries, including the Whitechapel Gallery, amazing street art and venues such as Wilton's Music Hall and Rich Mix.
- You can catch shows at Rich Mix, Genesis Cinema or Wilton's Music Hall, or take part in major annual events including All Points East music festival, and the London Marathon.

We are a centre for world-class learning and innovation

- Queen Mary University of London, one of the top Russell Group universities in the country.
- In July 2024, a scheme which provides local people with a paid work placement received a highly commended recognition at the MJ awards. Extended Placement Scheme, run by Healthcare Horizons Programme at Barts Health helps local people to complete a 4-month paid admin work placement at The Royal London Hospital and Mile End Hospitals.
- The Government Digital Service is driving cutting-edge innovation from its headquarters in Whitechapel.
- The London Metropolitan University School of Art, Architecture and Design is based in Aldgate.
- Barts Health, one of the largest healthcare providers in Europe as well as a major teaching Trust. Barts Health annually train the following: –
 - 1,073 Doctors and Dentists in training
 - 35 Physician Associates
 - 113 Nursing Associates
 - 200 Internationally Educated Nurses
 - 481 undergraduate AHPs
 - 900 adult and child nursing, and midwifery undergraduate students
 - 84 Health Care Science trainees
 - 1,050 medical students
 - 338 dental students
 - 51 Pharmacy and Technician trainees
 - 571 Apprentices.
- Ofsted inspectors rated Tower Hamlets' Children's Services as 'Outstanding' in a report published on 13th January 2025. This rating now places the service amongst the top 20 per cent across local authorities in the country.

We are a world borough with a proud history of diversity and equality

Please note that data cited below is drawn from the 2021 Census unless otherwise stated.

- 46.8% of residents in Tower Hamlets were born outside of the UK.
- The most common countries of birth other than the UK were: Bangladesh, Italy, India, China and France. 14% of residents were born in a current European Union country.
- Data from the recent 2021 Census reveals that 73% of residents in Tower Hamlets reported that English is their main spoken language.
- The Office of National Statistics published data found that after English, Bengali is the most commonly spoken language in Tower Hamlets (11%) followed by Italian (2.2%), Spanish (1.7%), French 1.2% and Portuguese (1%).
- 2024 Annual Resident Survey data indicate that 90% of our residents feel that people from different backgrounds get on well together.
- Our residents fought fascism in the Battle of Cable Street and the roots of the Suffragette movement are in Roman Road.
- The London Docks formerly part of the Port of London was the centre of world trade and at one time the largest port in the world.

Organisational Context and Challenges

The Strategic Plan is the main strategic business planning document of the council and a central part of our Performance Management and Accountability Framework. It sets out the corporate priorities and outcomes, high-level activities that will be undertaken to improve the quality of life, as well as the measures that will help us determine whether we are achieving our goals set out in the priority themes.

Following the election of a new Executive Mayor in May 2022, a new Strategic Plan set out its vision for the next four years within eight new thematic priorities, providing a framework for action to improve services and bring about strategic change for Tower Hamlets. Since May 2022, the council has focussed on supporting residents and businesses through the current cost of living crisis and the aftermath of the Covid-19 pandemic and welcomed a new political administration. Our new Strategic Plan 2022-26 is designed to improve outcomes for residents as summarised below:

Priority 1 – Tackling the current Cost of Living crisis

Our ambition: No child will go hungry, and no pensioner will go cold for the next four years.

Some of our actions include:

- Establish an Education Maintenance Allowance (EMA) and the University Bursary Award (UBA) to support young people into post-16 education.
- Support low-income residents through the current cost of living crisis.
- Freeze Council Tax to protect the poorest from rising living costs.
- Work with local food banks and third sector organisations to provide a safety net for those in need.

Priority 2 – Homes for the future

Our ambition: Everyone in Tower Hamlets lives in a good quality home that they can afford.

Some of our actions include:

- Build more homes and tackle overcrowding.
- Increase one-hour free parking spaces near our nine local markets.
- Tackle homelessness and rough sleeping.
- Bring housing management services in-house.
- Support leaseholders affected by cladding.

Priority 3 – Accelerate education

Our ambition: Every child achieves their best in education.

Some of our actions include:

- Increase the provision of youth centres to support young people through a new Youth Service Model.
- Deliver school holiday services for young people.
- Protect the space in our Idea Stores where young people can study.
- Work with the voluntary sector to increase the provision of devices and internet access to reduce digital exclusion.
- Offer free school meals to every secondary school pupil up to the age of 16.
- Increase the number of work opportunities for our children in care and care leavers.

Priority 4 - Boost culture, business, jobs and leisure

Our ambition: Residents from all backgrounds benefit from thriving sports, the arts and local businesses, education.

Some of our actions include:

- Promote female sports sessions.
- Keep swimming pools open.
- Convene a sports summit to promote participation in sport and physical activity.
- Protect and support our markets.
- Deliver a programme of job enablement schemes.

Priority 5 – Invest in public services

Our ambition: Residents have access to high quality council-run public services, including Idea Stores and libraries, public health, social care, and waste and recycling services.

Some of our actions include:

- Add further residents' hubs to provide face to face one stop council services.
- Implement the waste improvement plan.
- Deliver high quality care and support services in line with statutory duties.

Priority 6 – Empower communities and fight crime

Our ambition: Residents, workers, and visitors of all backgrounds feel safe and welcome in Tower Hamlets.

Some of our actions include:

- Work with the police and other bodies to tackle drug-related crime.
- Support events which celebrate the culture of our different communities and promote better understanding.
- Support those in poverty and those suffering from social isolation.
- Work to put more uniformed police officers on the streets, as part of our Community Constabulary.
- Maintain our award-winning boroughwide CCTV service.
- Tackle violence against women and girls.

Priority 7 – A clean and green future

Our ambition: Cleanliness & air quality improve, emissions & noise nuisance reduce, and everybody benefits from parks & more trees.

Some of our actions include:

- Make the council carbon net zero.
- Support schemes to teach cycling and bike proficiency and safety.
- Look after our parks and other open spaces.

Priority 8 – A council that listens and works for everyone

Our ambition: Residents benefit from accessible, high-quality services and are involved in decisions that affect them.

Some of our actions include:

- Agree a Tower Hamlets Partnership Plan with partners and stakeholders to develop plans and ideas together.
- Complete Corporate Peer Challenge and implement its recommendations.
- Reopen roads

- Reinstate a 'Workforce to Reflect Our Community' policy.

Alongside this refreshed Strategic Plan we also updated our Medium-Term Financial Strategy to ensure our budget can support the delivery of our priorities and address the financial challenges facing the council. Through ongoing engagement with our partners, we re-focused our priorities to ensure we could collectively support the recovery of the borough and empower our partners to take a greater lead on delivering our collective priorities following the challenging years in the aftermath of Covid-19 pandemic and in the midst of the cost of living crisis.

Monitoring Performance

For Year 3 of the delivery of the Strategic Plan, our performance for 2024/25 is making steady progress - monitored through 56 key performance measures.

As of 27th May 2025, the data submitted for the end of quarter 4 (reporting period 1st April 2024 to 31st March 2025) shows 33 performance measures had been met or were exceeding their target (Green), 4 were between the target and the minimum target (Amber), while 5 were falling short (Red). 3 measures were awaiting monitoring data (No data), 6 were reported as data reported annually, and 5 presented as data only.

Key Achievements

Three years on from the political administration coming into power in May 2022, the council continues to oversee delivery of day-to-day services across key areas. The Strategic Plan sets out a four-year vision, with eight priorities, and in the last year (Year 3) from 1st April 2024 to 31st March 2025 progress has been made in:

1. Priority One: Tackling the cost-of-living crisis

By implementing targeted initiatives and innovative programmes, the council is making significant impact in mitigating the effects of the cost-of-living crisis for all residents:

- ❖ **Holiday Hunger:** Over 74,022 children benefitted from our Holiday Activities and Food Club programme this year during Easter, Summer and Christmas holidays 2024. This exceeded our annual target of 70,000 attendees despite a reduction in central government funding.
- ❖ **Energy Support Fund:** The creation of a £3.1 million Energy Support Fund for low-income households was agreed recently at February's budget meeting, in addition to £1.8 million for replacement Winter Fuel Payments for pensioners.
- ❖ **Future-proofing Talent:** A total of 752 Education Maintenance Allowance were awarded to successful applicants meeting the eligibility criteria. This measure is based on the academic year (September 2023 – July 2024) and does not fit neatly into a single council financial year. 400 number of university bursaries were awarded.
- ❖ **Pioneering Free School Meals:** Tower Hamlets continues to lead the nation, having become the first local authority to introduce universal free school meals for all primary and secondary school pupils up to the age of 16. In 2024/25, 13,543 (92%) of primary school pupils benefited from public funded meals – one of the highest take up in the country. 11,042 (81.2%) secondary school pupils benefitted from council funded meals.
- ❖ **Community Food Support:** 1,100 tonnes of food was distributed through our food hub to local organisations last year- exceeding our annual target of 900 tonnes. Tower Hamlets is one of the only boroughs operating such a model.

2. Priority Two: Homes for the future

By implementing targeted initiatives and innovative programmes, the council is ensuring that our residents have access to good housing.

- ❖ **Tackling homelessness:** 45% of homelessness cases prevented or relieved. We have refreshed our Homelessness and Rough Sleeping Strategy and action plan with key partners, which was agreed by Cabinet in November.
- ❖ **New Family Homes:** 33 new homes were built across two sites in Bethnal Green. The scheme delivered 14 family sized homes and four wheelchair accessible homes as part of Project 120 which ensures that new housing in the borough includes wheelchair accessible homes for disabled residents, especially those in overcrowded or unsuitable housing.

- ❖ **Off the streets:** 40 rough sleepers who were bedding down on the streets of East End in freezing temperatures were helped off the streets and given shelter - as part of emergency cold-weather plans
- ❖ **Homes on the way** – the regeneration of Harriott, Apsley & Pattison House. The development will deliver 407 new homes alongside a new community centre.

3. Priority Three: Accelerate Education

By implementing targeted initiatives and innovative programmes, the council is supporting children and young people to achieve their potential.

- ❖ **A New Youth Service:** In July 2024, a new Young Tower Hamlets service went live as part of the council's £13.7 million investment into youth services. It provides young people with education and leisure activities. Take up of service has exceeded the annual target of 5,800. A total of 7,118 young people registered with the Council's and Council commissioned youth centres between April 2024 and March 2025.
- ❖ **New Youth Centres:** New centres opened in 2024 - Bigland Green in Shadwell, Christian Street in Whitechapel, Bromley-By-Bow, Poplar, and in Blackwall. Wapping reopened following an upgrade.
- ❖ **Foster Carers commended:** More than 150 foster carers and staff attended an annual awards ceremony in October 2024 to celebrate their invaluable contribution.
- ❖ **Free School Meals:** Free school meals save the average family £550 per year, per pupil. Average meal uptake has increased by around 2,500 meals per day (2022 vs 2024).
- ❖ **Helping Care Leavers:** The Local Offer for Care Leavers has been updated and published on the 'Local Offer' website.

4. Priority Four: Boost culture, business, jobs and leisure

By implementing targeted initiatives and innovative programmes, the council is ensuring that our residents enrich their lives through local business, employment, keeping fit and enjoying the arts.

- ❖ **Employment:** 3090 new jobs, training and apprenticeship opportunities enabled for local people.
- ❖ **Helping Businesses:** During 2024/25, 1,400 enterprises were supported through the council's business programmes.
- ❖ **Toddlers Play:** 9,568 attendees accessed our 'Stay and Play' Baby and Toddler offer for 0 to 5-year-olds and the Whitehorse Road Adventure playground across the entire year.

- ❖ **Tournaments:** 60 teams took part in The Mayor's Cup Football Tournament in Summer 2024. For the first time, the Mayor's Cricket Cup was held with 34 teams taking part. Tower Hamlets also competed in London Youth Games in June 2024
- ❖ **Free Swimming:** this programme resulted in 10,367 memberships for women and girl in addition to the 17,139 existing members – promote healthier lives and address inequalities.
- ❖ **Showcasing Drama for locals** - 5,166 attended 34 events/activities for November's Season of Bangla Drama.

5. Priority Five: Invest in public services

By implementing the following targeted initiatives, Tower Hamlets Council is ensuring our residents have access to excellent, quality council and health services to improve health, wellbeing, achievement and quality of life.

- ❖ **Keep Fit** All 6 leisure centres have been insourced and are fully operational and meeting all required standards with a quality monitoring system in place. A comprehensive 'Be Well' leisure service plan has been published incorporating the leisure programme workstreams.
- ❖ **Care in the Community:** 69% of people were signposted to find appropriate advice & support in the wider community to maintain their independence.
- ❖ **Social Care:** The Children's Social Care Improvement Plan titled 'Better Together - Achieving excellence for children & families, was updated in April 2024, setting out the vision, priorities and key areas of focus for 2024/25. The Children's Services Continuous Improvement Board regularly reviews the plan and progress of implementation.
- ❖ **VCS Awards:** In February 2025 the awards pay tribute to the outstanding contribution made by the Voluntary & Community Sector. Awards were presented across six categories following a shortlist of over 170 nominations.
- ❖ **No smoke:** 764 people from Black & Ethnic minority communities quit smoking for 4 weeks. 1181 quit making for 4 weeks in 2024/25
- ❖ **Every child fulfils potential:** The SEND and Inclusion Strategy 2024-2029 was agreed at Tower Hamlets Health and Wellbeing Board in September and signed off by Cabinet in October 2024.

6. Priority Six: Empower communities to fight crime

By implementing the following targeted initiatives and innovative programmes, the council is ensuring our residents feel safe and welcome.

- ❖ **On the beat:** 18,914 hours of uniformed patrols were delivered by the Safer Neighbourhood Operations Service surpassing our annual target of 10,500 hours.
- ❖ **Addressing lack of CCTV on Estates:** a technical audit of the existing CCTV capability within estates: completed. Funding bid proposal approved by the Mayor. A delivery plan finalised.

- ❖ **CCTV Upgrade:** The upgrade of street-based cameras from analogue to digital, along with the network equipment and infrastructure was completed in April 2024. This investment will help catch crime, law breakers and support vulnerable residents.
- ❖ **Safety Walkabouts:** 21 engagement events delivered or attended by Community Safety officers. Amongst these were 7 Safety Surgeries and one in person Safety Walkabout. Virtual Women's Safety Walkabouts delivered across all wards.
- ❖ **Not alone :** The Health and Social Care and Tackling Poverty teams worked together to increase take up of LinkAge Plus services, by residents who are likely to be lonely. 778 targeted letters were sent out in Quarter 2 to residents living in wards in the same location as LinkAge Plus sites to inform them of on-going social activities sessions taking place, supporting those in poverty and experiencing social isolation.

7. Priority Seven: A clean and green future

By implementing the following targeted initiatives and innovative programmes, the Council is ensuring our residents enjoy a clean local area, clean air, green spaces to enjoy, and different options for getting around.

- ❖ **Plant a tree for a better tomorrow:** Tower Hamlets surpassed its tree planting goal this year, 310 new trees were planted, exceeding our annual target of 200 trees. Trees beautify public spaces and improves air quality by absorbing pollutants. In 2025, Tower Hamlets was one of 27 councils awarded 'Tree Cities of the World' status.
- ❖ **Get on your bike:** A total of 1, 635 unique children received cycle skills proficiency and safety sessions at schools during 2024-25. As part of promoting healthy, environmentally friendly mode of travel, community cycling hubs earmarked at Aberfeldy, Teviot and Lincoln Estates with the council working with Poplar Harca
- ❖ **Flying the Flag :** All Green Flags for parks have been maintained in Tower Hamlets, helping to demonstrate our horticultural excellence across the borough.
- ❖ **Bloomin' Marvellous:** Tower Hamlets in Bloom Awards 2024 took place in December at the Art Pavilion in Mile End Park recognising Individuals, community groups, schools, and organisations to make the borough greener and promote respect for the natural environment.
- ❖ **No to Fly tipping:** 3,188 Enforcement Actions issued in Q4 such as warning letters, Fixed Penalty Notices, and Prosecutions. 1,405 fly tipping incidents in Q4 comprises customer/public reported fly-tips and pro-actively cleared by, our own and contractor's crews.
- ❖ **Let's hear it:** The draft parking enforcement improvement plan sought community views by setting up pop up stalls during September and October at four IDEA stores, the Town Hall foyer, East London Mosque, Sikh Sangat Gurudwara, and a market stall in Brick Lane. This is part of a review of parking

and transport policies, and how they contribute to the pledge of ensuring that we are not penalising residents who drive.

8. A council that works and listens for everyone

By implementing the following targeted initiatives and innovative programmes, Tower Hamlets Council is ensuring our residents views are heard to shape services which are fit for purpose.

- ❖ **Community Rules:** The Community Engagement Strategy 2024-2028 sets out our vision for community engagement and how it will be achieved. Its vision is to create 'a council that listens to communities to build a borough that works for everyone'. 328 stakeholders took part in the development of the strategy.
- ❖ **All together now:** 90% of residents agree that 'this local area is a place where people from different backgrounds get on well together', up from last year's figure of 87%, a beacon for community cohesion.
- ❖ **Diversity at the Top:** The Workforce to Reflect the Community Strategy and Action Plan 2024-26 agreed and addresses representation at senior levels. 39.59% of top 5% of earners are from Black, Asian and multi-ethnic communities exceeding the annual target of 35% for 2024/25.
- ❖ **Opinion matters:** Results from the Annual Resident Survey show that Tower Hamlets is performing better than the Local Authority average in most areas. 65% of residents said they are kept informed by the council which is above the national average of 54%. 49% of residents said the council involved them in decision making - up from last year's 42%.

Key Strategic Risks

It is essential to the good governance of the Council that risks are managed thoroughly and appropriately. The Council has in place a formally approved risk management strategy, which clarifies the corporate risk appetite, seeks to support decision making that considers threats and identifies mitigating actions. This allows the Council to ensure opportunities are seized and delivered.

The Council uses a corporate risk management system to identify all relevant corporate risks. Through this system, the Council identifies and proactively manages its key risks and governance challenges.

Risks are reviewed regularly by the Corporate Management Team and Directorate Leadership Teams to ensure that robust mitigating actions and response plans are in place, enabling risks to be managed to within their target levels. Further work, such as horizon scanning, is undertaken to assess potential future risks by monitoring emerging trends, developments, and disruptions – this helps to ensure that the Council's risk registers are complete and future-focused.

In reflection of the dynamic nature of the Council's operating environment, risks evolve and change over time and whilst the narrative report is chiefly a backward look at 2024/25, we consider it more useful to stakeholders to highlight the risks present on the Council's Corporate Risk Register at the time of publication of this report.

Summary of Corporate Risks (April 2025)

1. Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency.
2. Major health and safety incident.
3. The Council may overspend its budget, fail to deliver savings, and rely on reserves.
4. There is a risk that historical errors in Pension Scheme member data will lead to materially incorrect calculation of the Pension's liability figure in the Council's annual Statement of Accounts.
5. There is an ongoing risk of a cyber-attack and/or major loss of IT.
6. There is a risk that the statement of accounts will receive a qualified opinion.
7. Following the Grenfell Fire tragedy residents of tower blocks in the borough are not safe or do not feel safe from fire.
8. Regulatory censure and Safeguarding failure arising from deficient process for new and ongoing employee vetting.
9. There is a risk that the Council will fail to comply with its obligations in relation to the Protection of Freedoms Act 2012.
10. There is a risk the Council will be unable to deliver critical and essential services owing to a Business Continuity Incident.
11. Exploitation of supply chain security vulnerability impacting vendors/partners/service
12. Failure to meet the Council's legal duties under the Civil Contingencies Act.

13. Community Cohesion: A loss of social capital and a fracturing of the community and local networks.
14. People First Transformation: A failure to fully execute, implement and realise the benefits from the Council's core transformation programme.
15. Death or serious harm to a Vulnerable Adult who was or should have been, in receipt of services, either from the Council or a Partner Agency.
16. The Council may be held criminally liable where an employee, agent, subsidiary, or other 'associated person', commits a fraud intending to benefit the Council and the Council did not have reasonable fraud prevention procedures in place (the offence in relation to the Prevention of Fraud comes into effect on 1st September 2025).

Financial Overview and Annual Governance Statement

The previous multi-year funding settlement agreed with the Government expired at the end of the 2019/20 financial year. Single year settlements have been announced since. The absence of a long-term settlement hinders the ability of local authorities to plan for the medium-term effectively and drives us to make assumptions and judgements about future years. All such assumptions and judgements are underpinned where possible by third party reference sources. For example, the Office of budget Responsibility (OBR), the Bank of England (BOE) and LG Futures.

The Chancellor has announced £1.3 billion of extra funding, through the local government finance settlement, for the next financial year in her Autumn Budget. Together with council tax flexibilities and locally-retained business rates, this will provide a real-terms increase in total core spending power in 2025/26 of around 3.2% across local government. Given the significant external pressures facing local government, the Local Government Association (LGA) have commented that “This will help meet some – but not all – of the significant pressures in adult and children’s social care and homelessness support.”

The Council’s latest MTFS continues to invest in front line services including waste, SEND, young people and community safety. Additionally, those support services requiring further improvement have also benefitted from the relevant levels of investment needed to ensure they can provide the support that front line services need to deliver, including investment in legal and procurement. The Council continues to work positively with trade unions on its journey of continuous improvement.

2025/26 will be another one year settlement with a further stage of the Spending Review to conclude in late spring 2025, probably covering at least two more financial years. The government is committed to reforming the approach to funding allocations within the Local Government Finance Settlement by redistributing funding to ensure that it reflects an up- to-date assessment of need and local revenues. This will start with a targeted approach to allocating additional funding in 2025/26, ahead of a broader redistribution of funding through a multi-year settlement from 2026/27. The government plans to set out further details through a local government finance policy statement.

Reforms of local government funding, including a ‘fair funding’ review of the needs assessment formula and a reset of business rates baselines, have been announced in past years but never implemented. This remains a risk to the Council and the reset of business rates baselines has the potential of wiping out growth since 2013/14. In early 2021 the Government also consulted on altering New Homes Bonus funding.

Any proposed changes could have significant implications for Tower Hamlets over the medium term. The Council currently retains business rates above the Council’s baseline and if this was reset back to baseline, it is not clear how the money would be redistributed across local government, and this remains a significant future funding risk for the Council.

In addition to funding uncertainties in the medium term, the Council continues to face increases in demand for services, inflationary cost increases, demographic cost pressures particularly in Adult Social Care and temporary accommodation.

The Annual Governance Statement sets out the Council's governance framework, how it has reviewed governance arrangements as well as any actions proposed or taken to deal with any significant governance issues arising during 2024/25. The statement is included within the Statement of Accounts

Revenue Outturn for the Year

General Fund

The General Fund is the primary revenue fund through which the Council pays for its services.

Ongoing reductions in mainstream government grant funding over the last decade and a long-term continuing upward trend in the demand for key front line services, only exacerbated by the cost of living crisis, continues to significantly adversely impact Homelessness, Adult Social Care and SEND, collectively created a challenging financial environment for the Council. As a result, the overall outturn position for General Fund services, after contributions to/from earmarked reserves, is a net overspend of £16.5m, which has been funded this year from the council's purposefully held risk reserve.

There are also significant savings to be delivered, so strategically these are very challenging circumstances. General Fund general reserves have not been impacted this year, which still stand at £21.2m as at 31 March 2025. The revenue outturn position is summarised below:

	Annual Budget and Reserve Transfers	Outturn	Outturn Variance
	£m	£m	£m
	A	B	= B - A
Children's Services	98.8	95.9	(2.9)
Health and Adult Social Care	194.5	201.4	6.9
Housing and Regeneration	41.5	59.0	17.5
Chief Executive's Office	17.5	17.4	(0.1)
Resources	45.2	46.3	1.1
Communities	65.8	68.6	2.8
Corporate Costs and Central Items	(463.3)	(472.1)	(8.8)
GF Net Overspend	0.0	16.5	16.5
Outturn Variance Transfer from Risk Reserve (GF Earmarked Reserve)			(16.5)
Council Outturn			0.0

Revenue Reserves

The table below presents the movement on the Councils revenue reserves for the last year:

	31 March 2024	31 March 2025
	£m	£m
General Fund balances	(21.2)	(21.2)
HRA balances	(33.4)	(36.7)
Schools balances	(34.0)	(31.6)
GF earmarked reserves (Reserves without Restrictions)	(70.9)	(47.4)
GF earmarked reserves (Restricted Reserves)	(101.0)	(82.2)
HRA earmarked reserves (Reserves without Restrictions)	(2.4)	-
Total	(262.9)	(219.1)

The notable decreases in earmarked reserves at 31 March 2025 within GF earmarked reserves (Reserves without Restrictions) (£23.5m), largely relates to budgeted contributions from the Mayor's Priority Investment reserve to fund the MTFS as approved by Council on 28 February 2024 (£15.6m) and (£5.6m) to fund Homelessness pressures. Notable decreases within GF earmarked reserves (Restricted Reserves) (£18.8m), largely related to the Collection Fund smoothing reserve (£5.2m), Parking control (£3.7m), Public Health (£3.6m) and the Mayors Grant programme (£2.7m).

As we are facing challenges over the medium-term, largely due to potential changes to local government funding and external service demand pressures, it is important to maintain reserves at an adequate and prudent level to help mitigate and manage these significant risks and ensure the Council remains on a sustainable footing. As a consequence, a rationalisation exercise is planned of all GF earmarked reserves (Reserves without Restrictions) in 2025/26 to ensure a sufficiently prudent and adequate risk reserve is maintained over the Council's MTFS and beyond.

Housing Revenue Account

The Housing Revenue Account (HRA) records expenditure and income on running the Council's own housing stock and closely related services or facilities. The HRA is ring-fenced within the General Fund and primarily supports management and maintenance costs. The HRA outturn finalised at a £3.3m underspend, resulting in an increase in HRA balances to £36.7m at 31 March 2025. This underspend has been due to slippage in the capital programme and revenue resources were not required to fund capital expenditure, which was previously expected. The Council also reversed prior years voluntary revenue provision which set aside funds for debt repayments, following discussion and agreement with our external auditors. This created at £8.9m benefit during the year which was used to fund pressure in repairs and maintenance spend and under recovery of dwelling rents and service charges.

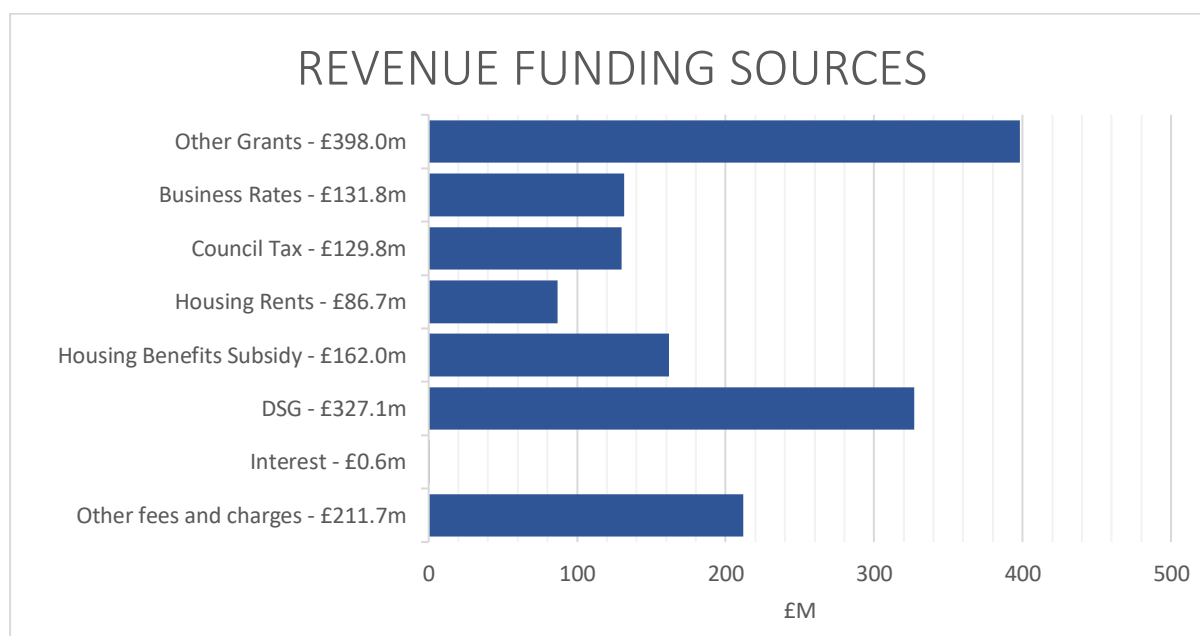
Dedicated Schools Budget

This budget records the expenditure and income on the ring-fenced schools' budgets and related services. The outturn finalised at an in-year overspend on Dedicated Schools Grant of £4.3m, with the Dedicated Schools Grant now having a cumulative deficit of £20.1m at 31 March 2025.

Revenue Income

Government grants and subsidies continue to be the main sources of revenue funding, although with not inconsiderable revenues from fees and charges, business rates, council tax and housing rents.

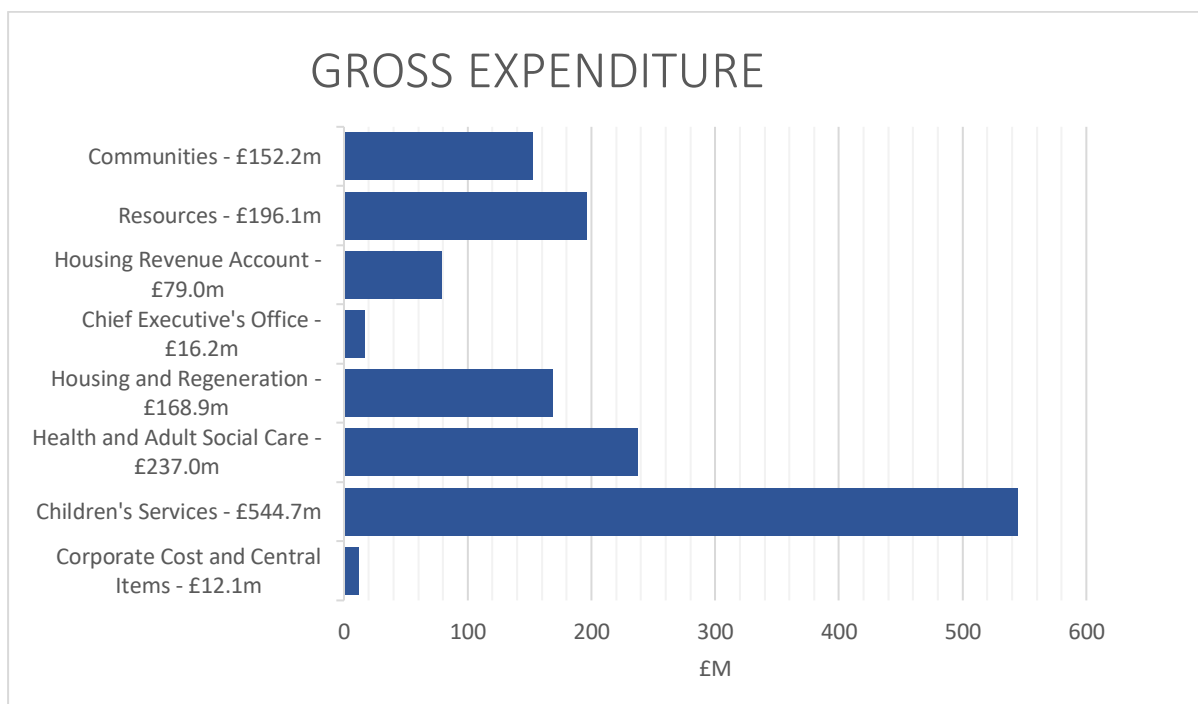
The main specific grant continues to be the Dedicated Schools Grant which can only be used to fund education services and is largely 'passported' directly to schools. An analysis of all the funding sources is shown in the diagram below.



The diagram shows where the Council's expenditure is funded from. Total revenue is £1.448bn, Government grants and subsidies are the main source of revenue funding at £0.887bn, along with revenues from fees and charges, business rates, council tax and housing rents. The largest service grant is the Dedicated Schools Grant of £0.327bn which can only be used to fund education services and is largely 'passported' directly to schools.

Expenditure on Services

The service with the largest gross expenditure is Children's Services, which includes schools and social care for children.



The diagram shows where the Council's gross service expenditure of £1.406bn is spent by services area. The largest gross expenditure of £0.545bn is spent on the Children's Services, which includes schools and social care for children. These figures exclude items included in Other Operating Income and Expenditure below Net Cost of Service in the Comprehensive Income and Expenditure Statement

Capital Investment and Funding

Capital Investment

The Council has continued to invest in its infrastructure with £117.1m spent on its capital programme. Within the General Fund, the main area of investment was in Children's and Culture with £8.4m spent on the new Mulberry Academy London Dock and £2.2m on the Wood Wharf Expansion. In Communities, £7.7m was invested in capital footway and carriage programme and streetlighting replacement. Within Housing and Regeneration, £2m related to investment works on LBTH assets. Within the HRA, £38.4m was spent on building new homes and £8m on council's acquisition programme. Furthermore, £5.2m was spent under the devolved schools' budgets.

Capital Funding

A significant part of the capital programme was financed by borrowing £12.7m. This was "internal borrowing" against the Council's own internal resources.

Capital grants and contributions financed £59.1m of expenditure with capital receipts of £27.6m being another significant source of funding.

Capital spending and financing for 2024/25 is shown in the following table:

	31 March 2024	31 March 2025
	£m	£m
<i>Capital Investment</i>		
Children's Services	48.3	22.5
Health and Adult Social Care	8.1	1.5
Housing and Regeneration	12.0	7.4
Local Authority Housing (Housing Revenue Account)	60.7	64.8
Resources	1.3	4.1
Communities	16.8	16.8
Total	147.2	117.1
<i>Capital Funding</i>		
Borrowing	28.6	12.7
Capital Grants and Contributions	77.1	59.1
Capital Receipts	13.2	27.6
Major Repairs Reserve	17.3	14.9
Direct Revenue / Reserves Funding	11.0	2.8
Total	147.2	117.1

Borrowing and Investments

No new long-term borrowing was undertaken in the year with long-term borrowing for the Council remaining the same at £68.7m. Short-term borrowing increased slightly from £0.3m at the beginning of the year to £0.4m at the end of the year due to the amount of interest outstanding for payment at the end of the financial year.

Long-term Investments for the Council largely remained steady at £53.6m. Short-term Investments remained at £20.9m.

Pensions

The Council's Pension Fund's income originates from employee contributions and existing assets (investments). This income is compared with the estimated cost of pensions payable in the future to determine the Council's Pension Asset or Liability. The net amount is included in the accounts as the Council's pension net surplus or liability.

The net liability at the end of 2023/24 of £180.5 million moved to a net liability of £184.8million in 2024/25. This net position reflects an underlying net asset position of £519.4m which is reduced by an asset ceiling of £704.2m due to future funding commitments. This change is based on a complex set of calculations carried out by the Council independent actuary, Hyman Robertson LLP.

Although this sum has a significant impact on the net worth of the Council (as shown in its Balance Sheet) contributions to the Pension Fund are set by the actuary's triennial valuation, which will be available in March 2026, and provides for stable trends in contributions.

Further details on these movements can be found in note 38 of the statement of accounts.

Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director of Resources.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To consider and approve the Statement of Accounts.

The responsibilities of the Director of Finance, Procurement & Audit (Acting S151 Officer)

The Director of Finance, Procurement & Audit 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* ("the Code of Practice").

In preparing this Statement of Accounts, the Director of Finance, Procurement & Audit has:

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

The Director of Finance, Procurement & Audit has also:

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

Certificate of the Director of Finance, Procurement & Audit

I certify that the Statement of Accounts 2024/25 presents a true and fair view of the financial position of the Council in accordance with the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code of Practice") as at 31 March 2025 and its income and expenditure for the year ended 31 March 2025, except for:

- The possible effect of issues relating to the quality of pension scheme membership data (as described under Note 4 to the main accounts – Assumptions Made About the Future and Other Sources of Estimation Uncertainty) on the pension liability at 31 March 2025 and related entries.

Work to ensure that membership data is complete and accurate has to be ongoing. A piece of work is currently underway to reconcile member data and to ensure that, by the time of the next triennial valuation, systems and processes maintain 100% accuracy. Any material errors or misstatements will be corrected as part of the audit process.



Abdulrazak Kassim

Director of Finance, Procurement & Audit (Acting Section 151 Officer)

Date: 9 June 2025

Approval of the accounts

I certify that the audited Statement of Accounts has been approved by resolution of the Audit Committee of the London Borough of Tower Hamlets in accordance with the Accounts and Audit Regulations 2015.

Chair of the Audit Committee

Date:

Auditor's Reports

This section is left intentionally blank subject to the completion of the audit.

THE ACCOUNTING STATEMENTS

These comprise:

The **Statement of Accounting Policies** on which the figures in the accounts are based.

The **Core Financial Statements**:

The **Movement in Reserves Statement**, as well as showing reserve movements during the year, it also splits reserves between 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

The **Comprehensive Income and Expenditure Account** which reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how the cost has been financed from general Government grants and income from local taxpayers. It brings together income and expenditure relating to all the Council's functions in three distinct sections, each divided by a sub-total, to give the net deficit or surplus for the year.

The **Balance Sheet** which shows the Council's financial position at the year-end - its balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operational activities together with summarised information on the fixed assets held.

The **Cash Flow Statement** which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Notes to the Core Financial Statements

The **Housing Revenue Account (HRA)** which reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989, and details the credit and debit items required to be taken into account in determining the surplus or deficit on the HRA for the year. It is accompanied by the **Statement of Movement on the HRA Balance** and appropriate **Notes**.

The **Collection Fund** which shows the transactions of the Council in relation to non-domestic rates and Council Tax and illustrates the way these have been distributed between Tower Hamlets Council and the Greater London Authority. It reflects the statutory requirement for billing authorities such as the Council to maintain a separate account.

Group Accounts show the combined financial results for the year for the Council, its subsidiary organisations and other entities where it has significant influence.

The **Pension Fund Accounts** which provide information about the financial position, performance and the financial adaptability of the statutory pension fund. They show the results for the fund for the year and the disposition of its assets at the period end.

We try to produce the statements in a form that is understandable to most stakeholders. However, they include some technical terms which are explained in the **Glossary**.

MOVEMENT IN RESERVES STATEMENT

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

	NOTES	USABLE RESERVES							UNUSABLE RESERVES									
		GENERAL FUND BALANCE £'000	EARMARKED GENERAL FUND AND HOUSING REVENUE ACCOUNT RESERVES £'000	HOUSING REVENUE ACCOUNT BALANCE £'000	MAJOR REPAIRS RESERVE £'000	CAPITAL RECEIPTS RESERVE £'000	CAPITAL GRANTS UNAPPLIED £'000	TOTAL USABLE RESERVES £'000	REVALUATION RESERVE £'000	CAPITAL ADJUSTMENT ACCOUNT £'000	PENSIONS RESERVE £'000	COLLECTION FUND ADJUSTMENT ACCOUNT £'000	FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT £'000	POOLED INVESTMENT FUND ADJUSTMENT ACCOUNT £'000	ACCUMULATED ABSENCES ACCOUNT £'000	DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT £'000	TOTAL UNUSABLE RESERVES £'000	TOTAL AUTHORITY RESERVES £'000
Balance as at 1 April 2023		(20,887)	(236,841)	(47,532)	(8,040)	(156,136)	(190,421)	(659,857)	(1,020,210)	(1,636,944)	(7,380)	17,686	16,112	3,659	5,796	14,268	(2,607,013)	(3,266,870)
Movement in reserves during 2023/24																		
(Surplus) or Deficit on the Provision of Services		19,869	-	54,002	-	-	-	73,871	-	-	-	-	-	-	-	-	-	73,871
Other comprehensive expenditure and income		-	-	-	-	-	-	-	24,467	-	201,410	-	-	-	-	-	225,877	225,877
Total Comprehensive Expenditure and Income		19,869	-	54,002	-	-	-	73,871	24,467	-	201,410	-	-	-	-	-	225,877	299,748
Adjustments between accounting basis and funding basis under regulations		22,710	-	(42,243)	329	(4,332)	(58,517)	(82,053)	12,709	77,267	(13,515)	6,141	(435)	(1,220)	(454)	1,560	82,053	-
Net Increase or Decrease before Transfers to Earmarked Reserves		42,579	-	11,759	329	(4,332)	(58,517)	(8,182)	37,176	77,267	187,895	6,141	(435)	(1,220)	(454)	1,560	307,930	299,748
Transfers to/(from) earmarked reserves	9	(41,653)	27,289	2,400	-	-	11,964	-	-	-	-	-	-	-	-	-	-	-
Transfers to/(from) school reserves	9	(1,273)	1,273	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase or (Decrease) in 2023/24		(347)	28,562	14,159	329	(4,332)	(46,553)	(8,182)	37,176	77,267	187,895	6,141	(435)	(1,220)	(454)	1,560	307,930	299,748
Balance as at 31 March 2024 carried forward		(21,234)	(208,279)	(33,373)	(7,711)	(160,468)	(236,974)	(668,039)	(983,034)	(1,559,677)	180,515	23,827	15,677	2,439	5,342	15,828	(2,299,083)	(2,967,122)
Movement in reserves during 2024/25																		
(Surplus) or Deficit on the Provision of Services		109,186	-	(56,937)	-	-	-	52,249	-	-	-	-	-	-	-	-	-	52,249
Other comprehensive expenditure and income		-	-	-	-	-	-	-	(7,081)	-	30,182	-	-	-	-	-	23,101	23,101
Total Comprehensive Expenditure and Income		109,186	-	(56,937)	-	-	-	52,249	(7,081)	-	30,182	-	-	-	-	-	23,101	75,350
Adjustments between accounting basis and funding basis under regulations		(63,684)	-	56,058	(2,105)	10,188	(8,383)	(7,926)	23,334	7,306	(25,921)	1,377	(437)	(193)	(1,828)	4,288	7,926	-
Net Increase or Decrease before Transfers to Earmarked Reserves		45,502	-	(879)	(2,105)	10,188	(8,383)	44,323	16,253	7,306	4,261	1,377	(437)	(193)	(1,828)	4,288	31,027	75,350
Transfers to/(from) earmarked reserves	9	(43,115)	44,710	(2,400)	-	-	805	-	-	-	-	-	-	-	-	-	-	-
Transfers to/(from) school reserves	9	(2,387)	2,387	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase or (Decrease) in Year		(0)	47,097	(3,279)	(2,105)	10,188	(7,578)	44,323	16,253	7,306	4,261	1,377	(437)	(193)	(1,828)	4,288	31,027	75,350
Balance as at 31 March 2025		(21,234)	(161,182)	(36,652)	(9,816)	(150,280)	(244,552)	(623,716)	(966,781)	(1,552,371)	184,776	25,204	15,240	2,246	3,514	20,116	(2,268,056)	(2,891,772)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations - this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.


2023/24				Note	2024/25		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Continuing Operations *							
519,958	(418,137)	101,821	Children's Services		544,550	(437,294)	107,256
223,109	(128,705)	94,404	Health and Adult Social Care		236,978	(137,124)	99,854
214,750	(105,013)	109,737	Housing and Regeneration		168,940	(105,158)	63,782
11,658	(1,991)	9,667	Chief Executive's		16,210	(2,427)	13,783
185,912	(116,859)	69,053	Local Authority Housing (Housing Revenue Account)		79,041	(125,758)	(46,717)
222,546	(176,644)	45,902	Resources		196,124	(149,086)	47,038
14,295	(1,718)	12,577	Corporate Cost and Central Items		12,069	(3,230)	8,839
129,533	(51,515)	78,018	Communities		152,167	(70,705)	81,462
1,521,761	(1,000,582)	521,179	NET COST OF SERVICES		1,406,079	(1,030,782)	375,297
		1,420	Other Operating Expenditure	10			104,980
		(7,712)	Financing and Investment Income and Expenditure	11			(11,866)
		(441,016)	Taxation and Non-Specific Grants Income	12			(416,162)
		73,871	(SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES				52,249
		24,467	(Surplus)/Deficit on revaluation of non-current assets				(7,081)
		201,410	Remeasurement of the net defined benefit pensions liability				30,182
		225,877	OTHER COMPREHENSIVE INCOME AND EXPENDITURE				23,101
299,748				TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	75,350		

* Restated to reflect amended departmental structures that took effect in 2024/25.

BALANCE SHEET

31 March 2024 £'000	1 April 2024 £'000		Notes	31 March 2025 £'000
		Long-term Assets		
3,113,650	3,141,895	Property, Plant and Equipment	14	3,127,193
19,153	19,153	Heritage Assets	15	19,173
3,275	3,275	Intangible Assets		2,057
53,662	53,662	Long-term investments	16	53,651
1,426	1,426	Long-term Debtors		750
3,191,166	3,219,411	Total Long-term assets		3,202,824
		Current Assets		
20,993	20,993	Short-term investments	16	20,881
178,000	178,000	Short-term debtors	18	184,736
253,334	253,334	Cash and cash equivalents	19	209,966
452,327	452,327	Total Current Assets		415,583
		Current Liabilities		
(66,683)	(66,683)	Cash and cash equivalents	19	(64,297)
(332)	(332)	Short-term borrowing	16	(381)
(195,025)	(195,025)	Short-term creditors	20	(225,771)
(15,218)	(15,218)	Provisions	21	(13,954)
(277,258)	(277,258)	Total Current Liabilities		(304,403)
		Long-term Liabilities		
(3,880)	(3,880)	Provisions	21	(4,519)
(68,709)	(68,709)	Long-term borrowing	16	(68,709)
(180,515)	(180,515)	Liability related to defined benefit pension schemes	38	(184,776)
(104,723)	(104,723)	Capital grants receipts in advance	34	(101,425)
(41,286)	(65,010)	Deferred liabilities	36, 37	(62,803)
(399,113)	(422,837)	Total Long-term Liabilities		(422,233)
2,967,122	2,971,643	NET ASSETS		2,891,772
		Reserves		
(668,039)	(668,039)	Usable Reserves	22	(623,716)
(2,299,083)	(2,303,604)	Unusable Reserves	23	(2,268,056)
(2,967,122)	(2,971,643)	TOTAL RESERVES		(2,891,772)

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2025 and its income and expenditure for the year then ended.



Abdulrazak Kassim - Director of Finance, Procurement & Audit

Date 09/06/2025

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash is represented as cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2023/24 £'000		Notes	2024/25 £'000
(73,871)	Net surplus or (deficit) on the provision of services		(52,249)
181,992	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	129,983
(153,852)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(84,908)
(45,731)	Net cash flows from Operating Activities		(7,174)
25,924	Investing Activities	25	(34,586)
15,638	Financing Activities	26	778
(4,169)	Net increase or decrease in cash and cash equivalents		(40,982)
190,820	Cash and cash equivalents at the beginning of the reporting period		186,651
186,651	Cash and cash equivalents at the end of the reporting period		145,669

NOTES TO THE ACCOUNTS

1 Accounting Policies

1. Basis of Preparation

The Accounts and Audit Regulations 2015 (SI 2015 No 234) require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2023/24, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code)
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regs)

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the valuation of material categories of non-current assets and financial instruments. These valuation conventions are detailed under the relevant accounting policy.

2. Adjustments between Accounting Basis and Funding Basis

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement so that usable reserves reflect the funding available at the year-end. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The material adjustments are:

Expense	Accounting basis in CIES	Funding basis in MiRS	Adjustment Account
Property, plant and equipment	Depreciation and revaluation/impairment losses.	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Intangible assets	Amortisation and impairment	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Revenue expenditure funded from capital under statute	Expenditure incurred in 2024/25.	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Capital grants and contributions	Grants that became unconditional in 2024/25 or were received in 2024/25 without conditions.	No credit	Capital Grants Unapplied Reserve (amounts unapplied at 31 March 2025) Capital Adjustment Account (other amounts)

Non-current asset disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	Capital Adjustment Account (carrying amount) Capital Receipts Reserve (sale proceeds and costs of disposal) Deferred Capital Receipts Reserve (where sale proceeds have yet to be received)
Financial Instruments	Premiums payable and discounts receivable on the early repayment of borrowing in 2024/25. Losses on soft loans granted in 2024/25 and interest receivable in 2024/25 on an amortised cost basis.	Deferred debits and credits of premiums and discounts from earlier years in accordance with the 2003 Regs Interest due to be received on soft loans in 2024/25	Financial Instruments Adjustment Account
Pooled investments	Movements in the fair value of pooled investment funds	Historical cost gains/losses for money market fund investments disposed of in 2024/25	Pooled Investment Funds Adjustment Account
Pension costs	Movements in pensions assets and liabilities (see Policy 10)	Employer's pensions contributions payable and direct payments made by the Council to pensioners for 2024/25	Pensions Reserve
Council tax	Accrued income from 2024/25 bills	Demand on the Collection Fund/precept for 2024/25 plus recovery of estimated deficit/share of estimated surplus for 2023/24	Collection Fund Adjustment Account
Business rates	Accrued income from 2024/25 bills	Budgeted income receivable from the Collection Fund for 2024/25 plus recovery of estimated deficit/share of estimated surplus for 2023/24	Collection Fund Adjustment Account
Dedicated schools grant	Expenditure incurred in 2024/25 to be met from Dedicated Schools Grant	Expenditure incurred up to the amount of the Grant receivable for 2024/25.	Dedicated Schools Grant Adjustment Account
Holiday pay	Projected cost of untaken leave entitlements at 31 March 2025	No charge	Accumulated Absences Adjustment Account

3. Revenue from Contracts with Service Recipients

The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

4. Council Tax and Non-domestic Rates

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

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the 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.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

5. Post-employment Benefits

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 in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the pension reserve to remove the notional debits and credits for pension enhancement termination benefits and are replaced with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Council are members of four separate pension schemes:

- The Local Government Pension Scheme, administered by the Council,
- The Local Government Pension Scheme, administered by the London Pensions Fund Authority,
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE), and
- The NHS Pension Scheme, administered by NHS Business Services Authority on behalf of the Department of Health and Social Care.

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

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot be identified to the Council. The schemes are therefore accounted for as if they were defined contributions schemes – no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year, and Health, Adults and Communities charged for the contributions to the NHS Pension Scheme.

The Local Government Pension Scheme

The Local Government scheme is a defined benefits scheme.

The net pension asset or liability of the pension scheme attributable to the Council is included in the Balance Sheet on an actuarial basis using the projected unit method – 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 estimates of projected earnings for current employees.

Council liabilities are discounted to their value at current prices, using a discount rate derived from corporate bond yields (based on the constituents of the iBoxx AA corporate bond index).

Assets attributable to the Council are included in the Balance Sheet at their fair value. Quoted or unitised securities are valued at current bid price; unquoted securities on the basis of professional estimate; and property at market value.

The change in the net pension asset or liability is analysed into the following components:

- current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked,
- past service cost – the increase in liabilities arising from a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services,

- net interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to Financing and Investment Income and Expenditure 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,
- return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as Other Comprehensive Income and Expenditure,
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, debited to the Pensions Reserve,
- contributions paid to the pension funds – cash paid as employer's contributions to the pension funds, and
- effect of the asset ceiling – the limitation on the Council's ability to realise pensions assets through reductions in future employer's contributions as a result of minimum funding requirements.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension funds and any amounts payable to the funds but unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the beneficial impact (when the balance is a deficit) to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees as calculated under IAS19.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

6. Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to their contractual provisions. They are initially measured at fair value.

Financial Liabilities

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

Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premia and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance or the Housing Revenue Account Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

Financial Assets

Financial assets are subsequently measured in one of two ways:

- amortised cost – assets whose contractual terms are basic lending arrangements (i.e., they give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding, which the Council holds under a business model whose objective is to collect those cash flows)
- fair value – all other financial assets

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable (plus accrued interest).

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.

Any gains or losses in fair value that might arise are not accounted for until the instrument matures or is sold.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principle receivable (plus accrued interest), and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to

lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the 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.

The Council has calculated the expected credit loss on non-housing trade debtors and housing related rent arrears. The expected lifetime credit loss is calculated in the first instance upon historic payment information.

Financial Assets Measured at Fair Value through Profit or Loss

Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

7. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the Council has satisfied any conditions attached to the grant or contribution that would require repayment if not met.

Conditions are stipulations that specify the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (revenue grants) or Capital Grants Receipts in Advance account (capital grants). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Unapplied revenue grants without repayment conditions are shown as earmarked reserves.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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 (these include transport, flood defences and schools) to support the development of the area. 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.

8. Interest in companies and other entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded at cost, less any provision for losses.

9. Leases

The Council as a Lessee

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

From 1 April 2024, the Council has applied IFRS 16 Leases as adopted by the Code of Practice on Local Authority Accounting. The new accounting standard requires that the rights to use items acquired under all leases are recognised as assets on the balance sheet, together with a liability for the payments to be made for the acquisition. Previously this was only done for leases where the Council acquired substantially all the risks and rewards of ownership of the leased item (finance leases).

Initial Recognition

At the commencement of a lease, a liability is recognised for the obligation to make future payments (discounted to their present value using the interest rate implicit in the lease or (where this is not readily determinable) the Council's incremental borrowing rate. Lease payments included in the measurement of the liability include:

- Fixed payments
- Variable lease payments that depend on an index or rate, initially measure using the prevailing index or rate as at the adoption date.

The right's acquired under the lease to use the leased item is recognised as an asset, measured on the commencement date (or the IFRS 16 transition date) at cost based on the

lease liability plus any payments made before that date. Initial direct costs of the Council are added to the carrying amount of the asset.

Subsequent measurement

Liabilities are recalculated where rents change as a result of a change in an index or rate used to determine future payments. Adjustments to liabilities are matched with adjustments to the cost of the right-of-use asset.

Right-of-use assets recognised under leases are accounted for using the policies applied generally to Property, Plant and Equipment assets.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Lease payments are apportioned between:

- a charge for the acquisition of the right to use the property, plant or equipment which is applied to write down the lease liability, and
- a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Where leases are for items of low value, amounts paid under the lease are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased item. For this purpose, the Council has determined that items with a value of less than £10,000 when new are low value.

Where the lease term is shorter than 12 months, the Council has excluded these leases from the assessment.

The adjustments to opening balances were as follows:

	Property, Plant and Equipment	Non- Current Creditors	Unusable Reserves
At 31 March 2024	3,113,650	(41,286)	(2,299,083)
Assets/Liabilities newly recognised on transition	28,245	(23,724)	(4,521)
At 1 April 2024	3,141,895	(65,010)	(2,303,604)

The Council as a Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the

relevant asset and charged as an expense over the lease term on the same basis as rental income.

10. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and
- 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.

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

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

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

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

The measurement basis for assets classes are detailed below:

Class of Assets	Measurement Basis
Property, Plant and Equipment: Dwellings	Current value, comprising existing use value for social housing. Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secure tenancies.
Property, Plant and Equipment: Other Land and Buildings	Current value, comprising existing use. Where comparable properties are available in an active market, properties are valued at market value taking into account existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.
School Buildings	Depreciated replacement costs Due to the specialist nature these assets are measured based on their current use.
Infrastructure, Community and Assets Under Construction	Depreciated historical costs.
Property, Plant and Equipment: Surplus Assets	Fair Value

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for in the same way as revaluation losses.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. Assets Under Construction). Depreciation is calculated on the following bases:

- Dwellings - straight-line allocation over the useful life of the property as estimated by the valuer,
- Other Buildings – straight-line allocation over the useful life of the property as estimate by the valuer,

- Vehicles, Plant, Furniture and Equipment – straight-line allocation over varying useful asset lives depending on the detailed nature of the asset, or
- Infrastructure – straight-line allocation over varying useful asset lives depending on the detailed nature of the asset.

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 General Fund.

Componentisation

The code requires each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Where there is more than one significant part of the same asset which have the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge.

Our valuers attribute a percentage to component of overall building cost and relative lifespan of that component over which to depreciate. This is based on typical asset type groupings and analysis of recent construction projects of these property types to identify appropriate components and attributing costs to these components. Analysis is then done on remaining useful life of each component part and from there a weighted average useful life is calculated for the property.

The Council uses this weighted average useful life as an estimate for depreciation for componentisation.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

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.

11. Private Finance Initiative (PFI) and Similar Contracts

As the Council is deemed to control the services that are provided under its PFI schemes, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement,
- finance cost – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- contingent rent – 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, and
- lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

12. Provisions

Provisions are made where an event has taken place on or before the Balance Sheet date:

- That give the authority a present obligation
- That probably requires settlement by a transfer of economic benefit or service potential, and
- Where a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the authority has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

13. Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

14. 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 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 authority. Collectively, these are presented as Unusable Reserves on the Balance Sheet (see also Accounting Policy 2).

15. Schools

The Code specifies that all schools maintained by the Council are deemed to be under the Council's control. The transactions and balances attributable to the governing bodies of the maintained schools have been consolidated into the Council's financial statements, applying accounting policies for recognition and measurement consistent with those applied by the Council to its own income, expenditure, cash flows, assets and liabilities. Transactions and balances between the Council and schools have been eliminated.

16. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

17. Fair Value Measurement of non-financial assets

The Council measures some of its non-financial assets such as surplus assets and assets held for sale and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date,
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, or
- Level 3 – unobservable inputs for the asset or liability.

2 Accounting Standards that have been Issued but not yet adopted

At the balance sheet date the following new standards and amendments to existing standards have been introduced in the 2025/26 Code of Practice of Local Authority Accounting in the United Kingdom; they are not expected to have any significant impact on the 2024/25 accounts.

- IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)
- IFRS 17 Insurance Contracts
- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets.

The changes to IAS21 and IFRS 17 are not expected to have any impact on the Council's statement of accounts as it does not engage in transactions which are captured by these changes.

From 1 April 2025, the Accounting Code will change the arrangements for the valuation of Property, Plant and Equipment. For 2024/25, there has been a general requirement that assets are revalued sufficiently regularly so that their carrying amount at 31 March does not differ materially from their current value at that date. This will be replaced by an option to revalue assets every five years, subject to annual reviews for impairment and the updating of carrying amounts by the application of relevant indices. No adjustments to carrying amounts will be required at 1 April 2025. As indices for 2025/26 will not be available until after 31 March 2026, it is not possible to project what the impact of indexation will be.

From 1 April 2025, the Accounting Code will remove the requirement to measure Intangible Assets at fair value where there is an active market for the particular asset. The measurement basis for all Intangible Assets will be amortised historical cost. The Council has not historically revalued its intangible assets so this change will not result in a change in approach or value of these assets.

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the authority has made the following critical judgements:

Accounting for Pension Assets

In calculating the net pensions asset and liability, the Council has made a judgement that the statutory framework for setting employer's contributions under the Local Government Pension Scheme (LGPS) constitutes a minimum funding requirement. As a result, the Council's ability to realise the full economic benefits of the net pensions assets estimated at 31 March 2025 of £36.8m and £482.7m respectively for the London Pension Fund Authority (LPFA) and the Council's share of its local LGPS fund, as calculated under the Accounting Code's provisions for post-employment benefits through reductions in future employer's contributions is limited. An asset ceiling therefore applies.

The fact that the Council has a commitment under the current funding strategy for both schemes means that the asset ceiling has reduced what would otherwise be the net pensions asset of £36.8m to a deficit of £1.0m in the case of the LPFA scheme, and the net pension asset of £482.7m to £183.8m in the case of the local LGPS fund.

The practical effect of this is to move the basis of measurement for the net pensions asset/liability closer to the assumptions made in the triennial valuation of the schemes under which the employer's contributions were set by the schemes' actuaries. It does not indicate that the Council has paid excess amounts into the schemes that it will never be able to recover.

Group Accounts

The Council has assessed which entities should be included within its group boundary for accounting purposes, which it determined through assessing the level of control the Council has and the financial materiality of those entities. In making this assessment, the Council has determined that King George's Field Trust (KGFT) should be consolidated into the group accounts for the Council, which can be found from page 107 of these statement of accounts. All other entities in which the Council has a degree of control have been deemed immaterial. A list of all these entities that the Council has a controlling relationship with can be found on page 86 under its related party disclosures.

4 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the authority's Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Asset/Liability

Estimation of the net pension liability to the local LGPS fund, of £183.8m, and the LPFA scheme, of £1.0m, 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 investments. Two firms of consulting actuaries (Hymans Robertson LLP) and Barnett Waddingham LLP are engaged to provide the Council with expert advice about the assumptions to be applied.

With regard to the locally administered scheme the actuaries provide the following sensitivity analysis:

- a 0.1% decrease in the real discount rate would lead to an increase of approximately £25.6m in the scheme liabilities;
- a 0.1% increase in the rate of pension increase (taken as CPI) would lead to an increase of £25.3m;
- a 0.1% increase in salaries would result in an increase of £1.1m; and
- an increase of 1 year in life expectancy would increase the liabilities by £62.6m.

With regard to the LPFA scheme, the liabilities would increase by:

- £0.4m for a reduction of 0.1% in the discount rate;
- less than £0.1m for increases to long term salaries of 0.1%;
- £0.4m for increase in pensions and deferred revaluations of 0.1%;
- £2.4m for a one-year increase in life expectancy.

The valuation of the pension liability and related entries relies on information about scheme members, such as their age and current salary or annual pension. Work to ensure that membership data is complete and accurate has to be ongoing. A piece of work is currently underway to reconcile member data and to ensure that, by the time of the next triennial valuation, systems and processes maintain 100% accuracy. Any material errors or misstatements will be corrected as part of the audit process.

Property, Plant and Equipment Valuations

Assets at carrying value of £2,844.4m are valued in accordance with the professional standards set by the Royal Institution of Chartered Surveyors and valuations are prepared by the Council's external specialists. Property, Plant and Equipment are subject to full valuation by a qualified valuer under a rolling programme at least once every five years. The valuation in 2024/25 was conducted by Wilks Head and Eve LLP.

The total net book value of assets valued as part of the valuation process for 2024/25 amounted to £2,705.8m. A 0.1% variation in valuation would lead to a movement of approximately £2.7m in the total net book value of assets.

The Housing Revenue Account (HRA) residential portfolio was valued utilising a beacon methodology. In order to value the whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential HRA property, information available at a local level showing house price movement plus regional and National Indices.

4 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty (continued)

The valuation of schools in particular is subject to the application of estimates. Schools are classified as specialised assets because there are no ready made market transactions to validate their value, and they are therefore valued on a Depreciated Replacement Cost basis, with the two components of buildings, and land, valued separately, as explained below.

School buildings have been valued on a "modern equivalent asset" basis, whereby the cost of rebuilding each building in its current size has been calculated, and this Gross Replacement Cost has been adjusted to reflect obsolescence factors. The approach to obsolescence is based on an initial assumption of an asset life of 60 years, combined with a hybrid use of straight-line and reducing balance obsolescence factors, as follows: straight-line obsolescence is applied over the first 25 years of the asset life from construction date (with no deferral period), and then after the first 25 years the obsolescence factor is applied at a reducing balance rate. (The application of the 'soft' threshold is a result of public sector building assets generally lasting much longer than the 60-year target life so it would not be appropriate to continue applying obsolescence at the same rate resulting in 100% obsolescence for a building when it is 60 years old. This is evident within many Local Authority portfolios which include properties that are significantly older than 60 years and are still fully operational and providing the service they were initially constructed to do.) School buildings are valued at £479.2m as at 31 March 2025 (£479.1m at 31 March 2024).

The land valuation applied to schools' sites has been adjusted to reflect the principal market for the land type being residential, and that an element of any residential site would be adopted for social or affordable housing, which therefore gives rise to a significant discount on the raw land values; the net land value applied is an estimated £15.6m per hectare (£15.6m in 2023/24). The land the schools sit on is valued at £419.3m as at 31 March 2025 (£431.5m at 31 March 2024).

There has been a recent revision of guidance by government regarding the use of reinforced autoclaved aerated concrete (RAAC) to suggest that in some instances it may be unsafe and require remedial action. The Council has reviewed its portfolio of properties, performing both desktop evaluation based on age and style of build, and on-site inspection where there was uncertainty as to whether RAAC was present or not, and is satisfied that across the board there is no material impact arising from possible usage of RAAC.

5 Material Items of Income and Expenditure

A material item is an item of expenditure or income that is unusual in scale and non-recurring. For 2024/25, the items of this nature are listed below:

- The Council's ability to realise the full economic benefits of the net pensions assets is restricted by the calculation of an asset ceiling (see Note 3 and Note 38). The additional liability arising from the asset ceiling calculation is £704.2m in 2024/25 (£415.7m in 2023/24).
- The sale proceeds generated from the disposal of assets amounted to £17.4m in 2024/25 (£17.5m in 2023/24). The value of the assets disposed of was £120.3m (£16.9m in 2023/24) of which £99m relates to the General Fund and £21.3m relates to the Housing Revenue Account. The amount recognised under the general fund has been driven by maintained schools transferring to academy status, which requires the Council to transfer the land and buildings of the school to the academy trust at zero cost to the trust. The amount under the Housing Revenue Account is largely driven by right to buy disposals.
- As required by CIPFA Code of Practice the Council has adopted accounting standard IFRS 16 - Lease within the 2024/25 statement of accounts. The transitional requirements set out by the Code requires the Council to include a "third balance sheet" to reflect the impact of the standard as at 1st April 2025. This has meant the Council has recognised £28.2m of additional non-current assets, offset by £23.7m of lease liabilities, £4.1m of grant income and £0.4m of asset disposals.

6 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance, Procurement & Audit on the 9 June 2025. Since the Balance Sheet date of 31 March 2025, there have been no material events that would necessitate amendments to these accounts.

7 Expenditure and Funding Analysis

This statement shows the reconciliation between the net expenditure in the Comprehensive Income and Expenditure Account and the expenditure chargeable to the General Fund and Housing Revenue Account balances. The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the Council's arrangements for accountability and financial performance.

Net Expenditure Chargeable to GF and HRA balances £'000	2023/24 Adjustments between funding and accounting basis £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to GF and HRA balances £'000	2024/25 Adjustments between funding and accounting basis £'000	Net Expenditure in the CIES £'000
			Continuing Operations *			
96,071	5,750	101,821	Children's Services	95,806	11,450	107,256
93,808	596	94,404	Health and Adult Social Care	100,657	(803)	99,854
35,759	73,978	109,737	Housing and Regeneration	58,933	4,849	63,782
16,791	(7,124)	9,667	Chief Executive's	17,414	(3,631)	13,783
15,853	53,200	69,053	Local Authority Housing (Housing Revenue Account)	(3,785)	(42,931)	(46,717)
43,295	2,607	45,902	Resources	46,284	735	47,020
(19,736)	32,313	12,577	Corporate Cost and Central Items	(23,795)	32,652	8,857
58,825	19,193	78,018	Communities	68,578	12,884	81,462
340,666	180,513	521,179	NET COST OF SERVICES	360,092	15,205	375,297
(326,854)	(120,454)	(447,308)	Other Income and Expenditure	(363,371)	40,323	(323,048)
13,812	60,059	73,871	(SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES	(3,279)	55,528	52,249
(68,419)			Opening General Fund and HRA balances	(54,607)		
13,812			Plus Deficit/(Surplus) on General Fund and HRA Balance in Year	(3,279)		
(54,607)			Closing General Fund and HRA Balances**	(57,886)		

* Restated to reflect amended departmental structures that took effect in 2024/25.

** For a split of this balance between the General Fund and the HRA - see the Movement in Reserve Statement.

7a Note to the Expenditure and Funding Analysis

This statement shows the adjustments from the net chargeable amounts to the General Fund and Housing Revenue Account to arrive at the Comprehensive Income and Expenditure Statement amounts:

2023/24*						2024/25					
Adjustments for Capital Purposes	Transfers (to)/from Earmarked Reserves and CGU	Net Change for Pensions Adjustments	Other Adjustments	Total Adjustments		Adjustments for Capital Purposes	Transfers (to)/from Earmarked Reserves and CGU	Net Change for Pensions Adjustments	Other Adjustments	Total Adjustments	
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	
8,445	1,273	(2,017)	(1,951)	5,750	Children's Services	12,146	2,681	(3,304)	(73)	11,450	
1,800	-	(1,083)	(121)	596	Health and Adult Social Care	1,089	-	(1,648)	(244)	(803)	
75,378	-	(1,302)	(98)	73,978	Housing and Regeneration	7,697	-	(1,610)	(1,238)	4,849	
-	-	210	(7,334)	(7,124)	Chief Executive's	1,813	-	2,688	(8,132)	(3,631)	
60,052	(2,400)	(2,466)	(1,986)	53,200	Local Authority Housing (Housing Revenue Account)	(39,472)	2,400	(3,768)	(2,092)	(42,932)	
4,336	-	(1,712)	(17)	2,607	Resources	2,963	-	(2,251)	24	736	
(10,702)	41,653	-	1,362	32,313	Corporate Cost and Central Items	(3,571)	36,421	-	(198)	32,652	
21,185	-	(2,007)	15	19,193	Communities	19,259	-	(4,057)	(2,318)	12,884	
160,494	40,526	(10,377)	(10,130)	180,513	NET COST OF SERVICES	1,924	41,502	(13,950)	(14,271)	15,205	
(129,406)	-	(3,137)	12,089	(120,454)	Other income and expenditure from the Expenditure and Funding Analysis	35,817	6,400	(11,971)	10,077	40,323	
31,088	40,526	(13,514)	1,959	60,059	Difference between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	37,741	47,902	(25,921)	(4,194)	55,528	

* Restated to reflect amended departmental structures that took effect in 2024/25.

Adjustments for Capital Purposes

This column includes the following adjustments:

- Services – depreciation and impairment and revaluation gains and losses are added back in as these are not in the net chargeable amounts but are chargeable under generally accepted accounting practices. Capital expenditure financed by revenue and statutory charges for capital financing (Minimum Revenue Provision) are removed as these are not chargeable to the Comprehensive Income and Expenditure Statement.
- Other income and expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets and also adjusts for the share of housing capital receipts paid to central government under a pooling arrangement. Capital grants are adjusted for income not chargeable under generally accepted accounting practices. 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.

Transfers (to)/from Earmarked Reserves and CGU

This column adjusts for the application of earmarked reserves and Capital Grants Unapplied (CGU) against expenditure and the transfer of any balances to earmarked reserves which are not included in the Comprehensive Income and Expenditure Statement as they are not chargeable under generally accepted accounting practices.

Net Change for Pensions Adjustments

This column shows the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- Services - this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- Other income and expenditure – the net interest on the defined benefit liability is charged to Financing and Investment Income and Expenditure.

Other Adjustments

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

- Services – adjustments in this column include the timing differences for premia and discounts; interest payable, interest receivable, levies and trading account surplus/deficit moved out of service expenditure to be recognised as part of Other Income and Expenditure within the Surplus or Deficit on the Provision of Services; recognising the accrual of employee annual leave in the Comprehensive Income and Expenditure Statement; also adjusting revenue grants to include those receivable without conditions or for which conditions were satisfied throughout the year.
- Other income and expenditure – this column represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8 Adjustments between Accounting Basis and Funding Basis under Regulations

2024/25	USABLE RESERVES						UNUSABLE RESERVES
	GENERAL FUND BALANCE £'000	HOUSING REVENUE ACCOUNT BALANCE £'000	MAJOR REPAIRS RESERVE £'000	CAPITAL RECEIPTS RESERVE £'000	CAPITAL GRANTS UNAPPLIED £'000	TOTAL USABLE RESERVES £'000	TOTAL UNUSABLE RESERVES £'000
Adjustments involving the Capital Adjustment Account							
<u>Reversal of items debited or credited to the CIES</u>							
Charges for depreciation and impairment of non-current assets	(36,907)	-	(17,027)	-	-	(53,934)	53,934
Charges for amortisation of intangible non-current assets	(1,218)	-	-	-	-	(1,218)	1,218
Revaluation movements on PPE (charged to SDPS) reversed	(6,262)	42,780	-	-	-	36,518	(36,518)
Capital grants and contributions applied	13,246	10,476	-	-	35,383	59,105	(59,105)
Revenue expenditure funded from capital under statute	(7,753)	(3,744)	-	-	-	(11,497)	11,497
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(98,997)	(21,299)	-	-	-	(120,296)	120,296
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure	4,100	-	-	-	-	4,100	(4,100)
<u>Inclusion of items not debited or credited to the CIES</u>							
Statutory provision for the financing of capital investment	11,042	191	-	-	-	11,233	(11,233)
Capital expenditure charged against the General Fund and HRA balances	2,817	-	-	-	-	2,817	(2,817)
Adjustments involving the Capital Receipts Reserve							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	210	17,213	-	(17,423)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	27,611	-	27,611	(27,611)
Adjustment involving the Major Repairs Reserve							
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	14,922	-	-	14,922	(14,922)
Adjustments involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	435	-	-	-	435	(435)
Adjustment involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CIES	(25,265)	(4,131)	-	-	-	(29,396)	29,396
Employer's pensions contributions and direct payments to pensioners payable in the year	47,418	7,899	-	-	-	55,317	(55,317)
Adjustments involving the Collection Fund Adjustment Account							
Amount by which council tax and NDR income credited to the CIES is different from the income calculated in accordance with statutory requirements	(1,377)	-	-	-	-	(1,377)	1,377
Adjustments involving the Pooled Investments Adjustment Account							
Amount by which changes in the value of pooled investments charged to the CIES are different from those chargeable in the year in accordance with statutory requirements	194	-	-	-	-	194	(194)
Adjustments involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to CIES when receivable	37,529	6,237	-	-	(43,766)	-	-
Adjustments involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,829	-	-	-	-	1,829	(1,829)
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account:							
Movement of negative Dedicated Schools Grant reserve to the DSG adjustment account	(4,288)	-	-	-	-	(4,288)	4,288
Total Adjustments	(63,684)	56,058	(2,105)	10,188	(8,383)	(7,926)	7,926

8 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2023/24	USABLE RESERVES						UNUSABLE RESERVES
	GENERAL FUND BALANCE £'000	HOUSING REVENUE ACCOUNT BALANCE £'000	MAJOR REPAIRS RESERVE £'000	CAPITAL RECEIPTS RESERVE £'000	CAPITAL GRANTS UNAPPLIED £'000	TOTAL USABLE RESERVES £'000	TOTAL UNUSABLE RESERVES £'000
Adjustments involving the Capital Adjustment Account							
<u>Reversal of items debited or credited to the CIES</u>							
Charges for depreciation and impairment of non-current assets	(37,148)	-	(17,005)	-	-	(54,153)	54,153
Charges for amortisation of intangible non-current assets	(1,023)	-	-	-	-	(1,023)	1,023
Revaluation movements on PPE (charged to SDPS) reversed	(71,730)	(66,560)	-	-	-	(138,290)	138,290
Capital grants and contributions applied	11,230	5,100	-	-	60,788	77,118	(77,118)
Revenue expenditure funded from capital under statute	(10,772)	(2,148)	-	-	-	(12,920)	12,920
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(8,725)	(8,126)	-	-	-	(16,851)	16,851
<u>Inclusion of items not debited or credited to the CIES</u>							
Statutory provision for the financing of capital investment	14,658	-	-	-	-	14,658	(14,658)
Capital expenditure charged against the General Fund and HRA balances	2,740	8,221	-	-	-	10,961	(10,961)
Adjustments involving the Capital Receipts Reserve							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	257	17,265	-	(17,522)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	13,190	-	13,190	(13,190)
Adjustment involving the Major Repairs Reserve							
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	17,334	-	-	17,334	(17,334)
Adjustments involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	435	-	-	-	435	(435)
Adjustment involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CIES	(33,852)	(2,014)	-	-	-	(35,866)	35,866
Employer's pensions contributions and direct payments to pensioners payable in the year	44,901	4,480	-	-	-	49,381	(49,381)
Adjustments involving the Collection Fund Adjustment Account							
Amount by which council tax and NDR income credited to the CIES is different from the income calculated in accordance with statutory requirements	(6,141)	-	-	-	-	(6,141)	6,141
Adjustments involving the Pooled Investments Adjustment Account							
Amount by which changes in the value of pooled investments charged to the CIES are different from those chargeable in the year in accordance with statutory requirements	1,220	-	-	-	-	1,220	(1,220)
Adjustments involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to CIES when receivable	118,201	1,104	-	-	(119,305)	-	-
Adjustments involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	454	-	-	-	-	454	(454)
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account:							
Movement of negative Dedicated Schools Grant reserve to the DSG adjustment account	(1,560)	-	-	-	-	(1,560)	1,560
Total Adjustments	22,710	(42,243)	329	(4,332)	(58,517)	(82,053)	82,053

9 Transfers to / from Earmarked Reserves

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

	BALANCE AT 31 MARCH 2023 £'000	TRANSFERS OUT 2023/24 £'000	TRANSFERS IN 2023/24 £'000	BALANCE AT 31 MARCH 2024 £'000	TRANSFERS OUT 2024/25 £'000	TRANSFERS IN 2024/25 £'000	BALANCE AT 31 MARCH 2025 £'000
1 Schools Balances	(35,250)	9,815	(8,542)	(33,977)	9,525	(7,138)	(31,590)
2 DSG	(1,200)	1,200	-	-	-	-	-
3 Insurance	(7,919)	308	(519)	(8,130)	325	(1,180)	(8,985)
4 Parking Control	(8,795)	2,126	(3,142)	(9,811)	3,683	(3,850)	(9,978)
5 Transformation	(3,078)	425	(764)	(3,417)	2,335	-	(1,082)
6 Collection Fund Smoothing Reserve	(43,436)	14,697	(900)	(29,639)	5,228	(712)	(25,123)
7 ICT / Finance Systems	(9,338)	-	(333)	(9,671)	215	(125)	(9,581)
8 Mayor's Tackling Poverty Reserve	(1,616)	-	(1,640)	(3,256)	-	-	(3,256)
9 Free School Meals	(1,800)	-	-	(1,800)	1,800	-	-
10 Mayor's Investment Priorities	(47,900)	28,012	(1,300)	(21,188)	21,188	-	-
11 Risk Reserve	(15,861)	-	-	(15,861)	16,483	(2,300)	(1,678)
12 Adults, Health & Wellbeing (including Public Health)	(7,161)	-	(125)	(7,286)	3,602	-	(3,683)
13 Services Reserve	(14,573)	2,613	(2,365)	(14,325)	3,766	(14,338)	(24,897)
14 Revenue Grants	(12,223)	5,782	(667)	(7,108)	2,351	(1,580)	(6,337)
15 Covid-19 Grant	(4,053)	1,609	-	(2,444)	2,444	-	-
16 Ringfenced Developers' Contributions	(6,091)	366	(6,743)	(12,468)	145	(226)	(12,549)
17 CIL	(3,678)	1,267	-	(2,411)	607	-	(1,804)
18 Council Tax Hardship	(2,448)	-	-	(2,448)	-	-	(2,448)
19 Local Elections Reserve	(573)	-	(150)	(723)	122	(150)	(751)
20 Mayors Covid Recovery Fund	(1,790)	27	-	(1,763)	1,763	-	-
21 Black, Asian and Minority Ethnic	(753)	205	-	(548)	61	-	(487)
22 HAC Joint Fund	(7,306)	3,527	-	(3,779)	2,414	(780)	(2,145)
23 Social Care Pressures	-	1,426	(4,600)	(3,174)	3,174	-	-
24 Mayors Grant Programme	-	1,311	(11,964)	(10,653)	2,745	-	(7,908)
25 HRA Property Portfolio Reserve	-	-	(2,400)	(2,400)	2,400	-	-
26 Mayors Accelerated Delivery Fund	-	-	-	-	-	(6,900)	(6,900)
Earmarked Reserve Total	(236,841)	74,716	(46,154)	(208,279)	86,376	(39,279)	(161,182)

Corporate Reserves

- Reserves held by schools under the scheme of delegation. This balance can only be used by the Schools and is not available to the Council for general use.
- In accordance with regulations, in-year deficits on DSG budgets are transferred to the DSG adjustment account, an unusable reserve; however, in-year surpluses on are held within earmarked reserves.
- The Council is self insured for most liability and property risks below £1 million. The level of the reserve is reviewed annually and where appropriate an amount transferred to the Insurance Provision.
- Parking control reserve.
- Reserve created to support the delivery of the Council's transformation programme.
- Collection Fund Smoothing Reserve - used to manage fluctuations in Business Rates income.
- Reserve to support the planned investment in Council's finance systems.
- Contribution toward funding of welfare reform programme.
- Reserve to fund free school meals programme.
- Reserve to fund Mayor's Investment Priority schemes.
- Risk Reserve to manage funding of risks arising.
- Reserves held for Adults, Health and Wellbeing and Public Health services.
- Includes Building Control, Land Charges, and Planning reserves.
- Unspent revenue grants without repayment conditions.
- Grant received to fund Covid-19 related expenditure.
- This balance consists of developers' contributions which are ringfenced for specific purposes.
- Community Infrastructure Levy.
- Council Tax Hardship Relief.
- Contribution for future Local Election Costs.
- Mayors Covid Recovery Fund.
- Black, Asian and Minority Ethnic (BAME) reserve to support delivery of Inequalities Commission recommendations.
- Health, Adults and Communities (HAC) Joint Funding.
- Social Care Pressures reserve to mitigate against future inflationary pressures within Adult Social care.
- Mayor's Community Grants reserve is restricted to fund the Mayor's Community Grants Programme which will provide funding to the voluntary and community sector.
- HRA Property Portfolio reserve to support the work of a specialist team who will be reviewing the councils HRA property portfolio.
- Budgeted contribution to reserves to accelerate delivery of service priorities.

10 Other Operating Expenditure

2023/24 £'000	2024/25 £'000
2,091 Levies	2,107
(671) Net (gain) / loss on disposal of non-current assets	102,873
1,420 Total	104,980

11 Financing and Investment Income and Expenditure

2023/24 £'000	2024/25 £'000
9,204 Interest payable and similar charges	11,563
(3,137) Net interest on the net defined benefit liability/(asset)	(11,971)
(3,487) Interest receivable and similar income	(625)
(10,292) Net (gains)/losses on financial assets at fair value through profit and loss	(10,833)
(7,712) Total	(11,866)

12 Taxation and Non-Specific Grants Income

2023/24 £'000	2024/25 £'000
(120,994) Council Tax income	(129,829)
(107,011) Non domestic rates	(131,801)
(84,276) Non-ringfenced Government grants	(87,588)
(128,735) Capital grants and contributions	(66,944)
(441,016) Total	(416,162)

13 Income and Expenditure Analysed by Nature

2023/24 £'000	2024/25 £'000
555,594 Employee benefits expenses	605,322
772,700 Other service expenses	782,125
193,466 Depreciation, amortisation and impairment	18,634
9,204 Interest payments	11,563
(3,137) Net interest on the net defined benefit liability/(asset)	(11,971)
(10,292) Net (gains)/losses on financial assets at fair value through profit and loss	(10,833)
2,091 Precepts and levies	2,107
(671) Gains and losses on disposal of non-current assets	102,873
1,518,955 Total Expenditure	1,499,820
(268,571) Fees, charges and other service income	(298,351)
(3,487) Interest and investment income	(625)
(228,005) Income from council tax and non-domestic rates	(261,630)
(945,021) Government grants and contributions	(886,965)
(1,445,084) Total Income	(1,447,571)
73,871 (Surplus) or Deficit on the Provision of Services	52,249

14 Property, Plant and Equipment

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.

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

The totality of Property, Plant and Equipment is provided in the first table below, with details of in-year movements within each sub-section provided in the tables thereafter.

2023/24 £'000	Total PPE	2024/25 £'000
-	Adjusted 1 April Balance on transition to IFRS16	3,141,895
144,948	Infrastructure assets (net book value) - 31 March	146,143
2,968,702	Other PPE - 31 March	2,981,050
3,113,650	Total PPE - 31 March	3,127,193

2023/24 £'000	Infrastructure Assets	2024/25 £'000
147,228	Infrastructure assets (net book value) - 1 April	144,948
9,433	Additions in-year	13,303
(11,713)	Depreciation charge in-year	(12,108)
144,948	Infrastructure Assets (Net Book Value) - 31 March	146,143

14 Property, Plant and Equipment (continued)

MOVEMENTS IN 2024/25	COUNCIL DWELLINGS	OTHER LAND AND BUILDINGS	VEHICLES, PLANT, FURNITURE & EQUIPMENT	COMMUNITY ASSETS	SURPLUS ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL PROPERTY, PLANT AND EQUIPMENT	PFI ASSETS INCLUDED IN PROPERTY, PLANT AND EQUIPMENT
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2024	1,189,267	1,571,504	66,399	38,978	34,051	120,196	3,020,395	266,428
Adjusted 1 April Balance on transition to IFRS16	1,197,013	1,591,239	67,012	38,978	34,202	120,196	3,048,640	269,689
Additions	14,313	15,031	5,798	779	2,378	54,049	92,348	867
Additions - Lease Remeasurements	719	4,007	5,972	-	-	-	10,698	131
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(56,011)	26,979	-	-	700	-	(28,332)	(2,388)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the provision of services	36,081	468	-	-	(31)	-	36,518	178
Derecognition - Disposals	(7,807)	(22,158)	-	-	-	(77,450)	(107,415)	(6,758)
Derecognition - Other	(11,973)	(1,063)	(20,435)	-	(724)	-	(34,195)	-
Other Reclassification of Assets	34,178	8,236	-	1,546	(4,530)	(39,430)	-	-
At 31 March 2025	1,206,513	1,622,739	58,347	41,303	31,995	57,365	3,018,262	261,719
Accumulated Depreciation and Impairment								
At 1 April 2024	-	5,857	45,816	-	10	10	51,693	3,924
Depreciation charge	15,560	18,869	7,134	-	263	-	41,826	2,679
Depreciation written out to the Revaluation Reserve	(15,304)	(19,876)	-	-	(234)	-	(35,414)	(2,005)
Derecognition - Disposals	(101)	(166)	-	-	-	-	(267)	(67)
Derecognition - Other	(155)	(25)	(20,435)	-	(11)	-	(20,626)	-
Other Reclassification of Assets	-	9	-	-	(9)	-	-	-
At 31 March 2025	-	4,668	32,515	-	19	10	37,212	4,531
Net Book Value								
At 31 March 2025	1,206,513	1,618,071	25,832	41,303	31,976	57,355	2,981,050	257,188
At 31 March 2024	1,189,267	1,565,647	20,583	38,978	34,041	120,186	2,968,702	262,504
At 1 April 2024	1,197,013	1,585,382	21,196	38,978	34,192	120,186	2,996,947	265,765

The Balance Sheet Property, Plant and Equipment total Net Book Value (£3,127.2m) comprises of Property, Plant and Equipment total Net Book Value (£2,981.1m - above) and total Infrastructure assets Net Book Value (£146.1m - previous page).

14 Property, Plant and Equipment (continued)

MOVEMENTS IN 2023/24	COUNCIL DWELLINGS £'000	OTHER LAND AND BUILDINGS £'000	VEHICLES, PLANT, FURNITURE & EQUIPMENT £'000	COMMUNITY ASSETS £'000	SURPLUS ASSETS £'000	ASSETS UNDER CONSTRUCTION £'000	TOTAL PROPERTY, PLANT AND EQUIPMENT £'000	PFI ASSETS INCLUDED IN PROPERTY, PLANT AND EQUIPMENT £'000
Cost or Valuation								
At 1 April 2023	1,215,585	1,646,635	61,749	37,578	29,121	120,851	3,111,519	267,859
Additions	21,204	20,672	4,650	1,303	317	75,618	123,764	1,536
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(46,426)	(16,211)	-	-	3,264	-	(59,373)	(3,083)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the provision of services	(65,040)	(73,259)	-	-	9	-	(138,290)	31
Derecognition - Disposals	(7,606)	(9,238)	-	-	-	-	(16,844)	-
Derecognition - Other	-	(381)	-	-	-	-	(381)	-
Other Reclassification of Assets	71,550	3,286	-	97	1,340	(76,273)	-	85
At 31 March 2024	1,189,267	1,571,504	66,399	38,978	34,051	120,196	3,020,395	266,428
Accumulated Depreciation and Impairment								
At 1 April 2023	-	6,451	38,044	-	9	29	44,533	3,700
Depreciation charge	15,757	18,718	7,772	-	193	-	42,440	2,627
Depreciation written out to the Revaluation Reserve	(15,659)	(18,993)	-	-	(254)	-	(34,906)	(2,403)
Derecognition - Disposals	(98)	(244)	-	-	-	-	(342)	-
Derecognition - Other	-	(32)	-	-	-	-	(32)	-
Other Reclassification of Assets	-	(43)	-	-	62	(19)	-	-
At 31 March 2024	-	5,857	45,816	-	10	10	51,693	3,924
Net Book Value								
At 31 March 2024	1,189,267	1,565,647	20,583	38,978	34,041	120,186	2,968,702	262,504
At 31 March 2023	1,215,585	1,640,184	23,705	37,578	29,112	120,822	3,066,986	264,159

The Balance Sheet Property, Plant and Equipment total Net Book Value (£3,114m) comprises of Property, Plant and Equipment total Net Book Value (£2,969m - above) and total Infrastructure assets Net Book Value (£145m - previous page).

Zero value assets

Included within Vehicles, Plants, Furniture & Equipment (VPFE) cost of £66.4m, there are £20.4m of assets relating to fixtures & fittings, furniture and equipment which have been fully depreciated and included within the total VPFE accumulated depreciation of £45.8m.

The impact of this is that these assets have a closing net book value of nil at 31st March 2024.

14 Property, Plant and Equipment (continued)

Depreciation

The following useful lives have been used in the calculation of depreciation, applied on a straight line basis:

- Council Dwellings – 50 years
- Other Land and Buildings – 50 years for schools, libraries and offices; 54 years for temporary accommodation; 53 years for garages; 41 years for community buildings
- Vehicles, Plant & Equipment - 5 years on a straight line basis, or as advised by the service
- Infrastructure assets - 25 years for roads, footways, street furniture, traffic management systems and other highway-related assets, and street lighting installed before 2018/19; 12 years for new LED lanterns, and 50 years for columns, for streetlighting installed from 2018/19 onwards, 100 years for tunnels, and 120 years for bridges.

Capital Commitments

The Council had contractually binding capital commitments, in respect of schemes costing in excess of £1 million at 31 March 2025 as below:

	Committed sum at 31 March 2025 £'000	Costs to 31 March 2025 £'000	2024/25 onwards £'000
Arnold Road 3-5 William Brinson House	24,496	14,900	9,596
O Brien Garages	4,594	2,876	1,718
Buckhurst Street	2,892	235	2,657
HAP (Clichy)	4,076	1,007	3,069
Better Neighbourhoods	19,401	9,565	9,835
Fire Safety Works Phase 3	1,430	364	1,066
Total	56,889	28,947	27,942

The Council had contractually binding capital commitments, in respect of schemes costing in excess of £1 million at 31 March 2024 as below:

	Committed sum 31 March 2024 £'000	Costs to 31 March 2024 £'000	2023/24 onwards £'000
Mulberry London Dock	66,000	57,301	8,699
Beatrice Tate	5,503	-	5,503
Hermitage Primary	1,549	-	1,549
Arnold Road 3-5 William Brinson House	24,496	4,922	19,574
Vawdrey Close	2,231	-	2,231
O Brien Garages	4,594	148	4,446
Bancroft & Wickford	13,549	6,303	7,246
Heylyn House	10,725	8,756	1,969
Fire Safety Works Phase 3	1,430	308	1,122
Better Neighbourhoods	17,333	7,410	9,923
Decent Homes Year 4	3,550	1,755	1,795
Total	150,960	86,903	64,057

14 Property, Plant and Equipment (continued)

Revaluations

In 2024/25, the housing stock and the non-dwellings assets were valued by Wilks Head and Eve. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuation of council dwellings is in accordance with guidelines produced by Communities and Local Government in the 'Stock Valuation for Resource Accounting: Guidance for Valuers 2016'.

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are as at 31 March in the year of valuation. In 2024/25, school assets held at depreciated replacement cost (DRC) were also subject to a desktop valuation as at 31 March 2025. A summary of total valuation per asset category is shown below.

ANALYSIS OF ROLLING REVALUATION PROGRAMME	COUNCIL DWELLINGS £'000	OTHER LAND AND BUILDINGS £'000	VEHICLES, PLANT, FURNITURE & EQUIPMENT £'000	INFRA-STRUCTURE ASSETS £'000	COMMUNITY ASSETS £'000	SURPLUS ASSETS £'000	ASSETS UNDER CONSTRUCTION £'000	TOTAL PROPERTY, PLANT AND EQUIPMENT £'000
Valued at historic cost	-	12,150	25,832	146,143	41,303	-	57,355	282,783
Valued at current value in:								
2024/25	1,206,513	1,467,950	-	-	-	31,336	-	2,705,799
2023/24	-	108,536	-	-	-	-	-	108,536
2022/23	-	16,900	-	-	-	640	-	17,540
2021/22	-	7,805	-	-	-	-	-	7,805
2020/21	-	4,730	-	-	-	-	-	4,730
31 March 2025	1,206,513	1,618,071	25,832	146,143	41,303	31,976	57,355	3,127,193

Impairment Losses

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated above reconciling the movement over the year in the Property, Plant and Equipment balances.

Fair Value Measurement – Surplus Assets

Surplus assets have been valued using the Fair Value approach, and the Valuer has advised that Level 2 inputs have been employed (and the definition of this is explained below). The objective of this measurement approach is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under the current market conditions.

- Level 2 inputs are quoted prices other than quoted prices in Level 1 that are observable for the asset.
- Significant Observable Inputs as used for the valuation of Surplus Assets are such things as current market conditions (based on recent sales prices), and size, location and condition of property, along with other relevant factors.
- The level of inputs has not changed from the previous balance sheet date.

15 Heritage Assets

The Council holds a number of heritage assets valued at £19.173m. These include civic regalia, works of art across the borough (one of which is a sculpture valued at £18m which was relocated to the borough during 2017/18) and collections at Tower Hamlets Local History Library and Archive (Bancroft Library). These are held as part of increasing the knowledge and understanding of the area's history.

The Council has held these heritage assets for a number of years pre-dating 2010. These assets are held at an estimate of current value on the balance sheet, except for the local history collection which is not included on the balance sheet as valuations are not available due to the unique nature of the assets.

It is assumed that these material heritage assets have an indefinite lifespan, therefore depreciation is not charged on these assets. If evidence was received that required the value of the heritage assets to be impaired, this reduction would be charged to the revaluation reserve. The Council does not have any heritage assets buildings.

	Balance at 31 March 2024 £'000	2024/25 Acquisitions/ Additions £'000	2024/25 Disposals £'000	2024/25 Revaluation £'000	Balance at 31 March 2025 £'000
Value of Heritage Assets held by Council					
Works of art	18,764	-	-	-	18,764
Civic Regalia	389	20	-	-	409
TOTAL HERITAGE ASSETS	19,153	20	-	-	19,173

16 Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are classified into one of three categories based on the business model for holding the instruments and their expected cashflow characteristics as follows:

Amortised Cost - where cash flows are solely for payments of principal and interest and the Council's business model is to collect those cash flows. For borrowing, this means that the amount in the balance sheet is the remaining principal and the accrued interest. Financial assets include cash in hand, bank current and deposit accounts, fixed term deposits.

Fair Value Through Other Comprehensive Income (FVOCI) - Fair value is defined as the amount for which an asset or a liability could be exchanged between market participants in an arm's length transaction. Where held as fair value through other comprehensive income, the cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows and sell the instruments, including equity investments that the Council has elected into this category).

Fair Value Through Profit and Loss (FVTPL) - These assets are measured and carried at fair value and all gains and losses due to changes in fair value (both realised and unrealised) are recognised in the Comprehensive Income & Expenditure Statement as they occur.

The Council holds some assets at fair value through profit or loss - the Council's investments in pooled funds have been classified as such, as well as holdings in money market funds. The former are long-term strategic holdings whose changes in fair value are not considered to be part of the Council's annual financial performance. The fair values for these investments have been mostly derived from "Level 1 inputs" (where the fair values are only derived from quoted prices in active markets for identical assets or liabilities).

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet.

Financial Instrument Categories	Non-Current		Current		Total	
	31 March	31 March	31 March	31 March	31 March	31 March
	2024	2025	2024	2025	2024	2025
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Financial Assets - Fair Value through profit and loss*						
Investments	53,582	53,651	19,978	20,103	73,560	73,754
Cash Equivalents	-	-	142,701	99,079	142,701	99,079
Financial Assets at Amortised Cost						
Investments	80	-	1,015	778	1,095	778
Trade Debtors	1,426	750	82,705	90,256	84,131	91,006
Cash and Cash Equivalents	-	-	110,633	110,887	110,633	110,887
Total Financial Assets	55,088	54,401	357,032	321,103	412,120	375,504
Financial Liabilities						
Financial Liabilities at Amortised Cost						
Cash and Cash Equivalents	-	-	(66,683)	(64,297)	(66,683)	(64,297)
Borrowing	(68,709)	(68,709)	(332)	(381)	(69,041)	(69,090)
Trade Creditors	-	-	(100,634)	(103,290)	(100,634)	(103,290)
Service Concessions and Finance Leases	(41,286)	(62,803)	(4,735)	(9,803)	(46,021)	(72,606)
Total Financial Liabilities	(109,995)	(131,512)	(172,384)	(177,771)	(282,379)	(309,283)

*The valuation basis is Level 1 classification, where fair value is determined by unadjusted quoted prices in active markets, but subject to the further detail provided in the text above the table.

16 Financial Instruments (continued)

Gains and Losses on Financial Instruments

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments are as follows:

	Financial Liabilities measured at amortised cost £'000	2023/24 Financial Assets measured at amortised cost £'000	Financial Assets measured at FVPL* £'000	Financial Liabilities measured at amortised cost £'000	2024/25 Financial Assets measured at amortised cost £'000	Financial Assets measured at FVPL* £'000
Interest expense	9,204	-	-	11,563	-	-
Interest income	-	(3,487)	-	-	(625)	-
Money Market Funds (Cash Equivalents)	-	-	(6,345)	-	-	(6,318)
Pooled Funds	-	-	(3,947)	-	-	(4,515)
Net Gain/(Loss) for the year	9,204	(3,487)	(10,292)	11,563	(625)	(10,833)

*Fair Value through Profit and Loss

Fair Values of Financial Instruments carried at Amortised Cost

The fair value of each class of financial instruments which are carried in the balance sheet at amortised cost is disclosed in the table below. Some classes of instrument (namely cash and cash equivalents, trade debtors and creditors, and investments which are predominantly fixed-term deposits of maturity under 12 months) have been assessed as having carrying values which are not materially different from fair values, and so are not disclosed in the table below.

	Fair Value Valuation Basis	31 March 2024 Carrying Amount £'000	31 March 2024 Fair Value £'000	31 March 2025 Carrying Amount £'000	31 March 2025 Fair Value £'000
Borrowing held at amortised cost					
<i>Public Works Loans Board</i>	Level 2	(51,526)	(30,677)	(51,518)	(25,187)
<i>Market Loans - Fixed Interest</i>	Level 2	(17,515)	(16,389)	(17,571)	(13,546)
Service Concessions	Level 2	(19,607)	(24,038)	(17,442)	(17,442)
Finance Leases	Level 2	(26,414)	(39,789)	(55,164)	(55,164)
Financial Liabilities		(115,062)	(110,893)	(141,696)	(111,340)

The fair value valuation bases are as follows:

Level 1 - unadjusted quoted prices in active markets for identical instruments that the Council can access at the balance sheet date.

Level 2 - using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - using unobservable inputs for the asset or liability.

The fair value of borrowings is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date.

The fair values of borrowings are estimated as the price the lender would receive to sell the loans to another market participant on 31 March, based on observable market rates for similar transactions, including local authority bonds in issue. Where there is no directly comparable bond in issue, the market rate is derived from observed interest rate swap rates plus an interpolated credit spread. Ultimately, if prevailing interest rates were lower, then the fair values of the Council's borrowings would increase. The fair values quoted for borrowings include accrued interest as at 31 March in order to enable direct comparison with the carrying amounts (which, being valued at amortised cost, also include accrued interest).

16 Financial Instruments (continued)

Nature and extent of risks arising from Financial Instruments

The Council is exposed to a variety of risks in providing its services and as such, seeks to minimise the potential adverse effects on the resources available to fund services. These risks include:

- Credit risk - the possibility that counterparties might fail to pay amounts due to the council
- Liquidity risk - the possibility that the Council might not have access to cash to meet its liabilities as they fall due
- Market risk - the possibility that financial loss may arise as a result of changes in such measures as interest rates

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. Risk management is carried out by a central treasury team under policies approved by the Council in the annual treasury management strategy report. The Council has fully adopted and implemented CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk. The Treasury Management Team have also fully implemented the Government's national investment guidance.

Credit Risk

Credit risk is the possibility that other parties may not pay amounts due to the Council. This risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. The Council invests primarily on the basis of prudence and then the level of returns. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution or those underwritten by the Government. The Council has a policy of limiting deposits with financial institutions as shown below which is further detailed in the Treasury Management Strategy.

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities (subject to checks on their balance sheet position depending on duration and current financial status)	25 years	£25m	Unlimited
Secured investments	25 years	£25m	Unlimited
Banks (unsecured)	13 months	£15m	Unlimited
Building societies (unsecured)	13 months	£15m	£30m
Registered providers (unsecured)	5 years	£15m	£75m
Money market funds	n/a	£30m	Unlimited
Strategic pooled funds	n/a	£30m	£150m
Real estate investment trusts	n/a	£30m	£75m
Other investments	5 years	£15m	£30m

Credit Risk Exposure on Treasury Management Activities

As at the balance sheet date investments of principal are analysed as follows, and the credit-worthiness of the investment portfolio is rated at AA- (rated AA- in 2023/24).

Financial Asset Class	31 March 2024 £'000	31 March 2025 £'000
Long-term Investments		
Pooled investment funds with financial institutions	53,582	53,651
Short-term investments		
Fixed-term/call account deposits with financial institutions	-	-
Pooled investment funds with financial institutions	19,978	20,103
Cash Equivalents		
Fixed-term deposits with central government agency	-	-
Fixed-term/call account deposits with financial institutions	1,000	1,000
MMFs with financial institutions	142,701	99,079
TOTAL	217,261	173,833

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits, and has no historical experience of defaults on any of its investments.

16 Financial Instruments (continued)

Credit Risk Exposure on Trade Debtors

Where the Council provides services to customers or has contractual arrangements in place with other organisations, there is the possibility that outstanding monies will not be repaid. The table below shows the gross amounts outstanding and the expected lifetime credit loss (using the simplified approach).

	31 March 2024		31 March 2025	
	Gross debtors £'000	Loss allowance £'000	Gross debtors £'000	Loss allowance £'000
Long-term trade debtors	1,426	-	750	-
NHS	3,288	-	8,374	-
Tower Hamlets Homes Ltd	6,031	-	6,081	-
Leaseholders	35,793	(3,206)	38,160	(3,083)
Tenants (HRA and temporary accommodation)	25,828	(22,601)	26,837	(23,091)
Other	45,624	(8,052)	45,819	(9,202)
TOTAL	117,990	(33,859)	126,021	(35,376)

For Leaseholders, the loss allowance is a reflection of the time-value of money, being calculated by means of a discounted cash flow of the expected collection time profile.

For Tenants, the loss allowance is based on 100% full coverage of the gross receivable for former tenants, and a percentage assumption based on size and age of debt for current tenants. In 2024/25, £0.354m was written off (£0.015m in 2023/24).

For others, the loss allowance is calculated by means of mostly reviewing outstanding debts and assessing on an individual basis, but using collective assessment in the segment of adult social care customers; no component element of the loss allowance is significant. In the year, £0.029m was written off (£4.373m in 2023/24).

With the exception of leaseholders, who are permitted to pay for the costs of major works incurred on their accommodation blocks by means of payment plans over a number of years, the Council does not provide credit to customers.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council has ready access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates; and the Council uses money market funds to provide liquidity.

The maturity structure of financial liabilities is as follows (at nominal value):

Loans outstanding	31 March 2024 £'000	31 March 2025 £'000
Public Works Loans Board	108,876	107,570
Market debt	58,125	57,366
PFI / Finance Leases	97,644	155,274
Total	264,645	320,210
Less than 1 year	12,020	19,045
Between 1 and 2 years	12,110	21,724
Between 2 and 5 years	25,997	30,098
Between 5 and 10 years	23,400	33,455
More than 10 years	191,118	215,888
Total	264,645	320,210

16 Financial Instruments (continued)

Market Risk - Interest rate:

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. 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 - 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. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 75% of its net debt in variable rate loans and to prioritise use of cash balances and temporary borrowing over new variable rate loans. The Council's Strategy is that new variable rate loans from the Public Works Loans Board are to be for periods up to ten years.

The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget, which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

The treasury management strategy assesses interest rate exposure - this feeds into the setting of the annual budget.

According to this assessment, at 31 March 2025, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as follows:

Interest Rate Risk	2023/24 £'000	2024/25 £'000
Increase in interest payable on variable rate borrowings	-	-
Increase in interest receivable on variable rate investments	(10)	(10)
Impact on Income and Expenditure Account	(10)	(10)

Fair Value Movements	2023/24 £'000	2024/25 £'000
Decrease in fair value of fixed rate investments	-	-
Decrease in fair value of fixed rate borrowing liabilities	(8,160)	(5,938)
Impact on Income and Expenditure Account	(8,160)	(5,938)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Market Risk - Price

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices and its investments in pooled equity funds is also subject to the risk of falling share prices. This price risk is minimised by limiting the Council's maximum exposure to property and equity investments.

Foreign Exchange Risk

The council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

17 Non-Financial Assets

Where monies are collectible due to statutory powers rather than contractual arrangements, these are classified as non-financial assets. Receivables past due and not impaired as at the balance sheet date are as per the table below. There are no material assets that are individually impaired.

Balances at 31 March 2025	0-1 year old £'000	1-2 years old £'000	2+ years old £'000
Council Tax and Court Costs	10,378	3,616	4,079
National Non Domestic Rates	1,991	66	-
Housing Benefits Overpayments	1,966	2,097	4,459
Community Infrastructure Levy	19,033	-	-
Parking	1,713	-	-
Total	35,081	5,779	8,538

Balances at 31 March 2024	0-1 year old £'000	1-2 years old £'000	2+ years old £'000
Council Tax and Court Costs	8,771	2,958	2,930
National Non Domestic Rates	3,731	1,767	1,654
Housing Benefits Overpayments	2,948	1,372	5,661
Community Infrastructure Levy	19,059	-	-
Parking	1,698	-	-
Total	36,207	6,097	10,245

18 Short Term Debtors

	31 March 2024 £'000	31 March 2025 £'000
National Health Service	3,288	8,374
HM Revenue & Customs	29,752	19,792
Other Central Government Bodies	9,127	12,296
Other Local Authorities	9,757	10,024
Tower Hamlets Homes	6,031	6,081
Council Tax	12,253	14,102
National Non Domestic Rates	7,152	2,880
Housing and Tenants Rents	48,974	50,079
Other Entities & Individuals	46,955	50,125
Payments in Advance	4,711	10,983
Total	178,000	184,736

19 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements. These amounts exclude non Council funding held by schools (such as charitable funds):

	31 March 2024 £'000	31 March 2025 £'000
Cash held by the Council	109,633	109,887
Short-term deposits with banks, building societies and local authorities	1,000	1,000
Money Market Funds	142,701	99,079
Sub-total - shown in current assets	253,334	209,966
Cash overdraft - shown under current liabilities	(66,683)	(64,297)
Total Cash and Cash Equivalents	186,651	145,669

20 Short-term Creditors

	31 March 2024 £'000	31 March 2025 £'000
National Health Service	(548)	(1,843)
HM Revenue & Customs	(9,541)	(7,328)
Other Central Government Bodies	(10,549)	(28,043)
Other Local Authorities	(14,595)	(18,653)
Council Tax	(11,851)	(13,370)
National Non Domestic Rates	(13,771)	(11,525)
Housing and Tenants Rents	(1,425)	(2,733)
Other Entities & Individuals	(100,875)	(108,517)
Receipts in advance	(31,870)	(33,759)
Total	(195,025)	(225,771)

21 Provisions

Short-term Provisions*	Balance at 31 March 2023 £'000	Amounts used or written back £'000	Contributions or transfers £'000	Balance at 31 March 2024 £'000	Amounts used or written back £'000	Contributions or transfers £'000	Balance at 31 March 2025 £'000
(a) Business rates appeals	(5,970)	5,970	(10,708)	(10,708)	10,708	(12,101)	(12,101)
(b) Insurance Fund	(1,156)	353	(267)	(1,070)	966	(1,053)	(1,157)
(c) Water Charges	-	-	(1,457)	(1,457)	1,457	-	-
(d) Restructuring costs	-	-	(1,483)	(1,483)	1,483	-	-
(e) Litigation Damages	-	-	(500)	(500)	500	(390)	(390)
(f) Contract uplifts	-	-	-	-	-	(306)	(306)
Total	(7,126)	6,323	(14,415)	(15,218)	15,114	(13,850)	(13,954)

*Note - all short term provisions are due to be realised in the next financial year.

Long-term Provisions	Balance at 31 March 2023 £'000	Amounts used or written back £'000	Contributions or transfers £'000	Balance at 31 March 2024 £'000	Amounts used or written back £'000	Contributions or transfers £'000	Balance at 31 March 2025 £'000
(b) Insurance Fund	(2,581)	271	-	(2,310)	-	(361)	(2,671)
(c) Water Charges	(1,457)	-	1,457	-	-	-	-
(i) Disrepairs	(200)	-	(970)	(1,170)	1,170	(1,518)	(1,518)
(h) Employment Disputes	(800)	400	-	(400)	250	(180)	(330)
Total	(5,038)	671	487	(3,880)	1,420	(2,059)	(4,519)

- (a) Council share of provision for business rates appeals has increased due to rateable value changes, current market trends and third party confirmations.
- (b) To cover a range of self-insured risks including personal accident cover for staff, motor car credit guarantee insurance and miscellaneous items of property. Amounts are transferred to the provision from the insurance reserve on an annual basis if a reliable estimate can be made of the likely settlement amount. The nature of insurance claims means it is not possible to accurately forecast when settlement of claims will take place. The Council is active in risk management, identifying areas of particular risk and taking management steps with a view to reducing possible future claims and losses. There are no material risks which are not covered by either direct insurance or self insurance via the provision.
- (c) A High Court ruling in 2016 established that another London Borough had not passed on discounts from a water supplier to its tenants. The discounts were given as part of the agreement with the water company as an administration fee for collection of charges from tenants. As a result of this ruling the Council may receive claims from tenants for overpaid water charges as a similar agreement was in place with the water company. The value of outstanding claims are small and this provision is no longer required.
- (d) The Council has approved a number of requests for voluntary redundancy and early retirement in 2023/24 that will become effective in 2024/25. A provision has been made for the redundancy costs arising from the decisions made in 2023/24. There was no similar programme in 2024/25 and so no provision is required.
- (e) A claim has been made for costs and damages relating to a licencing issue. The Council has yet to receive full details of the claim from the Plaintiff but a prudent provision was made based on the best information available at the time. An agreement has been reached on some aspects of the claim but a final conclusion has yet to be reached.
- (f) Provision for expected additional costs arising on adult social care contracts arising from contract price negotiations that are currently in progress.
- (g) Provision for legal costs relating to the disrepair of Council properties.
- (h) Provision for settlements or costs incurred in employment disputes.

22 Usable Reserves

31 March 2024 £'000		31 March 2025 £'000
(21,234)	General Fund	(21,234)
(33,373)	Housing Revenue Account	(36,652)
(208,279)	Earmarked Reserves	(161,182)
(160,468)	Capital Receipts Reserve	(150,280)
(236,974)	Capital Grants Reserve	(244,552)
(7,711)	Major Repairs Reserve	(9,816)
(668,039) Total Usable Reserves		(623,716)

More details regarding the movements in the Council's General Fund and Housing Revenue Account are detailed in the Movement in Reserves Statement and in Note 8. Details regarding the movement in Earmarked Reserves can be found in Note 9.

Capital Receipts Reserve

2023/24 £'000		2024/25 £'000
(156,136)	Balance at 1 April	(160,468)
(17,522)	Capital Receipts in year	(17,423)
13,190	Capital Receipts used for financing	27,611
(160,468) Balance at 31 March		(150,280)

Capital Grants Reserve

2023/24 £'000		2024/25 £'000
(190,421)	Balance at 1 April	(236,974)
(36,043)	Community Infrastructure Levy (CIL) recognised in year	(9,156)
(83,262)	Other Capital grants recognised in year	(34,608)
11,666	CIL applied	4,420
49,122	Other Capital grants and contributions applied	30,961
11,964	Transfer to Earmarked Reserves	805
(236,974) Balance at 31 March		(244,552)

Of the Capital Grants Reserve balance above, CIL balances as at 31 March 2024 and 2025 are £93.142m and £97.073m respectively.

Major Repairs Reserve

2023/24 £'000		2024/25 £'000
(8,040)	Balance at 1 April	(7,711)
(17,005)	Transfer from Capital Adjustment Account - depreciation	(17,027)
17,334	Financing of capital expenditure	14,922
(7,711) Balance at 31 March		(9,816)

23 Unusable Reserves

31 March 2024 £'000	31 March 2025 £'000
(983,034) Revaluation Reserve	(966,781)
(1,559,677) Capital Adjustment Account	(1,552,371)
15,677 Financial Instruments Adjustment Account	15,240
180,515 Pensions Reserve	184,776
23,827 Collection Fund Adjustment Account	25,204
5,342 Accumulating Compensated Absences Adjustment Account	3,514
2,439 Pooled Investment Fund Adjustment Account	2,246
15,828 Dedicated Schools Grant Adjustment Account	20,116
(2,299,083) Total Unusable Reserves	(2,268,056)

Revaluation Reserve

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

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

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

2023/24 £'000	2024/25 £'000
(1,020,210) Balance at 1 April	(983,034)
(29,902) Upward revaluation of assets	(169,565)
54,369 Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	162,484
24,467 Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(7,081)
7,747 Difference between current value depreciation and historical cost depreciation	7,516
4,962 Accumulated gains on assets sold or scrapped	15,818
12,709 Amount written off to the Capital Adjustment Account	23,334
(983,034) Balance at 31 March	(966,781)

23 Unusable Reserves (continued)

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 current 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 also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2023/24 £'000		2024/25 £'000
(1,636,944)	Balance at 1 April	(1,559,677)
	Adjusted 1 April Balance on transition to IFRS16	(1,564,198)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
54,153	Charges for depreciation and impairment of non-current assets	53,934
1,023	Charges for amortisation of intangible non-current assets	1,218
138,290	Revaluation losses and reversals on Property, Plant and Equipment	(36,518)
12,920	Revenue expenditure funded from capital under statute	11,497
	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	
16,851		120,718
223,237		150,849
(12,709)	Adjusting amounts written out of the Revaluation Reserve	(23,334)
210,528	Net written out amount of the cost of non-current assets consumed in the year	127,515
	Capital financing applied in the year:	
(13,190)	Use of the Capital Receipts Reserve to finance new capital expenditure	(27,611)
(17,334)	Use of the Major Repairs Reserve to finance new capital expenditure	(14,922)
	Application of grants and contributions to capital financing from the Capital Grants	
(77,118)	Unapplied Account	(59,105)
	Statutory provision for the financing of capital investment charged against the General	
(14,658)	Fund and HRA balances	(11,233)
(10,961)	Capital expenditure charged against the General Fund and HRA balances	(2,817)
(133,261)		(115,688)
(1,559,677)	Balance at 31 March	(1,552,371)

23 Unusable Reserves (continued)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the HRA Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the HRA Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

A £60m LOBO loan was repaid prematurely in November 2018. The premium is being charged to revenue over the remaining life of the loan.

2023/24 £'000		2024/25 £'000
16,112	Balance at 1 April	15,677
(435)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(437)
15,677	Balance at 31 March	15,240

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2023/24 £'000		2024/25 £'000
(7,380)	Balance at 1 April	180,515
201,410	Actuarial (gains) or losses on pensions assets and liabilities, including the effect of the asset ceiling	30,182
35,866	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	29,396
(49,381)	Employer's pensions contributions and direct payments to pensioners payable in the year	(55,317)
180,515	Balance at 31 March	184,776

23 Unusable Reserves (continued)

Collection Fund Adjustment Account

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

2023/24 £'000		2024/25 £'000
17,686	Balance at 1 April	23,827
6,141	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from the income calculated for the year in accordance with statutory requirements	1,377
23,827	Balance at 31 March	25,204

Accumulated Absences Account

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

2023/24 £'000		2024/25 £'000
5,796	Balance at 1 April	5,342
(5,796)	Settlement or cancellation of accrual made at the end of the preceding year	(5,342)
5,342	Amounts accrued at the end of the current year	3,514
(454)	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	(1,828)
5,342	Balance at 31 March	3,514

Pooled Investment Fund Adjustment Account

The Pooled Investment Fund Adjustment Account contains the gains/losses made by the authority arising from increases/decreases in the value of its investments that are measured at fair value through profit and loss. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

2023/24 £'000		2024/25 £'000
3,659	Balance at 1 April	2,439
(1,295)	Upward revaluation of investments	(274)
75	Downward revaluation of investments	81
		(193)
2,439	Balance at 31 March	2,246

Dedicated Schools Grant Adjustment Account

The Local Authorities (Capital Finance and Accounting) regulations were amended on 29 November 2020. New accounting treatment is required for local authorities' schools budget deficits relating to its accounts for a financial year beginning 1 April 2022 to 1 April 2025. Local authorities are not permitted to charge the value of the deficit to the general fund. Any historical deficit and in year deficit is to be recorded in a Dedicated Schools Grant adjustment account, a newly created unusable reserve.

2023/24 £'000		2024/25 £'000
14,268	Balance at 1 April	15,828
1,560	In year Dedicated Schools Grant deficit	4,288
15,828	Balance at 31 March	20,116

24 Notes to the Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2023/24 £'000		2024/25 £'000
3,176	Interest received	861
(9,205)	Interest paid	(11,434)
(6,029)		(10,573)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2023/24 £'000		2024/25 £'000
54,153	Depreciation	53,934
1,023	Amortisation	1,218
138,290	Impairment and Downward valuations	(36,518)
(10,743)	Increase/(Decrease) in Creditors	31,527
(10,909)	(Increase)/Decrease in Debtors	(14,259)
(13,515)	Movement in Pension Liability	(25,921)
16,851	Carrying amount of non-current assets sold (property, plant and equipment and intangible assets)	120,717
6,842	Other non-cash items charged to the net surplus or deficit on the provision of services	(715)
181,992		129,983

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities

2023/24 £'000		2024/25 £'000
(695)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(17,522)	Proceeds from the sale of property plant and equipment and intangible assets	(17,423)
(135,635)	Any other items for which the cash effects are investing or financing cash flows	(67,485)
(153,852)		(84,908)

25 Notes to the Cash Flow Statement - Investment Activities

2023/24 £'000		2024/25 £'000
(135,260)	Purchase of Property, Plant and Equipment and Intangible Assets	(123,589)
(109,240)	Purchase of short-term and long-term investments	-
17,522	Proceeds from the sale of Property, Plant and Equipment and Intangible Assets	17,423
139,855	Proceeds from short-term and long-term investments	-
113,047	Other receipts from investing activities	71,580
25,924	Net cash flows from investing activities	(34,586)

26 Notes to the Cash Flow Statement - Financing Activities

2023/24 £'000		2024/25 £'000
19,704	Other receipts from financing activities	-
(4,066)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(7,838)
-	Other payments for financing activities	8,616
15,638	Net cash flows from financing activities	778

27 Reconciliation of Financial Liabilities from Financial Activities

2024/25	Balance at 1 April 2024 £'000	Cash Flows £'000	Non-Cash Changes £'000	Balance at 31 March 2025 £'000
Long-term Borrowings	(68,709)	-	-	(68,709)
Short-term Borrowings	(332)	(49)	-	(381)
Lease Liabilities	(26,413)	2,726	(31,477)	(55,164)
PFI Liabilities	(19,607)	5,113	(2,948)	(17,442)
Total	(115,061)	7,790	(34,425)	(141,696)

2023/24	Balance at 1 April 2023 £'000	Cash Flows £'000	Non-Cash Changes £'000	Balance at 31 March 2024 £'000
Long-term Borrowings	(68,709)	-	-	(68,709)
Short-term Borrowings	(333)	1	-	(332)
Lease Liabilities	(26,630)	217	-	(26,413)
PFI Liabilities	(23,457)	3,850	-	(19,607)
Total	(119,129)	4,068	-	(115,061)

28 Pooled Budgets

Under the terms of a Section 75 Agreement (National Health Service Act 2006), the Council has one Pooled Budget and Lead Commissioning agreement with the NHS North East London Integrated Commissioning Board (formerly the NHS North East London Clinical Commissioning Group) for the Better Care Fund (BCF). This provides a single framework partnership agreement relating to the commissioning of health and social care services to deliver the Tower Hamlets BCF plan, incorporating the Integrated Community Equipment Service and the Improved Better Care Fund.

The Council manages and delivers statutory functions, alongside the NEL ICB, to collaboratively deliver efficient, joined up health and social care services to residents.

A summary memorandum Income and Expenditure Account for the pooled budget is shown below. The Council's contribution to the pool is included in the Adult Social Care gross expenditure figure disclosed in the Comprehensive Income and Expenditure Statement. The Council received income of £11,115k in 2024-25 (2023-24 £10,540k) from the Minimum and Additional NHS Contribution to Adult Social Care.

	2023/24 £'000	2024/25 £'000
Income		
The Council	(32,803)	(35,160)
NHS North East London Integrated Commissioning Board	(29,859)	(31,182)
	(62,662)	(66,342)
Expenditure		
The Council	21,886	32,662
NHS Providers	28,802	28,853
Charity and Private Sector Providers	11,974	4,827
	62,662	66,342
Surplus/(Deficit) for the year	-	-

29 Members' Allowances

The Council paid the following amounts to Members of the council during the year.

	2023/24 £'000	2024/25 £'000
Allowances	971	990
Total	971	990

30 OFFICERS' REMUNERATION

Senior Employees

The remuneration paid to the Council's senior employees is as follows:

2024/25	Salary, Fees and Allowances (Permanent)* £	Salary, Fees and Allowances (Agency)* £	Compensation for Loss of Office £	Pension Contribution £	Other £	Total £
Mr S Halsey - Chief Executive	246,699			43,946		290,645
Corporate Directors						
Mr S Reddy - Children's Services	142,778	78,717		24,770		246,265
Health & Adult Social Care ¹	9,584			1,743		11,327
Health & Adult Social Care ²	56,912			8,748		65,660
Ms G Chimbani - Health & Adult Social Care ³	102,851			19,130		121,981
Mr S Baxter - Communities	169,735			29,631		199,366
Miss J Lorraine - Resources	226,169			35,420		261,589
Mr P Patterson - Housing & Regeneration ⁴		151,149				151,149
Mr D Joyce - Housing & Regeneration ⁵	90,000			16,740		106,740
Other Directors						
Ms L Walker - Legal & Monitoring Officer ⁶		157,282				157,282
Legal & Monitoring Officer ⁷	49,661			7,749		57,410
Public Health ⁸	71,314			10,961		82,275
Mr R Beattie - Strategy, Improvement & Transformation		292,005				292,005
Communications & Marketing	117,618			21,798		139,416
Head of Mayors Office ⁹	90,460			17,983		108,443
Head of Mayors Office ¹⁰	65,724			12,224		77,948

¹ Left 21/04/24

² From 22/04/2024 to 30/09/2024

³ From 29/08/2024

⁴ Left 17/11/2024

⁵ From 01/10/2024

⁶ Until 01/12/2024

⁷ From 02/12/2024

⁸ From 22/04/2024 to 30/09/2024

⁹ Maternity Leave from 04/12/2024

¹⁰ From 26/11/2024

*inclusive of oncosts and agency fees where applicable

30 OFFICERS' REMUNERATION (continued)

Senior Employees

The remuneration paid to the Council's senior employees is as follows:

2023/24	Salary, Fees and Allowances (Permanent)* £	Salary, Fees and Allowances (Agency)* £	Compensation for Loss of Office £	Pension Contribution £	Other £	Total £
Mr S Halsey - Chief Executive	128,861	109,635		23,548		262,044
Corporate Directors						
Mr J Thomas - Children's and Culture ¹	103,014			19,664	4,979	127,657
Mr S Reddy - Children's Services ²		60,794				60,794
Health & Adult Social Care ³	11,482			1,876		13,358
Health & Adult Social Care ⁴	20,287			3,755		24,042
Ms DC Radley - Health & Adult Social Care ⁵	117,636			21,392		139,028
Communities ⁶	34,526			6,268		40,794
Mr R Mistry - Communities ⁷		120,902				120,902
Ms AE Sutcliffe - Place ⁸	19,719		73,216	3,583	68,345	164,863
Miss J Lorraine - Resources ⁹	101,224			16,990		118,214
Ms C Holland - Resources ¹⁰		85,241				85,241
Mr P Patterson - Housing & Regeneration ¹¹		99,154				99,154
Other Directors						
Legal & Monitoring Officer ¹²	107,428		58,600	19,982	34,116	220,126
Ms L Walker - Legal & Monitoring Officer ¹³		27,542				27,542
Public Health	117,194			16,853		134,047
Strategy, Improvement & Transformation ¹⁴	52,086			9,688		61,774
Mr R Beattie - Strategy, Improvement & Transformation ¹⁵		184,047				184,047
Communications & Marketing	117,194			21,798		138,992
Head of Mayors Office	92,315			17,170		109,485
Other Members of staff						
Ms JM Reilly - Headteacher	159,627			37,800		197,427

¹ Left 19/11/2023

² Commenced 29/01/2024

³ Acting to 06/05/2023

⁴ Acting 07/05/2023 to 06/07/23

⁵ From 07/07/2023

⁶ Commenced 08/01/2024

⁷ From 01/08/2023 to 07/01/2024

⁸ Left 18/05/2023, 'Other' includes PILON, Annual Leave & Ex gratia payments

⁹ Commenced 01/09/2023

¹⁰ To 31/08/2023

¹¹ Commenced 13/11/2023

¹² Left 29/02/2024, Other includes PILON & Annual Leave

¹³ Commenced 19/02/2024

¹⁴ Left 10/09/2023

¹⁵ Commenced 11/09/2023

* Restated

30 OFFICERS' REMUNERATION (continued)

Other Employees

Numbers of the Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contribution) are provided below. Please note that remuneration for the purposes of this note has been defined by statute (the Accounts and Audit Regulations 2015) and as such also includes payments arising from compensation for loss of office and wrongful dismissal.

Remuneration band (£)	2023/24	2024/25
	Number of employees	Number of employees
50,000 - 54,999	645	675
55,000 - 59,999	555	634
60,000 - 64,999	364	469
65,000 - 69,999	154	242
70,000 - 74,999	111	149
75,000 - 79,999	50	84
80,000 - 84,999	34	56
85,000 - 89,999	57	52
90,000 - 94,999	19	35
95,000 - 99,999	14	22
100,000 - 104,999	11	12
105,000 - 109,999	5	13
110,000 - 114,999	4	8
115,000 - 119,999	4	8
120,000 - 124,999	7	5
125,000 - 129,999	1	4
130,000 - 134,999	2	7
135,000 - 139,999	-	2
140,000 - 144,999	1	-
145,000 - 149,999	-	1
	2,038	2,478

31 Capital Expenditure and Financing

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

The following table shows how capital expenditure was financed in the year.

	2023/24 £'000	2024/25 £'000
Expenditure		
Property, Plant and Equipment	133,197	105,649
Property, Plant and Equipment - IFRS16 remeasurements	-	10,698
Heritage Assets	-	20
Intangible Assets	1,028	-
Revenue Expenditure Funded from Capital Under Statute	12,920	11,497
TOTAL	147,145	127,864
Sources of Finance		
Borrowing	28,542	12,714
Borrowing related to IFRS16 remeasurements	-	10,698
Capital Grants and Contributions	77,118	59,102
Capital Receipts	13,190	27,611
Major Repairs Reserve	17,334	14,922
Direct Revenue Funding	10,961	2,817
TOTAL	147,145	127,864

	2023/24 £'000	2024/25 £'000
Opening Capital Financing Requirement	579,483	593,367
Opening Capital Financing Requirement adjusted on transition to IFRS16		617,091
Capital investment		
Property, Plant and Equipment	133,197	105,649
Property, Plant and Equipment - IFRS16 remeasurements	-	10,698
Heritage Assets	-	20
Intangible Assets	1,028	-
Revenue Expenditure Funded from Capital under Statute	12,920	11,497
Sources of finance		
Capital Grants and Contributions	(77,118)	(59,102)
Capital Receipts	(13,190)	(27,611)
Major Repairs Reserve	(17,334)	(14,922)
Sums set aside from revenue:		
· Direct Revenue Funding	(10,961)	(2,817)
· Minimum Revenue Provision	(14,658)	(11,042)
· HRA Revenue Provision for Debt Repayment on Finance Lease Principal	-	(191)
Closing Capital Financing Requirement	593,367	629,270
Explanation of movements in year		
Increase in underlying need for borrowing (unsupported by government financial assistance)	28,542	12,714
New leases/lease remeasurements	-	10,698
Statutory provision for repayment of debt (Minimum Revenue Provision)	(10,702)	(3,395)
Statutory provision for PFI and Finance Lease debt (Minimum Revenue Provision)	(4,066)	(7,838)
Increase/(decrease) in Capital Financing Requirement	13,774	12,179

32 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditor - Ernst & Young LLP.

	2023/24* £'000	2024/25 £'000
Fees payable to appointed external auditor with regard to external audit services	1,097	539
Total	1,097	539

*The 2023/24 figures have been restated

33 Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families - the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

Notes	DSG Receivable for 2024/25	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
A	Final DSG for 2024/25 before academy and high needs recoupment			(432,539)
B	Academy and high needs figure recouped for 2024/25			101,845
C	Total DSG after academy and high needs recoupment for 2024/25			(330,694)
D	Plus: Brought forward from 2023/24			-
E	Less: Carry-forward to 2024/25 agreed in advance			-
F	Agreed initial budgeted distribution in 2024/25	(81,441)	(249,253)	(330,694)
G	In-year adjustments	(55)	-	(55)
H	Final budget distribution for 2024/25	(81,496)	(249,253)	(330,749)
I	Less: Actual central expenditure	87,029	-	87,029
J	Less: Actual ISB deployed to schools	-	247,953	247,953
K	Plus: Local authority contribution for 2024/25	-	55	55
L	In-year carry-forward to 2025/26	5,533	(1,245)	4,288
	Plus: Carry-forward to 2025/26 agreed in advance			-
	Carry-forward to 2025/26			-
	DSG unusable reserve at the end of 2023/24			15,828
	Addition to DSG unusable reserve at the end of 2024/25			4,288
	Total of DSG unusable reserve at the end of 2024/25			20,116
	Net DSG position at the end of 2024/25			20,116

- A Final DSG figure before any amount has been recouped from the authority excluding the January 2025 early years block adjustment.
- B Figure recouped from the authority in 2024/25 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.
- C Total DSG figure after academy and high needs recoupment for 2024/25.
- D Figure brought forward from 2023/24, positive or negative.
- E Any amount which the authority decided after consultation with the schools forum to carry forward to 2025/26 rather than distribute in 2024/25 – this may be the difference between estimated and final DSG for 2024/25, or a figure (positive or negative) brought forward from 2023/24 which the authority is carrying forward again.
- F Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.
- G Changes to the initial distribution, for example, adjustments for exclusions, or final early years block adjustment.
- H Budgeted distribution of DSG as at the end of the financial year.
- I Actual amount of central expenditure items in 2024/25 – amounts not actually spent, e.g. money that is moved into earmarked reserves, will be included in L as carried forward.
- J Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares). Note that budget shares include early years funding, sixth form funding and high needs place funding: they do not include high needs top-up funding which is treated as central expenditure.
- K Any contribution from the local authority in 2024/25 which will have the effect of substituting for DSG in funding the schools budget.
- L Carry-forward to 2025/26, i.e. for central expenditure, difference between final budgeted distribution of DSG (item H) and actual expenditure (item I), plus any local authority contribution (item K). For ISB, difference between final budgeted distribution (item H) and amount actually deployed to schools (item J), plus any local authority contribution (item K).

33 Dedicated Schools Grant (continued)

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families - the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

Notes	DSG Receivable for 2023/24	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
A	Final DSG for 2023/24 before academy and high needs recoupment			(411,057)
B	Academy and high needs figure recouped for 2023/24			87,449
C	Total DSG after academy and high needs recoupment for 2023/24			(323,608)
D	Plus: Brought forward from 2022/23			(1,200)
E	Less: Carry-forward to 2024/25 agreed in advance			-
F	Agreed initial budgeted distribution in 2023/24	(87,693)	(237,115)	(324,808)
G	In-year adjustments	(53)	-	(53)
H	Final budget distribution for 2023/24	(87,746)	(237,115)	(324,861)
I	Less: Actual central expenditure	91,230	-	91,230
J	Less: Actual ISB deployed to schools	-	235,191	235,191
K	Plus: Local authority contribution for 2023/24	-	-	-
L	In-year carry-forward to 2024/25	3,484	(1,924)	1,560
	Plus: Carry-forward to 2024/25 agreed in advance			-
	Carry-forward to 2024/25			-
	DSG unusable reserve at the end of 2022/23			14,268
	Addition to DSG unusable reserve at the end of 2023/24			1,560
	Total of DSG unusable reserve at the end of 2023/24			15,828
	Net DSG position at the end of 2023/24			15,828

- A Final DSG figure before any amount has been recouped from the authority excluding the January 2024 early years block adjustment.
- B Figure recouped from the authority in 2023/24 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.
- C Total DSG figure after academy and high needs recoupment for 2023/24.
- D Figure brought forward from 2022/23, positive or negative.
- E Any amount which the authority decided after consultation with the schools forum to carry forward to 2024/25 rather than distribute in 2023/24 – this may be the difference between estimated and final DSG for 2023/24, or a figure (positive or negative) brought forward from 2022/23 which the authority is carrying forward again.
- F Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.
- G Changes to the initial distribution, for example, adjustments for exclusions, or final early years block adjustment.
- H Budgeted distribution of DSG as at the end of the financial year.
- I Actual amount of central expenditure items in 2023/24 – amounts not actually spent, e.g. money that is moved into earmarked reserves, will be included in L as carried forward.
- J Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares). Note that budget shares include early years funding, sixth form funding and high needs place funding: they do not include high needs top-up funding which is treated as central expenditure.
- K Any contribution from the local authority in 2023/24 which will have the effect of substituting for DSG in funding the schools budget.
- L Carry-forward to 2024/25, i.e. for central expenditure, difference between final budgeted distribution of DSG (item H) and actual expenditure (item I), plus any local authority contribution (item K). For ISB, difference between final budgeted distribution (item H) and amount actually deployed to schools (item J), plus any local authority contribution (item K).

34 Grants Income

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

	31 March 2024 £'000	31 March 2025 £'000
Grants Credited to Services		
Capital Grants funding REFCUS	(3,057)	(3,783)
Developers' Contributions (capital) funding REFCUS	(3,843)	(860)
Developers' Contributions (revenue)	(2,566)	(5,199)
Dedicated Schools Grant	(319,752)	(327,131)
Family Hubs & Start for Life Programme	(1,730)	(1,394)
PFI Credits	(9,380)	(9,380)
National Tutoring Programme	(942)	(320)
Recovery Premium Grant	(3,646)	(720)
School Sixth Form Grant	(15,252)	(14,505)
Pupil Premium Grant	(17,109)	(16,761)
Mainstream Schools Additional Grant	(6,880)	-
Public Health Grant	(38,591)	(39,507)
Housing Benefit Subsidy	(186,447)	(161,975)
Improved Better Care Fund	(16,810)	(16,810)
NHS Contributions	(17,458)	(18,808)
Community Infrastructure Levy (revenue)	(2,996)	(780)
Universal Infant Free School Meals	(2,290)	(2,197)
Community Learning	(2,683)	(2,659)
Social Care Grant	(25,958)	(34,012)
Teachers' Pay Grant	(2,572)	(3,864)
Unaccompanied Asylum Seeker Grant	(1,833)	(2,549)
Physical Education and Sport	(1,072)	(1,041)
Tackling Troubled Families	(1,437)	(1,795)
Rough Sleeping Initiative Grant	(1,933)	(1,623)
Homelessness Prevention Grant	(7,542)	(7,606)
Place ADDER Accelerator Fund	(328)	-
Adult Social Care (ASC) Discharge Fund	(6,317)	(3,928)
Leaving Care Unaccompanied Asylum Seeker Grant	(1,467)	(3,702)
Household Support Fund	(3,213)	(5,993)
Market Sustainability & Fair Cost of Care	(3,430)	(6,409)
Community Covid Testing Fund	(1,373)	-
Holiday Activities and Food Programme	(1,771)	(1,695)
Supp Substance Misuse Treatment & Rec Fund	(1,651)	(3,145)
MSIF Workforce Grant	(2,088)	(140)
London Mayor UFSM Programme	(2,192)	(3,435)
London Crime Prevention Fund (LCPF)	-	(1,074)
Teachers' Pension Grant	-	(5,708)
Homes For Ukraine	-	(1,589)
TH-NIHR project	-	(1,090)
Core Schools Budget Grant	-	(5,565)
Other Revenue Grants	(14,401)	(13,681)
Total Grants Credited to Services	(732,010)	(732,433)

34 Grants Income (continued)

	31 March 2024 £'000	31 March 2025 £'000
Total Grants Credited to Services (b/f)	(732,010)	(732,433)
Credited to Taxation and Non-Specific Grants Income		
<i>Non-Ringfenced Government Grants</i>		
Business Rate Related Grants	(35,128)	(41,670)
Revenue Support Grant (Formula Grant)	(39,347)	(41,954)
Service Grant	(4,510)	(779)
New Homes Bonus	(3,890)	(2,171)
Other Non-ringfenced grants	(1,401)	(1,014)
Total Non-Ringfenced Government Grants	(84,276)	(87,588)
<i>Capital Grants and Contributions</i>		
Schools-funded Capital Programme	(864)	(698)
Major Works Contributions (cash received)	(1,104)	(2,913)
Capital Maintenance Grant	(4,494)	(4,767)
Community Infrastructure Levy (CIL)	(36,043)	(9,156)
GLA Building Council Homes for Londoners	(5,100)	-
High Needs Provision Capital	(4,885)	(1,053)
Developers' Contributions (capital)	(19,538)	(17,534)
Mulberry London Dock School	(47,344)	(6,523)
Food Waste Collection	(2,073)	-
GLA Right to Buy Ringfence	(2,733)	(6,100)
Basic Need/New Pupil Places	-	(1,615)
Mulberry London Dock School	-	(1,323)
Council House Acquisition Prog	-	(2,340)
Local Authority Housing Fund (R3)	-	(3,323)
UKSPF Capital	-	(1,012)
Peppercorn Leases	-	(4,100)
Other Capital Grants	(4,557)	(4,487)
Total Capital Grants and Contributions	(128,735)	(66,944)
Total Grants Income in Comprehensive Income and Expenditure Account	(945,021)	(886,965)

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

Receipt in Advance Grants Balances	31 March 2024 £'000	31 March 2025 £'000
Capital Grants Receipts in Advance		
Developers' Contributions (capital)	(93,424)	(97,180)
South Dock Bridge	(1,164)	(1,164)
GLA Right to Buy Ringfence	(8,941)	(1,605)
Other conditional capital grants and contributions	(1,194)	(1,476)
Total Capital Grants Receipts in Advance	(104,723)	(101,425)
Revenue Grants Receipts in Advance		
Developers' Contributions (revenue)	(11,190)	(8,729)
Homes for Ukraine	(3,018)	(2,638)
Other conditional revenue grants	(681)	-
Total Revenue Grants Receipts in Advance	(14,889)	(11,367)
Total Grants Receipt in Advance Balances	(119,612)	(112,792)

35 Related Parties

The Council is required to disclose 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

The UK Central government has significant influence 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). Details of grants received from UK central government departments and other grant making bodies are set out in Note 34. Grant receipts outstanding at 31 March 2025 are within the creditors note.

Other public bodies (subject to common control by central government)

The Council works closely with a number of NHS bodies. This includes a pooled budget that it operates with the NHS North East London Integrated Commissioning Board, details of which are set out in Note 28. It also has significant transactions with the East London NHS Trust. The total amounts due from NHS bodies in total at the year end are shown in the creditors note.

The Council works closely with many other Local Authorities and related bodies. Note 34 contains details of grants received by the Council, including those from other Local Authorities and the debtors and creditors notes detail amounts due to or from other Local Authorities at the year end.

Pension Fund

The Council oversees the administration of the Pension Fund. The Pension Fund can borrow from the Council. The Pension Fund accounts are presented on later pages to this Statement.

Entities controlled or significantly influenced by the Council

Tower Hamlets Homes

Tower Hamlets Homes is a wholly owned subsidiary of London Borough of Tower Hamlets which ceased trading on the 31st October 2023 when Tower Hamlets Homes staff transferred to the Council.

During the year, the Council paid £nil (23/24 £23.046m) for the management of the Council's housing stock and received £nil (23/24 £2.954m) for the provision of services. At 31 March 2025 £6.081m (23/24 £6.031m) was due from Tower Hamlets Homes.

King George's Field, Mile End

The Council is the sole trustee of the King George's Field, Mile End charity and members of the Cabinet of the Council are also Members of the charity's Board.

The Charity is responsible for maintaining the area of Mile End Park, and the other open spaces within King George's Field, Mile End. The land is managed by the Council on behalf of the charity.

During the year the Charity received funding of £0.256m (23/24 £0.264m) from the Council, and paid £0.773m (23/24 £0.612m) for services provided. At the 31 March 2025 £0.048m was owed to the Council as an overdraft held on behalf of the Charity. (23/24 £0.022m was owed to the Council as an overdraft held on behalf of the charity).

Mulberry Housing Society

Mulberry Housing is a Community Benefit Society which going through the process of being dissolved.

The Council has the right to appoint two out of five Board Members.

Ocean Regeneration Trust

The Ocean Regeneration Trust is a charity which has the aim of supporting residents on the Ocean Estate.

The Council has representation on the Board of the Charity, with the right to appoint two out of twelve Directors.

During the year the Trust received £0.120m funding and rental income from the Council (23/24 £0.142m) and paid nil amount (23/24 £0.001m) for services provided.

Capital Letters (London)

Capital Letters is a pan-London accommodation and procurement company with membership drawn from a number of London Boroughs including Tower Hamlets. Members of the company have representation on the Board of the Company.

During the year the Company received £0.004m (23/24 £0.366m) from the Council for the services provided.

Norton Folgate Almshouse

Norton Folgate Almshouse is a charity which has the aim of providing affordable housing in Spitalfields.

The Council has representation on the Board of the Charity with the right to appoint three out of the seven Trustees.

PLACE Ltd

Pan-London Accommodation Collaborative Enterprise Ltd (PLACE Ltd) is intended to provide modular temporary accommodation. Tower Hamlets is one of four London Boroughs who are key stakeholders and members of the Company, and is deemed the lead borough for the programme. Members have representation on the Board of the Company.

At the year end £nil (2023/24 £0.646m) was due from the organisation .

Blackwall Reach Trust

Blackwall Reach Trust is a charity incorporated in August 2019 with the aim of providing open space for the Blackwall Reach Community and members of the public for recreation and social welfare purposes. The Council can appoint two Trustees to the Board.

Tower Hamlets Community Housing

Tower Hamlets Community Housing aims to provide good quality affordable housing to those on low incomes in housing need. The Council has the power to appoint two Trustees to the Board.

During the year the Council received services to the value of £0.168m (23/24 £0.186m) from the organisation and charged £0.039m (23/24 £0.061m). At the year end £0.023m was due from the organisation (23/24 £0.088m).

Tower Hamlets and Canary Wharf Further Education Trust

The Trust is a charity with the objective of the advancement of education and training for the residents of the London Borough of the Tower Hamlets. The Council has the rights to appoint two out of four trustees.

At the year end £0.237m was due from the Trust (2023/24 £0.237m).

Speaker of Tower Hamlets Committee for Local Charities

The charity has the Speaker and Deputy Speaker of the Council as trustee. It's objective is to provide benefit to the inhabitants of the Tower Hamlets.

Tower Hamlets LEP Limited

Tower Hamlets LEP Limited is involved in schools projects within Tower Hamlets under the Building Schools for the Future programme. The Council is a shareholder and has representation on the Board of the Company.

Tower Hamlets Education Partnership

Tower Hamlets Education Partnership is a registered charity and a company limited by guarantee, with three out of four members being LBTH maintained schools. The purpose of the charity is the advancement of education through member schools and other educational settings, with an initial focus on the London Borough of Tower Hamlets.

The administrative centre of the Council (i.e. excluding schools) provided funding of £0.387m in 2024/25 (23/24 £0.458m) in pursuit of these aims and charged the Charity £0.017m (23/24 £0.045m) for the provision of services and premises. The Council also recovered the cost of staff seconded to the Charity during the year, amounting to £0.467m (23/24 £0.616m). At the end of 2024/25 the Charity owed £0.457m (23/24 £0.282m) to the Council.

The Charity also receives a significant proportion of its remaining income from maintained schools within the Borough.

The Davenant Centre

The Davenant Centre is a registered charity which provides two community centres for educational and social benefit within Tower Hamlets.

The Council had provided a loan facility (secured on the properties) to the Charity which was repaid in April 2023 and so the balance as at 31 March 2024 and 2025 was £nil.

The Council has voting rights of 26% to amend certain specific clauses of the memorandum and articles of association at meetings of the Charity.

Membership of and relationship with other organisations

Members and Senior Officers of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2024/25 is shown in the Members Allowances Note and Senior Officers remuneration in the Officers Remuneration Note.

During the year there were ten external organisations (23/24 fourteen) where Members or Senior Officers or their close personal family had an interest outside of those listed above, which undertook financial transactions with the Council. Total expenditure of £0.682m (23/24 £2.498m) was incurred with these organisations for goods and services, and £0.081m (23/24 £0.213m) income was recorded from them for goods and services provided.

In addition a payroll service was provided for an organisation with payroll costs of £6.562m (23/24 £5.459m) being recovered from them. At the end of the year, £0.004m (23/24 £0.931m) was due from these organisation and £0.043m (23/24 £0.049m) to them.

36 Leases

Authority as Lessee

The Council adopted IFRS 16 from 1 April 2024, to recognise right of use assets, which meant that the majority of leases where the Council acts as lessee came onto the balance sheet. With effect from 1 April 2024, IFRS 16 also applied to service concession arrangements i.e. Private Finance Initiatives (PFI) and similar schemes. Right-of-use assets and lease liabilities will have been calculated as if IFRS 16 had always applied but recognised in the year of adoption and not by adjusting prior year figures.

The main impact of the new requirements is that, for arrangements previously accounted for as service concessions, a right-of-use asset and a lease liability are now on the balance sheet at 1 April 2024. The contractual arrangements continue to be disclosed in Note 37. Leases for items of low value (£10,000) and leases that expire on or before 31 March 2026 are exempt from IFRS 16 disclosure requirements. A weighted average incremental borrowing rate of 5.09% has been applied to lease liabilities as at 1 April 2024.

As a lessee, the Council has previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Council. Under IFRS 16, the Council recognises right-of-use assets and lease liabilities for most leases.

The Council has decided to apply recognition exemptions to short-term leases and has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As 2024/25 is the first year of new accounting arrangements, reliable comparative figures for 2023/24 are not available.

The main addition in 2024/25 relates to Council fleet vehicles which were previously off balance sheet. This table shows the change in the carrying amount of right-of-use assets held under leases by the Council.

	COUNCIL DWELLINGS	OTHER LAND AND BUILDINGS	VEHICLES, PLANT, FURNITURE & EQUIPMENT	TOTAL PROPERTY, PLANT AND EQUIPMENT
	£'000	£'000	£'000	£'000
At 1 April 2024	7,746	19,886	613	28,245
Additions	719	4,943	5,972	11,634
Revaluations	(6,613)	(7,396)	-	(14,009)
Depreciation charge	(289)	(4,254)	(273)	(4,816)
Disposals	-	(6,691)	-	(6,691)
At 31 March 2025	1,563	6,488	6,312	14,363
Lease Liabilities as at 1 April 2024	(20,742)	(48,391)	(613)	(69,746)
Additions/ Remeasurement of lease	(719)	(4,008)	(5,972)	(10,699)
Repayments	191	6,378	1,269	7,838
Lease Liabilities as at 31 March 2025	(21,270)	(46,021)	(5,316)	(72,607)

36 Leases (continued)

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands. Measured at the undiscounted amounts of expected cash payments. This excludes PFI Maturity analysis which is shown separately in note

	31 March 2025 £'000
Less than one year	3,692
One to five years	8,081
More than five years	43,392
Total undiscounted liabilities	55,165

Lease transactions under leases

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

	2024/25 £'000
Comprehensive Income and Expenditure Statement	
Interest expense on lease liabilities	8,894
Expense relating to short-term leases	175
Expense relating to leases of low-value items (excluding short-term leases)	73
Cash Flow Statement	
Total cash outflow for leases	9,142
Operating lease transition to IFRS 16	£'000
Operating lease payments per 2023/24 SoA	9,734
Short-term and low value leases	248
Internal review of leases	(2,626)
Gross lease payments for IFRS 16	7,356
Effect of discounting	(2,008)
Liabilities recognised 1 April 2024	5,348

Authority as Lessor

Finance Leases

As a Lessor the Council has no finance leases to report.

Operating Leases

The Council leases out property and equipment under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses.

As the primary purpose of holding these assets is to provide support to the community, rather than generating financial gain for the Council, these assets are not considered as investment properties.

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

	31 March 2024 £'000	31 March 2025 £'000
Not later than one	(275)	(178)
Later than one year	(18,238)	(18,268)
Later than five years	(21,827)	(19,279)
Total	(40,340)	(37,725)

37 Private Finance Initiatives and Similar Contracts

The Council is party to two Private Finance Initiative (PFI) schemes in respect of the design, construction, maintenance and servicing of 28 schools - the Mulberry and Grouped Schools schemes - until the years 2029 and 2028 respectively. The contracts specify minimum standards for the services to be provided by the contractors, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractors took on the obligation to construct or refurbish schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the schools. The buildings and any plant and equipment installed in them at the end of the contracts will be transferred to the authority for nil consideration, other than those that relate to academies, being Mulberry, Clara Grant, Columbia, Stepney Green and Old Ford schools. The authority only has rights to terminate the contracts if it compensates the contractors in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

The Council entered into a third PFI contract, with an energy services company, to provide heating and hot water to around 500 homes in the Barkantine district in March 2000 and this contract will continue until October 2025. Upon expiry of the PFI agreement the Council will enter in to a two year transitional period with Dalkia (EDF Energy) whilst the Local Authority prepares the decarbonisation and expansion strategy for Barkantine Heat and Power. It is classed as a user pay arrangement (with the consequence that payments to contractors do not meet the definition of "unitary payments").

The authority makes an agreed payment each year to each of the contractors which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Unitary payments remaining to be made under the PFI contracts at 31 March 2025 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payments due under PFI schemes	Mulberry School £'000	Grouped Schools £'000	Barkantine Energy £'000	Total £'000
Liability				
Within 1 year	(675)	(5,238)	(198)	(6,111)
Within 2 - 5 years	(1,585)	(9,550)	(196)	(11,331)
	(2,260)	(14,788)	(394)	(17,442)
Interest				
Within 1 year	254	2,327	-	2,581
Within 2 - 5 years	354	2,089	-	2,443
	608	4,416	-	5,024
Service Charges				
Within 1 year	673	3,458	-	4,131
Within 2 - 5 years	2,020	3,742	-	5,762
	2,693	7,200	-	9,893

The payments made to the contractors have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable while the capital expenditure remains to be reimbursed. The liability outstanding to be paid to the contractor for capital expenditure incurred (or simply the amortisation of the liability recognised in the case of the Energy PFI) is as follows:

Movement on PFI Liabilities	Mulberry School £'000	Grouped Schools £'000	Barkantine Energy £'000	Total £'000
Liabilities at 31 March 2024	(3,310)	(15,704)	(592)	(19,606)
Liabilities at 1 April 2024 on transition to IFRS16	(2,890)	(18,965)	(592)	(22,447)
Repayments/Amortisation of deferred liability	606	4,308	198	5,112
Remeasurement of Lease Liability	24	(131)	-	(107)
Liabilities at 31 March 2025	(2,260)	(14,788)	(394)	(17,442)
Consisting of:				
Long-term liability	(1,585)	(9,550)	(196)	(11,331)
Short-term liability	(675)	(5,238)	(198)	(6,111)
Liability value at 31 March 2025	(2,260)	(14,788)	(394)	(17,442)

37 Private Finance Initiatives and Similar Contracts (continued)

The assets associated with the PFI contracts have been recognised on the Council's balance sheet, with movements in valuation as per below.

Movement on PFI Assets	Grouped Schools £'000	Barkantine Energy £'000	Total £'000
Asset value at 31 March 2023	261,749	2,410	264,159
Depreciation	(2,425)	(202)	(2,627)
Revaluations	(649)	-	(649)
Enhancements	1,536	-	1,536
Transfers	85	-	85
Asset value at 31 March 2024	260,296	2,208	262,504
Asset value at 1 April 2024 on transition to IFRS16	263,557	2,208	265,765
Depreciation	(2,477)	(202)	(2,679)
Revaluations	(205)	-	(205)
Enhancements	867	-	867
Disposal	(6,691)	-	(6,691)
Lease Liability remeasurement	131	-	131
Asset value at 31 March 2025	255,182	2,006	257,188

Comparatives for the 2023/24 year are presented below.

Payments due under PFI schemes, as at 31 March 2024	Mulberry School £'000	Grouped Schools £'000	Barkantine Energy £'000	Total £'000
Liability				
Within 1 year	(600)	(3,700)	(198)	(4,498)
Within 2 - 5 years	(2,710)	(12,004)	(394)	(15,108)
	(3,310)	(15,704)	(592)	(19,606)
Interest				
Within 1 year	372	2,471	-	2,843
Within 2 - 5 years	777	3,501	-	4,278
	1,149	5,972	-	7,121
Service Charges				
Within 1 year	673	3,245	-	3,918
Within 2 - 5 years	2,694	7,200	-	9,894
	3,367	10,445	-	13,812

Movement on PFI Liabilities, as at 31 March 2024	Mulberry School £'000	Grouped Schools £'000	Barkantine Energy £'000	Total £'000
Liabilities at 31 March 2023	(3,815)	(18,851)	(790)	(23,456)
Repayments/Amortisation of deferred liability	505	3,147	198	3,850
Liabilities at 31 March 2024	(3,310)	(15,704)	(592)	(19,606)
Consisting of:				
Long-term liability	(2,710)	(12,004)	(394)	(15,108)
Short-term liability	(600)	(3,700)	(198)	(4,498)
Liability value at 31 March 2024	(3,310)	(15,704)	(592)	(19,606)

38 Pension Schemes - Defined Benefit

Participation in Pensions Schemes

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make the payments which needs to be disclosed at the time the employees earn their future entitlement.

The Council participates in four pensions schemes:

- The Local Government Pension Scheme (LGPS) administered by the Council
- The Local Government Pension Scheme, administered by the London Pensions Fund Authority (LPFA)
- The Teachers' Pension Scheme (TPS), administered by Teachers' Pensions on behalf of the Department for Education (DfE)
- The NHS Pension Scheme, administered by NHS Business Services Authority on behalf of the Department of Health and Social Care

The LGP schemes are funded defined benefit final salary schemes, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The London Borough of Tower Hamlets pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of the Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Corporate Director of Resources of the Council and Investment Fund managers.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund and HRA the amounts required by statute as described in the accounting policies note.

The TPS and NHS schemes are explained further in the next note (Pension Schemes Accounted for as Defined Contribution Schemes), since they are accounted for on a different basis.

Transactions Relating to Retirement Benefits

The cost of LGPS retirement benefits is recognised in the Comprehensive Income and Expenditure Statement when the benefits are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year. The real cost of retirement benefits is therefore reversed out in the Movement in Reserves Statement for the General Fund Balance. The following transactions have been made in the Comprehensive Income and Expenditure Account and Movement in Reserves Statement during the year:

	The Council		LPFA		Total	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement						
<i>Cost of Services</i>						
Current service costs	38,213	37,874	133	137	38,346	38,011
Past service costs	1,092	3,356	-	-	1,092	3,356
Impact of settlements	(435)	-	-	-	(435)	-
<i>Finance and Investment Income and Expenditure</i>						
Interest cost on defined benefit obligation	80,278	85,704	2,266	2,222	82,544	87,926
Interest income on plan assets	(82,086)	(96,051)	(3,595)	(3,846)	(85,681)	(99,897)
Net charge to the Surplus or Deficit on Provision of Services	37,062	30,883	(1,196)	(1,487)	35,866	29,396
<i>Other Comprehensive Income and Expenditure</i>						
Changes in demographic assumptions	(8,257)	(3,136)	(646)	(122)	(8,903)	(3,258)
Changes in financial assumptions	(81,965)	(278,117)	(75)	(3,657)	(82,040)	(281,774)
Other experience	57,668	(17,657)	24	(2)	57,692	(17,659)
Return on plan assets excluding amounts included in net	(118,233)	41,701	(3,610)	2,590	(121,843)	44,291
Effect of the asset ceiling	374,028	286,555	5,707	2,027	379,735	288,582
Impact of transfer of staff from Tower Hamlets Homes *	(23,231)	-	-	-	(23,231)	-
Total charge in Comprehensive Income and Expenditure Statement	237,072	60,229	204	(651)	237,276	59,578
Movement In Reserves Statement						
Reversal of net charges made for retirement benefits	(37,062)	(30,883)	1,196	1,487	(35,866)	(29,396)
Actual amount charged against the General Fund/HRA	49,071	55,009	310	308	49,381	55,317

*On 1 November 2023 staff previously employed by Tower Hamlets Homes transferred to the Council. At that point the Council's pension scheme assumed responsibility for the net assets of the former Tower Hamlets Homes pension scheme. The transactions above include those relating to former Tower Hamlets Homes staff from this date.

38 Pension Schemes - Defined Benefit (continued)

Transactions Relating to Retirement Benefits (continued)

In addition to the figures presented above, the Council is also responsible for all payments in respect of discretionary awards made to teachers upon retirement. In 2024/25 there were such payments of £0.796m (£0.829m in 2023/24).

Assets, Liabilities and Asset Ceiling in Relation to Retirement Benefits

Reconciliation of Present Value of Scheme Liabilities	The Council		LPFA		Total	
	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000
Opening balance at 1 April	(1,663,084)	(1,804,009)	(48,745)	(47,337)	(1,711,829)	(1,851,346)
Current service cost	(38,213)	(37,874)	(133)	(137)	(38,346)	(38,011)
Past service costs	(1,092)	(3,356)	-	-	(1,092)	(3,356)
Effect of settlements	1,180	-	-	-	1,180	-
Interest cost	(80,278)	(85,704)	(2,266)	(2,222)	(82,544)	(87,926)
Contributions	(12,679)	(14,177)	(42)	(43)	(12,721)	(14,220)
Benefits paid	78,471	74,971	3,152	3,117	81,623	78,088
Impact of transfer of staff from THH*	(120,868)	-	-	-	(120,868)	-
Remeasurement gains / (losses):						
Changes in demographic assumptions	8,257	3,136	646	122	8,903	3,258
Changes in financial assumptions	81,965	278,117	75	3,657	82,040	281,774
Other experience	(57,668)	17,657	(24)	2	(57,692)	17,659
31 March	(1,804,009)	(1,571,239)	(47,337)	(42,841)	(1,851,346)	(1,614,080)

Reconciliation of Fair Value of Scheme Assets	The Council		LPFA		Total	
	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000
Opening fair value of scheme assets	1,678,377	2,005,329	76,758	81,163	1,755,135	2,086,492
Interest income	82,086	96,051	3,595	3,846	85,681	99,897
Effect of settlements	(745)	-	-	-	(745)	-
Contributions						
Employees into the scheme	12,679	14,177	42	43	12,721	14,220
Employer	49,071	55,009	310	308	49,381	55,317
Benefits paid	(78,471)	(74,971)	(3,152)	(3,117)	(81,623)	(78,088)
Impact of transfer of staff from THH*	144,099	-	-	-	144,099	-
Remeasurement gains / (losses):						
Return on plan assets	118,233	(41,701)	3,610	(2,590)	121,843	(44,291)
31 March	2,005,329	2,053,894	81,163	79,653	2,086,492	2,133,547

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Movements in Asset Ceiling	The Council		LPFA		Total	
	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000
Opening asset ceiling	(5,841)	(379,869)	(30,085)	(35,792)	(35,926)	(415,661)
Actuarial Losses / Gains	(374,028)	(286,555)	(5,707)	(2,027)	(379,735)	(288,582)
Closing Value of Asset Ceiling	(379,869)	(666,424)	(35,792)	(37,819)	(415,661)	(704,243)

Assets, Liabilities and Asset Ceiling Recognised in Balance Sheet	The Council		LPFA		Total	
	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000	2023/24 £'000	2024/25 £'000
Present value of scheme liabilities	(1,804,009)	(1,571,239)	(47,337)	(42,841)	(1,851,346)	(1,614,080)
Fair value of plan assets	2,005,329	2,053,894	81,163	79,653	2,086,492	2,133,547
Additional liability from asset ceiling	(379,869)	(666,424)	(35,792)	(37,819)	(415,661)	(704,243)
Total Asset/(Deficit) in the Schemes	(178,549)	(183,769)	(1,966)	(1,007)	(180,515)	(184,776)

*On 1 November 2023 staff previously employed by Tower Hamlets Homes transferred to the Council. At that point the Council's pension scheme assumed responsibility for the net assets of the former Tower Hamlets Homes pension scheme. The transactions above include those relating to former Tower Hamlets Homes staff from this date.

The effect of the asset ceiling has been determined by the schemes' actuaries on the basis of the limitation on the Council's ability to recover the full economic benefit of its assets through reductions in future employer's contributions because of the minimum funding requirement imposed on it by the funding strategy for the schemes in place at 31 March 2025.

The schemes' actuaries have assessed the Council's estimated future service costs less the estimated minimum funding requirement contributions to establish the economic benefit that is available to the Council. The net pensions asset has therefore been adjusted by this effect of the asset ceiling.

38 Pension Schemes - Defined Benefit (continued)

The Council expects to make total contributions of £52.6m in the year to 31 March 2026.

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. Both schemes have been assessed by independent actuaries, based on the following main assumptions. Hymans Robertson LLP provide the LBTH report, Barnett Waddingham the LPFA report.

	The Council		LPFA	
	2023/24	2024/25	2023/24	2024/25
Long-term expected rate of return on assets in the scheme ¹				
Mortality assumptions:				
Longevity at 65 for current pensioners (years):				
Men	21.2	21.2	20.0	20.0
Women	23.8	23.8	23.0	23.1
Longevity at 65 for future pensioners (years):				
Men	22.3	22.2	21.2	21.2
Women	25.3	25.3	25.0	25.1
Rate of inflation	2.8%	2.8%	3.0%	3.0%
Rate of increase in salaries	2.8%	2.8%	2.8%	2.8%
Rate of increase in pensions	2.8%	2.8%	3.0%	3.0%
Rate for discounting scheme liabilities ¹	4.8%	5.8%	4.9%	5.7%

¹ The expected rates of return are set equal to the discount rate.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses as presented in Note 4 have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Authority's Cash Flows

With regard to the Council-administered pension fund, the objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The triennial valuation was completed on 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

At the time of the relevant triennial valuation based on 31 March 2022, the weighted average duration of the defined benefit obligation for scheme members is 17 years.

38 Pension Schemes - Defined Benefit (continued)

Major categories of assets as a proportion of total assets

	The Council		LPFA	
	2023/24	2024/25	2023/24	2024/25
Equities	0%	0%	52%	54%
<i>Private Equity</i>	0%	0%	7%	6%
<i>Bonds</i>	9%	11%	2%	4%
<i>Property</i>	10%	12%	9%	9%
Investment/Hedge Funds and Unit Trusts*:			4%	0%
<i>Equity-based</i>	61%	57%		
<i>Bond-based</i>	19%	17%		
<i>Hedge Funds</i>	0%	0%		
<i>Other</i>	0%	0%		
Credit - unquoted	0%	0%	12%	14%
Infrastructure - unquoted	0%	0%	12%	11%
Cash	1%	3%	2%	2%

*Note: the LPFA breakdowns are not available in the same format as those for the Council scheme.

39 Pension Schemes Accounted For As Defined Contribution Schemes

Teachers' Pension Scheme

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

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 12,600 participating employers and consequently the council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes though it is approximately 0.4%. For the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2024/25, the council paid £27.422m to Teachers' Pensions in respect of teachers' retirement benefits, representing 28.7% of pensionable pay. The figures for 2023/24 were £22.298m and 23.7%. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £28.231m (28.7% of pensionable pay).

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These payments are accounted for as incurred and detailed in Note 38.

The authority is not liable to the scheme for any other entities' obligations under the plan.

NHS Pension Scheme

In 2013/14, former NHS employees transferred to the Council. These employees have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and, as with the TPS, the Council is unable to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes, though it is much less than 0.1%. It is therefore accounted for on the same basis as a defined contribution scheme.

£0.053m million was payable into the scheme in 2024/25 by the Council (2023/24: £0.058m). This represents 23.7% of pensionable pay. The contributions due to be paid in the next financial year are estimated to be £0.055m. These amounts represent 23.7% of pensionable pay.

The authority is not liable to the scheme for any other entities' obligations under the plan.

In June 2023, the UK High Court (*Virgin Media v NTL Pension Trustees II Limited*) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were accompanied by the correct actuarial confirmation. The judgement has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, Tower Hamlets does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its' financial statement.

40 Trusts

The Council serves as sole trustee of the King George's Field, Mile End charity. The charity is governed by a Trust Deed, and is unincorporated, being established by a Scheme of the Charity Commission dated 28th February 2000.

The King George's Field, Mile End Charity Board (which sits as a committee of the Council) is responsible for managing the Trust's affairs and discharging the Council's duties as trustee.

The Charity's objectives are set out in Trust Deeds, which are as follows "To preserve in perpetuity the covenanted land and to apply the land to such charitable purposes as are set out in the Recreational Charities Act 1958, including the construction of indoor recreational facilities, subject to the approval of the National Playing Fields Association and the Charity Commission in respect of any additional purposes".

The funds of the Trust do not represent income, expenditure, assets or liabilities of the Council. The value of income and expenditure, the underlying assets, extent of any liabilities are disclosed as follows:

2023/24 £'000		2024/25 £'000
(1,323)	Income	(1,350)
1,540	Expenditure	1,350
3	Net unrealised (gains)/losses on Investments	(2)
220	(Surplus)/Deficit for the Year	(2)
13,020	Fixed assets	15,214
116	Current assets	234
(277)	Creditors - amounts falling due within one year	(335)
12,859	Net Current Assets	15,113
12,972	Endowment funds	15,160
(113)	Unrestricted reserves	(47)
12,859	Total Charity Funds	15,113

The Council acts as trustee for a number of smaller trusts, which were disclosed in this note in previous years. However, since they are not material to the accounts, those detailed disclosures will no longer be provided here.

41 Revenue from Contracts with Customers

Amounts included in the Comprehensive Income and Expenditure Statement with service recipients are provided below:

	2023/24* £'000	2024/25 £'000
Children's Services	(18,348)	(19,982)
Health and Adult Social Care	(8,791)	(9,588)
Housing and Regeneration	(54,853)	(53,321)
Chief Executive's	(1,937)	(38)
Local Authority Housing (Housing Revenue Account)	(111,755)	(113,180)
Resources	(4,040)	(2,213)
Corporate Cost and Central Items	-	-
Communities	(29,823)	(37,745)
Total included in Comprehensive Income and Expenditure Statement	(229,547)	(236,067)

*Restated

The impairment of receivables or contract assets is deemed immaterial for both years.

Amounts included in the Balance Sheet for contracts with service recipients are provided below:

	31 March 2024 £'000	31 March 2025 £'000
Receivables, which are included in debtors (Note 18)		
Housing and Tenant Rents	38,817	38,822
Other Entities and Individuals	18,235	19,575
Contract Liabilities	(14,903)	(9,234)
Total included in Net Assets	42,149	49,163

42 Contingent Liabilities

The Council is in dispute with a supplier over the value of work carried out as part of the Decent Homes programme. Attempts to reach agreement through the adjudication process have not been successful and there is the possibility that the supplier will use litigation to obtain redress. The claim for unpaid work over a number of years of the programme (including interest and legal costs) could be in excess of £10 million, which the council does not believe is substantiated.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

The Housing Revenue Account (HRA) deals with the provision and maintenance of council housing by the Council acting as Landlord. It also shows income from rents and Government grant. There is a statutory requirement to keep this account separate from other Council activities (including other housing activities).

	2023/24 £'000	2024/25 £'000
EXPENDITURE		
Repairs and maintenance	33,994	35,701
Supervision and management	44,092	48,720
Rents, rates, taxes and other charges	21,738	16,029
Depreciation of non-current assets		
On dwellings	15,757	15,560
On other assets	1,248	1,467
Revaluation losses (and reversals)	66,560	(42,780)
Debt management costs	92	109
Movement in the allowance for bad debts	139	318
Sums directed by the Secretary of State that are expenditure in accordance with the Code	2,148	3,744
TOTAL EXPENDITURE	185,768	78,867
INCOME		
Gross rental income		
Dwelling rents	(74,753)	(81,899)
Non-dwelling rents	(5,063)	(4,765)
Charges for services and facilities	(37,042)	(38,879)
TOTAL INCOME	(116,858)	(125,726)
NET COST OF HRA SERVICES AS INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT	68,910	(46,859)
HRA services share of Corporate and Democratic Core	143	143
NET COST OF HRA SERVICES	69,053	(46,716)
HRA share of operating income and expenditure included in the whole authority Income and Expenditure Account		
(Gain)/loss on sale of HRA non-current assets	(9,139)	4,086
Interest payable and similar charges*	292	2,406
Interest and investment income*	-	-
Capital grants and contributions receivable	(6,204)	(16,713)
DEFICIT/(SURPLUS) FOR THE YEAR ON HRA SERVICES	54,002	(56,937)

* The 2023/24 figures have been restated

STATEMENT OF MOVEMENT ON THE HRA BALANCE

The Housing Revenue Account (HRA) Income and Expenditure Account discloses the income received and expenditure incurred in providing council dwellings to tenants for the year. However, the Council is required to raise council rents based on the balance on the Statutory Housing Revenue Account.

This reconciliation statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the balance on the Statutory HRA.

	2023/24		2024/25	
	£'000	£'000	£'000	£'000
Balance on the Statutory HRA Brought Forward		(47,532)		(33,373)
Deficit/(Surplus) for the year on the HRA Income and Expenditure Account	54,002		(56,937)	
Net additional amount required by statute to be debited to the HRA balance for the year	<u>(42,243)</u>		<u>56,058</u>	
Net Increase or Decrease before Transfers to Earmarked Reserves		11,759		(879)
Transfer to/(from) Earmarked Reserves		2,400		(2,400)
Balance on the Statutory HRA Carried Forward		(33,373)		(36,652)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Note to the Statement of Movement on the HRA Balance

	2023/24		2024/25	
	£'000	£'000	£'000	£'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year				
Revenue expenditure funded from capital under statute	(2,148)		(3,744)	
Capital grants and contributions	6,204		16,713	
Gain or loss on sale of HRA non-current assets	9,139		(4,086)	
Depreciation of non-current assets	(17,005)		(17,027)	
Reversal of revaluation losses on non-current assets	(66,560)		42,780	
Net charges made for retirement benefits in accordance with IAS19	2,466		3,769	
Total		(67,904)		38,405
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year				
Capital expenditure financed from revenue	8,221		191	
Difference between amounts charged to the Income & Expenditure Account for premia and discounts and the charge for the year determined in accordance with statute	435		435	
Transfer to Major Repairs Reserve	17,005		17,027	
Total		25,661		17,653
Net additional amount required by statute to be debited to the HRA Balance		(42,243)		56,058

2 Housing Stock

The type and number of dwellings in the Council's housing stock at 31 March were as follows:

	2023/24	2024/25
Low-rise flats (1-2 storeys)	250	247
Medium-rise flats (3-5 storeys)	6,739	6,733
High-rise flats (6 or more storeys)	3,817	3,744
Houses and bungalows	785	785
Total at 31 March	11,591	11,509

3 Non-Current Assets

The balance sheet values of assets within the Council's HRA were as follows:

	2023/24 £'000	2024/25 £'000
Dwellings	1,189,267	0
Other Land and Buildings	97,315	1,206,513
Surplus Assets Not Held for Sale	16,901	164,709
Assets Under Construction	45,792	17,393
Total	1,349,275	1,433,395

The balance sheet values of the land, houses and other property within the Housing Revenue Account are as follows:

	Dwellings £'000	Other land and buildings £'000	Surplus Assets £'000	Assets Under Construction £'000	TOTAL £'000
Total value at 31 March 2023	1,215,585	85,045	12,287	83,042	1,395,959
Additions, disposals, transfers and revaluations	(26,318)	12,270	4,614	(37,250)	(46,684)
Total value at 31 March 2024	1,189,267	97,315	16,901	45,792	1,349,275
Total value at 1 April 2024	1,197,012	97,165	17,053	45,793	1,357,023
Additions, disposals, transfers and revaluations	9,501	67,544	340	(1,013)	76,372
Total Value at 31 March 2025	1,206,513	164,709	17,393	44,780	1,433,395

The vacant possession value of dwellings within the Council's HRA was £4.826m in 2024/25 (23/24 £4.757m). The difference between the vacant possession value and the balance sheet value shows the economic cost to the Government of providing council housing at less than open market rents.

4 Major Repairs Reserve

	2023/24 £'000	2024/25 £'000
Balance at 1 April	(8,040)	(7,711)
Transfer from Capital Adjustment Account - depreciation	(17,005)	(17,027)
Financing of capital expenditure	17,334	14,922
Balance at 31 March	(7,711)	(9,816)

5 Capital Transactions

(i) Capital expenditure and financing

	2023/24 £'000	2024/25 £'000
Expenditure	60,712	64,836
Sources of finance		
Borrowing	15,002	2,193
Capital Receipts	9,043	25,452
Capital Grants and Contributions	11,112	22,269
Major Repairs Reserve	17,334	14,922
Direct Revenue Funding	8,221	-
Total Capital Financing	60,712	64,836

(ii) Capital Receipts

Capital receipts (gross) in 2024/25 from the disposal of non-current assets within the HRA amounted to £17.438m (23/24: £17.490m) as follows:

	2023/24 £'000	2024/25 £'000
Dwellings	17,490	17,438
Total Capital Receipts	17,490	17,438

6 Depreciation

	2023/24 £'000	2024/25 £'000
Dwellings	15,757	15,560
Other Land and Buildings	1,248	1,467
Total Depreciation	17,005	17,027

7 Pension Costs

These figures should represent the cost of pensions attributable to the HRA. Further details of the treatment of pensions costs are shown in note 38 of the Core Financial Statements, together with details of the assumptions made in calculating the figures included in this note.

	2023/24 £'000	2024/25 £'000
HRA INCOME AND EXPENDITURE STATEMENT		
<i>Cost of Services</i>		
Current service costs	2,014	4,131
<i>Net charge to the HRA Surplus or Deficit on Provision of Services</i>	2,014	4,131
 STATEMENT OF MOVEMENT IN HRA RESERVES		
Reversal of net charges made for retirement benefits	(2,014)	(4,131)
Employer's pensions contributions and direct pension costs	4,480	7,899

8 Rent Arrears

	2023/24 £'000	2024/25 £'000
Gross rent arrears at 31 March	5,636	5,607
Arrears as % of rent receivable	7.4%	7.3%
Provision made for bad debts	3,779	3,866

COLLECTION FUND

The Collection Fund Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council as billing authority in relation to the collection from tax payers and distribution to precepting bodies and the Government of Council Tax and Non-Domestic Rates.

2023/24				2024/25		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
INCOME						
-	(173,037)	(173,037)	Council Tax receivable	-	(186,770)	(186,770)
			Council Tax discounts funded from billing authority			
-	(761)	(761)	General Fund	-	(331)	(331)
(347,687)	-	(347,687)	Business Rates receivable	(428,795)	-	(428,795)
(10,453)	-	(10,453)	Transitional protection payments receivable	(3,745)	-	(3,745)
(11,872)	-	(11,872)	Business Rates Supplements (BRS) receivable	(12,206)	-	(12,206)
(370,012)	(173,798)	(543,810)	Total Amounts to be credited	(444,746)	(187,101)	(631,847)
EXPENDITURE						
Apportionment of previous year surplus/(deficit)						
(18,666)	-	(18,666)	Central Government	(10,697)	-	(10,697)
(16,969)	(4,096)	(21,065)	Tower Hamlets	(9,724)	(1,367)	(11,092)
(20,928)	(1,373)	(22,301)	Greater London Authority	(11,993)	(518)	(12,511)
Precepts, demands and shares						
132,695	-	132,695	Central Government	142,955	-	142,955
120,631	129,541	250,172	Tower Hamlets	129,959	138,168	268,127
148,779	49,036	197,815	Greater London Authority	160,283	54,091	214,374
Business Rate Supplement						
11,855	-	11,855	Payment to levying authority BRS revenue account	12,190	-	12,190
17	-	17	Administrative costs	17	-	17
Charges to the Collection Fund						
1,420	7,054	8,474	Increase/(decrease) in allowance for impairment	8,546	5,975	14,521
15,794	-	15,794	Increase/(decrease) in allowance for appeals	4,642	-	4,642
1,024	-	1,024	Charge to General Fund for allowable collection costs	1,021	-	1,021
375,652	180,162	555,814	Total amounts to be debited	427,200	196,349	623,549
5,640	6,364	12,004	(Surplus)/deficit arising during the year	(17,546)	9,248	(8,298)
55,342	1,316	56,658	(Surplus)/deficit b/f at 1 April	60,982	7,680	68,662
60,982	7,680	68,662	(Surplus)/deficit c/f at 31 March	43,436	16,928	60,364

(Surplus)/deficit on the Collection Fund

2023/24				2024/25		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
19,677	-	19,677	Central Government	13,887	-	13,887
18,295	5,532	23,827	Tower Hamlets	13,031	12,173	25,204
23,010	2,148	25,158	Greater London Authority	16,518	4,755	21,273
60,982	7,680	68,662	(Surplus)/deficit c/f at 31 March	43,436	16,928	60,364

NOTES TO THE COLLECTION FUND

1 Council Tax

Council Tax, introduced in 1993, is charged on residential properties depending on the nature and degree of occupation of the property concerned. It is subject to a system of personal discounts. For the purpose of calculating the individual tax, all domestic properties were valued by the Inland Revenue as at 1st April 1991 and placed in one of eight bands. The tax for each Band is set as a fraction of Band D. The number of properties in each band and calculation of the tax base (adjusted to reflect relevant discounts and exemptions) was approved by Cabinet in January 2023 and is summarised in the table below:

Band	Valuation Bands	Ratio to Band D	2023/24 Number of chargeable dwellings	2023/24 Equivalent number of band D dwellings	2024/25 Number of chargeable dwellings	2024/25 Equivalent number of band D dwellings
A	Up to £40,000	6/9	1,442	962	1,460	973
B	£40,001 and up to £52,000	7/9	21,812	16,965	21,240	16,520
C	£52,001 and up to £68,000	8/9	36,852	32,757	36,197	32,175
D	£68,001 and up to £88,000	9/9	28,916	28,916	28,554	28,554
E	£88,001 and up to £120,000	11/9	23,564	28,801	23,220	28,380
F	£120,001 and up to £160,000	13/9	12,331	17,811	12,030	17,377
G	£160,001 and up to £320,000	15/9	4,922	8,203	4,826	8,044
H	Over £320,001	18/9	715	1,430	715	1,430
			130,554	135,845	128,242	133,453
Adjustment for Reduction Scheme				(20,854)		(18,707)
Council Tax Base				115,847		114,746

2 National Non-Domestic Rates (NNDR)

The Council collects business rates for its local area. The amount due to be paid by a business for their property is calculated by multiplying a national uniform rate (set by the Government) by the rateable value of the property. The rateable value is determined by the Valuation Office Agency, a government executive agency. The national uniform rate in 2024/25 was 54.6p (23/24 :51.2p) and the rate for small businesses was set at 49.9p (23/24: 49.9p). The total rateable value in the borough as at 31 March 2025 was £1,030 million (23/24: £1,026m).

3 Business Rate Supplement (BRS)

Under the Business Rate Supplement Act 2009, the Greater London Authority (GLA) has introduced a supplement to help towards the financing of the costs of the Crossrail project. The Council collects the supplement on behalf of the GLA.

The Crossrail BRS multiplier for 2024/25 is 2p (23/24: 2p) per pound of rateable value (unchanged from previous years), it is only paid on properties with a rateable value in excess of £75,000.

Group Financial Statements

The purpose of the Group Accounts is to provide a picture of Tower Hamlets Council and the group of companies and other entities, which are either controlled or are significantly influenced by the Council - unless their interest is not considered material. The Group Accounts show the full extent of the Council's wider assets and liabilities and provide transparency.

The Group Accounts include the following:

Group Comprehensive Income and Expenditure Statement:- summarises the resources that have been generated and consumed in providing services and managing the Group during the year. It includes all day-to-day expenses and related income on an accruals basis.

Group Movement in Reserves:- shows the movement in the year on the Council's single entity useable and unusable reserves together with the Council's share of the Groups reserves.

Group Balance Sheet:- reports the Council Group financial position at year-end.

Group Cash Flow Statement:- shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.

Notes to the Group:- where balances are materially different to those in the single entity accounts.

Group Subsidiaries and Associates

The following organisations form the group accounts:

King George's Field, Mile End Charity

The following organisations have **not** been included in the Group Accounts as the financial balances within these entities have not been deemed material to the Council:

Tower Hamlets Education Partnership - a registered charity limited by guarantee with the purpose of providing educational opportunities.

Tower Hamlets Homes - was providing housing services to residence of the borough but ceased trading on 31st October 2023 and is the process of being dissolved.

Norton Folgate Almshouse - the Council holds the right to appoint 3 of the 7 board members to this charity.

The Davenant Centre - provides 2 community centres for educational and social benefit with the Council retaining 26% of the voting rig

PLACE Ltd -the company has ceased trading and is expected to be dissolved.

Tower Hamlets and Canary Wharf Further Education Trust - the objective of the Trust Fund is to enable funds to be applied for the advancement of the further or higher education or the vocational training of persons living within the London Borough of Tower Hamlets.

The Speaker's Charity - wholly owned by the London Borough of Tower Hamlets, is not consolidated on the basis of materiality.

Seahorse Homes Limited - a wholly owned subsidiary, previously not consolidated on the basis of immateriality, dissolved on 6 June 2023.

GROUP MOVEMENT IN RESERVES STATEMENT

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

	NOTES	USABLE RESERVES							UNUSABLE RESERVES										COUNCIL SHARE OF SUBSIDIARY AND ASSOCIATE RESERVES	TOTAL GROUP RESERVES
		GENERAL FUND BALANCE £'000	earmarked GENERAL FUND RESERVES £'000	HOUSING REVENUE ACCOUNT BALANCE £'000	MAJOR REPAIRS RESERVE £'000	CAPITAL RECEIPTS RESERVE £'000	CAPITAL GRANTS UNAPPLIED £'000	TOTAL USABLE RESERVES £'000	REVALUATION RESERVE £'000	CAPITAL ADJUSTMENT ACCOUNT £'000	PENSIONS RESERVE £'000	COLLECTION FUND ADJUSTMENT ACCOUNT £'000	FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT £'000	POOLED INVESTMENT FUND ADJUSTMENT ACCOUNT £'000	ACCUMULATED ABSENCES ACCOUNT £'000	DEDICATED SCHOOLS GRANT ADJUSTMENT ACCOUNT £'000	TOTAL UNUSABLE RESERVES £'000	TOTAL COUNCIL USEABLE AND UNUSABLE RESERVES £'000		
Balance as at 1 April 2023		(20,887)	(236,841)	(47,532)	(8,040)	(156,136)	(190,421)	(659,857)	(1,020,210)	(1,636,944)	(7,380)	17,686	16,112	3,659	5,796	14,268	(2,607,013)	(3,266,870)	(70,923)	(3,337,793)
<u>Movement in reserves during 2023/24</u>																				
Surplus or (Deficit) on the Provision of Services		22,823	-	31,047	-	-	-	53,870	-	-	-	-	-	-	-	-	-	53,870	20,899	74,769
Other comprehensive expenditure and income		-	-	-	-	-	-	-	24,467	-	201,410	-	-	-	-	-	225,877	225,877	39,615	265,492
Total Comprehensive Expenditure and Income		22,823	-	31,047	-	-	-	53,870	24,467	-	201,410	-	-	-	-	-	225,877	279,747	60,514	340,261
Consolidation adjustments between Group and Council Accounts		(2,954)	-	22,955	-	-	-	20,001	-	-	-	-	-	-	-	-	-	20,001	(20,001)	-
Total Comprehensive Expenditure and Income		19,869	-	54,002	-	-	-	73,871	24,467	-	201,410	-	-	-	-	-	225,877	299,748	40,513	340,261
Adjustments between accounting basis and funding basis under regulations		22,710	-	(42,243)	329	(4,332)	(58,517)	(82,053)	12,709	77,267	(13,515)	6,141	(435)	(1,220)	(454)	1,560	82,053	-	-	-
Net Increase or Decrease before Transfers to Earmarked Reserves		42,579	-	11,759	329	(4,332)	(58,517)	(8,182)	37,176	77,267	187,895	6,141	(435)	(1,220)	(454)	1,560	307,930	299,748	40,513	340,261
Transfers to or from earmarked reserves		(41,653)	27,289	2,400	-	-	11,964	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to or from school reserves		(1,273)	1,273	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase or (Decrease) in Year		(347)	28,562	14,159	329	(4,332)	(46,553)	(8,182)	37,176	77,267	187,895	6,141	(435)	(1,220)	(454)	1,560	307,930	299,748	40,513	340,261
Balance as at 31 March 2023		(21,234)	(208,279)	(33,373)	(7,711)	(160,468)	(236,974)	(668,039)	(983,034)	(1,559,677)	180,515	23,827	15,677	2,439	5,342	15,828	(2,299,083)	(2,967,122)	(30,410)	(2,997,532)
<u>Movement in reserves during 2024/25</u>																				
Surplus or (Deficit) on the Provision of Services		118,534	-	(56,937)	-	-	-	61,597	-	-	-	-	-	-	-	-	-	61,597	-	61,597
Other comprehensive expenditure and income		-	-	-	-	-	-	-	(7,081)	-	30,182	-	-	-	-	-	23,101	23,101	(2,253)	20,848
Total Comprehensive Expenditure and Income		118,534	-	(56,937)	-	-	-	61,597	(7,081)	-	30,182	-	-	-	-	-	23,101	84,698	(2,253)	82,445
Consolidation adjustments between Group and Council Accounts		(9,349)	-	-	-	-	-	(9,349)	-	-	-	-	-	-	-	-	-	(9,349)	9,349	-
Total Comprehensive Expenditure and Income		109,185	-	(56,937)	-	-	-	52,248	(7,081)	-	30,182	-	-	-	-	-	23,101	75,349	7,096	82,445
Adjustments between accounting basis and funding basis under regulations		(63,683)	-	56,058	(2,105)	10,188	(8,383)	(7,925)	23,333	7,306	(25,921)	1,377	(437)	(193)	(1,828)	4,288	7,925	-	-	-
Net Increase or Decrease before Transfers to Earmarked Reserves		45,502	-	(879)	(2,105)	10,188	(8,383)	44,324	16,252	7,306	4,261	1,377	(437)	(193)	(1,828)	4,288	31,026	75,349	7,096	82,445
Transfers to or from earmarked reserves		(43,115)	44,710	(2,400)	-	-	805	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to or from school reserves		(2,387)	2,387	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase or (Decrease) in Year		0	47,097	(3,279)	(2,105)	10,188	(7,578)	44,324	16,252	7,306	4,261	1,377	(437)	(193)	(1,828)	4,288	31,026	75,349	7,096	82,445
Balance as at 31 March 2025		(21,234)	(161,182)	(36,652)	(9,816)	(150,280)	(244,552)	(623,715)	(966,782)	(1,552,371)	184,776	25,204	15,240	2,246	3,514	20,116	(2,268,057)	(2,891,773)	(23,315)	(2,915,088)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

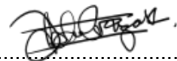
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations - this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2023/24		Note	2024/25			
Gross Expenditure £'000	Gross Income £'000		Gross Expenditure £'000	Gross Income £'000		
Net Expenditure £'000			Net Expenditure £'000			
Continuing Operations						
516,065	(416,307)	99,758	Children's Services	545,099	(437,295)	107,804
223,109	(128,705)	94,404	Health and Adult Social Care	236,978	(137,124)	99,854
227,770	(114,852)	112,918	Housing and Regeneration	168,940	(105,159)	63,782
11,658	(1,991)	9,667	Chief Executive's	16,210	(2,427)	13,783
183,796	(116,858)	66,938	Local Authority Housing (Housing Revenue Account)	82,517	(125,759)	(43,241)
221,393	(168,941)	52,452	Resources	196,124	(149,086)	47,038
14,295	(1,718)	12,577	Corporate Cost and Central Items	12,069	(3,230)	8,839
121,626	(48,105)	73,521	Communities	152,167	(70,705)	81,462
1,519,712	(997,477)	522,235	NET COST OF SERVICES	1,410,104	(1,030,784)	379,321
		1,420	Other Operating Expenditure			105,049
		(7,907)	Financing and Investment Income and Expenditure			(11,866)
		(440,979)	Taxation and Non-Specific Grants Income			(416,161)
		74,769	(SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES			56,342
			Share of the (surplus)/deficit on the Provision of Services of Associates			5,255
		74,769	Group (Surplus)/Deficit			61,597
		24,444	(Surplus)/Deficit on revaluation of non-current assets			(9,334)
		241,048	Remeasurement of the net defined benefit pensions liability			30,182
		265,492	OTHER COMPREHENSIVE INCOME AND EXPENDITURE			20,848
340,261			TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	82,445		

GROUP BALANCE SHEET

31 March 2024 £'000	31 March 2024 £'000		Notes	31 March 2025 £'000
		Long-term Assets		
3,134,942	3,163,187	Property, Plant and Equipment	2	3,150,609
19,153	19,153	Heritage Assets		19,173
3,275	3,275	Intangible Assets		2,057
58,915	58,915	Long-term investments		53,651
-	-	Pension Asset		
1,426	1,426	Long-term Debtors		750
3,217,711	3,245,956	Total Long-term Assets		3,226,241
		Current Assets		
20,993	20,993	Short-term investments		20,881
175,115	175,115	Short-term debtors		181,886
260,610	260,610	Cash and cash equivalents		209,966
456,718	456,718	Total Current Assets		412,734
		Current Liabilities		
(66,683)	(66,683)	Cash and cash equivalents		(64,297)
(332)	(332)	Short-term borrowing		(381)
(195,551)	(195,551)	Short-term creditors		(223,022)
(15,218)	(15,218)	Provisions		(14,645)
(277,784)	(277,784)	Total Current Liabilities		(302,345)
		Long-term Liabilities		
(3,880)	(3,880)	Provisions		(3,828)
(68,709)	(68,709)	Long-term borrowing		(68,709)
(180,515)	(180,515)	Liability related to defined benefit pension schemes		(184,776)
(104,723)	(104,723)	Capital grants receipts in advance		(101,425)
(41,286)	(65,010)	Deferred liabilities		(62,803)
(399,113)	(422,837)	Total Long-term Liabilities		(421,542)
2,997,532	3,002,053	NET ASSETS		2,915,087
		Reserves		
(672,526)	(672,526)	Usable Reserves		(623,668)
(2,325,006)	(2,329,527)	Unusable Reserves		(2,291,419)
(2,997,532)	(3,002,053)	TOTAL RESERVES		(2,915,087)

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2025 and its income and expenditure for the year then ended.



Abdulrazak Kassim - Director of Finance, Procurement & Audit

Date 09/06/2025

GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash is represented as cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2023/24 £'000		Notes	2024/25 £'000
(74,769)	Net surplus or (deficit) on the provision of services		(61,597)
181,026	Adjustments to net surplus or deficit on the provision of services for non cash movements	3	126,828
(153,852)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	3	(84,908)
(47,595)	Net cash flows from Operating Activities		(19,677)
26,607	Investing Activities	4	(29,359)
15,638	Financing Activities	5	778
(5,350)	Net increase or decrease in cash and cash equivalents		(48,258)
199,277	Cash and cash equivalents at the beginning of the reporting period		193,927
193,927	Cash and cash equivalents at the end of the reporting period		145,669

1 Group Accounting Policies

The group accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

As required by Chapter 9 of the Code, the Council has consolidated the subsidiaries on a line by line basis. Intra-group transactions have been eliminated before consolidation on a line by line basis, and the accounts of the subsidiaries have been restated where they use different accounting policies to the Council as required by the Code. Associates have been consolidated using the equity method as per the Council's interest in the company or charity.

The details of where the council has had to materially align the accounting policies of an entity within the group to that of the council's for the purposes of group accounts consolidation are provided below:

In 2024/25, King George's Fields, Mile End Charity controlled investment fixed assets with a net book value of £6.266m (£6.268m in 2023/24) which were categorised to other land and buildings under property, plant and equipment (PPE) with a net book value of £6.266m (£6.268m in 2023/24) as part of the group accounts consolidation using the same accounting policies as the council's.

In 2024/25 King George's Fields, Mile End Charity also controlled tangible fixed assets with a net book value of £3.379m (£3.379m in 2023/24) which were categorised to community assets under property, plant and equipment (PPE) which are accounted for at cost, totalling £11.581m (£11.581m in 2023/24) as part of the group accounts consolidation using the same accounting policies as the council's.

2 Group Property, Plant and Equipment

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.

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

2023/24 £'000	Total PPE	2024/25 £'000
- Adjusted 1 April Balance on transition to IFRS16		3,163,187
144,948 Infrastructure assets (net book value) - 31 March		146,143
2,989,994 Other PPE - 31 March		3,004,466
3,134,942	Total PPE - 31 March	3,150,609

2023/24 £'000	Infrastructure Assets	2024/25 £'000
147,228 Infrastructure assets (net book value) - 1 April		144,948
9,433 Additions in-year		13,303
(11,713) Depreciation charge in-year		(12,108)
144,948	Infrastructure Assets (Net Book Value) - 31 March	146,143

2 Group Property, Plant and Equipment (continued)

MOVEMENTS IN 2024/25	COUNCIL DWELLINGS £'000	OTHER LAND AND BUILDINGS £'000	VEHICLES, PLANT, FURNITURE & EQUIPMENT £'000	COMMUNITY ASSETS £'000	SURPLUS ASSETS £'000	ASSETS UNDER CONSTRUCTION £'000	TOTAL PROPERTY, PLANT AND EQUIPMENT £'000
Cost or Valuation							
At 1 April 2024	1,189,267	1,581,097	67,032	50,560	34,051	120,196	3,042,203
Adjusted 1 April Balance on transition to IFRS16	1,197,013	1,600,832	67,645	50,560	34,202	120,196	3,070,448
Additions	14,313	15,031	5,824	779	2,378	54,049	92,374
Additions - Lease Remeasurements	719	4,007	5,972	-	-	-	10,698
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(56,011)	29,166	-	-	700	-	(26,146)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the provision of services	36,081	468	-	-	(31)	-	36,518
Derecognition - Disposals	(7,807)	(22,158)	(467)	-	-	(77,450)	(107,882)
Derecognition - Other	(11,973)	(1,063)	-	-	(724)	-	(13,760)
Other Reclassification of Assets	34,178	8,236	(20,435)	1,546	(4,530)	(39,430)	(20,435)
At 31 March 2025	1,206,513	1,634,519	58,539	52,885	31,995	57,365	3,041,816
Accumulated Depreciation and Impairment							
At 1 April 2024	-	5,857	46,332	-	10	10	52,209
Depreciation charge	15,560	18,935	7,153	-	263	-	41,911
Depreciation written out to the Revaluation Reserve	(15,304)	(19,942)	-	-	(234)	-	(35,480)
Derecognition - Disposals	(101)	(166)	(398)	-	-	-	(665)
Derecognition - Other	(155)	(25)	(20,435)	-	(11)	-	(20,626)
Other Reclassification of Assets	-	9	-	-	(9)	-	-
At 31 March 2025	-	4,668	32,652	-	19	10	37,349
Net Book Value							
At 31 March 2025	1,206,513	1,629,851	25,887	52,885	31,976	57,355	3,004,467
At 31 March 2024	1,189,267	1,575,240	20,700	50,560	34,041	120,186	2,989,994
At 1 April 2024	1,197,013	1,594,975	21,313	50,560	34,192	120,186	3,018,239

2 Group Property, Plant and Equipment (continued)

MOVEMENTS IN 2023/24	COUNCIL DWELLINGS £'000	OTHER LAND AND BUILDINGS £'000	VEHICLES, PLANT, FURNITURE & EQUIPMENT £'000	COMMUNITY ASSETS £'000	SURPLUS ASSETS £'000	ASSETS UNDER CONSTRUCTION £'000	TOTAL PROPERTY, PLANT AND EQUIPMENT £'000
Cost or Valuation							
At 1 April 2023	1,215,585	1,656,271	62,381	49,160	29,121	120,851	3,133,369
Additions	21,204	20,672	4,651	1,303	317	75,618	123,765
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(46,426)	(16,254)	-	-	3,264	-	(59,416)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the provision of services	(65,040)	(73,259)	-	-	9	-	(138,290)
Derecognition - Disposals	(7,606)	(9,238)	-	-	-	-	(16,844)
Derecognition - Other	-	(381)	-	-	-	-	(381)
Other Reclassification of Assets	71,550	3,286	-	97	1,340	(76,273)	-
At 31 March 2024	1,189,267	1,581,097	67,032	50,560	34,051	120,196	3,042,203
Accumulated Depreciation and Impairment							
At 1 April 2023	-	6,451	38,468	-	9	29	44,957
Depreciation charge	15,757	18,784	7,864	-	192	-	42,597
Depreciation written out to the Revaluation Reserve	(15,659)	(19,059)	-	-	(253)	-	(34,971)
Derecognition - Disposals	(98)	(244)	-	-	-	-	(342)
Derecognition - Other	-	(32)	-	-	-	-	(32)
Other Reclassification of Assets	-	(43)	-	-	62	(19)	-
At 31 March 2024	-	5,857	46,332	-	10	10	52,209
Net Book Value							
At 31 March 2024	1,189,267	1,575,240	20,700	50,560	34,041	120,186	2,989,994
At 31 March 2023	1,215,585	1,649,820	23,913	49,160	29,112	120,822	3,088,412

3 Group Notes to the Cashflow Statement - Operating Activities

The cash flows for operating activities include the following items:

2023/24 £'000		2024/25 £'000
3,371	Interest received	861
(9,205)	Interest paid	(11,434)
(5,834)		(10,573)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2023/24 £'000		2024/25 £'000
54,312	Depreciation	54,019
1,019	Amortisation	1,218
138,359	Impairment and Downward valuations	(36,518)
(11,022)	Increase/(Decrease) in Creditors	28,045
(10,542)	(Increase)/Decrease in Debtors	(14,086)
(526)	Increase/(Decrease) in Provisions	-
(13,515)	Movement in Pension Liability	(25,921)
16,851	Carrying amount of non-current assets sold (property, plant and equipment and intangible assets)	120,786
6,090	Other non-cash items charged to the net surplus or deficit on the provision of services	(715)
181,026		126,828

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing

2023/24 £'000		2024/25 £'000
(695)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	-
(17,522)	Proceeds from the sale of property plant and equipment and intangible assets	(17,423)
(135,635)	Any other items for which the cash effects are investing or financing cashflows	(67,485)
(153,852)		(84,908)

4 Group Notes to the Cashflow Statement - Investment Activities

2023/24 £'000		2024/25 £'000
(135,261)	Purchase of property, plant and equipment and intangible assets	(123,615)
(109,240)	Purchase of short-term and long-term investments	-
17,522	Proceeds from the sale of property, plant and equipment and intangible assets	17,423
139,855	Proceeds from short-term and long-term investments	-
113,731	Other receipts from investing activities	76,833
26,607	Net cash flows from investing activities	(29,359)

5 Group Notes to the Cashflow Statement - Financing Activities

2023/24 £'000		2024/25 £'000
19,704	Other receipts from financing activities	-
(4,066)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(7,838)
-	Other payments for financing activities	8,616
15,638	Net cash flows from financing activities	778

PENSION FUND ACCOUNTS

PENSION FUND ACCOUNT	Note	31 March 2024 £'000	31 March 2025 £'000
DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE SCHEME			
Contributions	7	(78,505)	(81,944)
Transfers in from other pension funds	8	(6,856)	(5,388)
Benefits	9	72,921	82,658
Payments to and on account of leavers	10	10,823	14,766
NET (ADDITIONS)/DEDUCTIONS FROM DEALINGS WITH MEMBERS		(1,617)	10,092
Management expenses	11	15,449	15,202
NET (ADDITIONS)/DEDUCTIONS INCLUDING FUND MANAGEMENT EXPENSES		13,832	25,294
RETURN ON INVESTMENTS			
Investment Income	12	(25,760)	(24,435)
Taxes on Income		5	61
Change in market value of investments	14a	(195,556)	(45,207)
NET RETURN ON INVESTMENTS		(221,311)	(69,581)
Net (increase)/decrease in the Fund during the year		(207,479)	(44,287)
Add: Opening net assets of the scheme		(1,937,590)	(2,145,069)
CLOSING NET ASSETS OF THE SCHEME		(2,145,069)	(2,189,356)
NET ASSETS STATEMENT AS AT			
		31 March 2024 £'000	31 March 2025 £'000
Long Term Investments	14	150	150
Investments Assets	14	2,144,119	2,180,823
Current Assets	21	5,368	13,265
Current Liabilities	22	(4,568)	(4,882)
NET ASSETS		2,145,069	2,189,356

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 1 : DESCRIPTION OF THE FUND

The London Borough of Tower Hamlets Pension Fund ('the Fund' or 'the Pension Fund') is part of the Local Government Pension Scheme ('LGPS') and is administered by London Borough of Tower Hamlets ('the Council').

a) General

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

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

The Fund is a contributory defined benefit pension scheme administered by London Borough of Tower Hamlets to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the London Borough of Tower Hamlets Pensions Committee which is a Committee of the London Borough of Tower Hamlets.

b) Membership of the Fund

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the London Borough of Tower Hamlets Pension Fund include the following:

- Scheduled bodies include local authorities, academies, colleges and similar 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.

The following table sets out the membership of the London Borough of Tower Hamlets Pension Fund as at 31 March 2025.

	31 Mar 2024	31 Mar 2025
Number of active employees		
LBTH	7,188	7,210
Other employers	867	863
	8,055	8,073
Number of pensioners		
LBTH	6,797	6,985
Other employers	562	589
	7,359	7,574
Number of deferred pensioners		
LBTH	7,723	7,754
Other employers	663	692
	8,386	8,446
Total number of members in pension scheme	23,800	24,093

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 1 : DESCRIPTION OF THE FUND

c) Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made to the Scheme in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employer contributions are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2022 which covers the three financial years to 31 March 2026 and these rates have been applied from 1 April 2023.

Currently, employer contribution rates range from 17.6% to 62.4% of pensionable pay, plus deficit funding contributions.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the LGPS became a career average ('CARE') scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Price Index.

A range of other benefits which are also provided and include early retirement, disability pensions and death benefits are explained on the LGPS website.

NOTE 2: BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2024/25 financial year and its financial position at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose

The accounts have been prepared on a going concern basis. The administering authority is confident that the Fund will have sufficient resources to meet obligations as they fall due over the foreseeable future.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 2A: GOING CONCERN

The accounts have been prepared on a going concern basis. In carrying out its assessment that this basis is appropriate, made to 31 March 2025, the Council, as administering authority of the Pension Fund, has considered the additional qualitative and quantitative key requirements:

The basis for preparation is supported by legislation for local authorities, and the Code requirements on the basis of the continuation of services.

The Fund is cashflow positive meaning that the contributions received from the employers and members of the scheme exceed the benefits amount paid out. All employers within the fund are paying contributions as per the rates and adjustment certificate.

The latest statutory valuation at 31 March 2022 showed the Fund to have a funding level of 123%. This improved funding level has resulted in many Employers paying lower contribution rates from 1 April 2023 which will reduce the income from contributions over the next 3 years. If benefits exceed contributions over the next three years, it is expected that any shortfall will be able to be met through investment income or through disinvestments from liquid investments. More than 87% of the Fund's assets are readily liquid.

The Pension Fund has not utilised any borrowing during the 2024/25 financial year or within the 2025/26 financial year to date.

On this basis, the Pension Fund has a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period. For this reason, alongside the statutory guidance, the Fund continue to adopt the going concern basis in preparing these financial statements.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – revenue recognition

a) Contribution income

Normal contributions from both members and employers are accounted for on an accruals basis as follows:

Employee contribution rates are set in accordance with LGPS regulations using common percentage rates for all schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they

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 employing body.

Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

Augmentations such as additional employer contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

Transfers values to and from other schemes relate to members who have either joined or left the Fund. Individual transfers in or out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

Investment income arising from the underlying investments in pooled funds is either reinvested or taken as a cash dividend to support the Fund's cash requirements.

Interest income from the underlying investments of the Pooled Investment Vehicles is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as an investment asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as an investment asset.

Changes in the value of investments are recognised as income and comprises all realised and unrealised profits and losses during the year.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

e) Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis.

i) Administrative expenses

All staff costs of the pensions administration team are recharged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

ii) Oversight and governance

All staff costs associated with governance and oversight are recharged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

iii) Investment management expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11A and grossed up to increase the change in value of investments or to increase income if netted off from income received. Transaction costs met from the net asset value of the Fund are also grossed up and reported in Note 11A.

Where an investment manager's fee has not been received by the year end date an estimate based upon either the most recent available equivalent trailing reporting period or the market value of the Fund is used for inclusion in the fund account. No estimates were required at 31 March 2024, however, estimates were required at 31 March 2025.

governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net assets statement

g) Financial assets

Investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. The Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosure (PRAG/Investment Association, 2016) (see Note 17A).

h) Freehold and leasehold properties

The Fund has no direct investment in property.

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The Fund uses derivative financial instruments indirectly to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

k) Cash and cash equivalents

Cash comprises cash at bank and internally managed cash and includes deposits held by the Fund's external managers which are repayable on demand without penalty.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Financial assets at amortised cost

Financial assets classified as amortised cost are carried in the net asset statement at amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

m) Financial liabilities

A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

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

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard, IAS26, and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 20).

The amount disclosed for the present value of promised retirement benefits relies on information about scheme members, such as their age and current salary or pension. Errors were identified in the information provided by the Council to the Actuary for the purposes of the valuation of present value of promised retirement benefits at 31 March 2020. The Council initiated a comprehensive data cleanse project in July 2024 and is expected to conclude late summer 2025. Therefore, this may have an impact on the retirement benefits at 31 March 2025.

o) Additional voluntary contributions

The London Borough of Tower Hamlets Pension Fund provides an additional voluntary contribution ('AVC') scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 23.

p) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events. A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

q) Recharges from the General Fund

The LGPS (Management and Investment of Funds) Regulations 2016 permit the council to charge administration costs to the Fund. A proportion of the relevant costs have been charged to the Fund on the basis of time spent on pension fund activity. Costs incurred are shown in Note 25.

r) Annual allowance (VSP, MSP) and lifetime allowance

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

Where the Fund pays member tax liabilities direct to HMRC, it is treated as an expense in the year in which the payment occurs.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund liability

The net Pension Fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted actuarial guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 19. Actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

In response to the government's guidance and criteria on pooling investments issued in 2015, the London Borough of Tower Hamlets Pension Fund is a founding member of the London Collective Investment Vehicle (LCIV) established as a Collective Investment Vehicle for LGPS Funds. At the end of 31 March 2025, the Fund has £1,150.4 million (52.8%) under LCIV management. A further £494.5 million (22.7%) is invested in Legal and General Passive Pool.

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

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made. The items in the net asset statements for which there is a significant risk of material adjustment the following year are as follows:

a) 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 rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.

For example:

A 0.1% decrease in the discount rate used would result in an increase in the pension liability of £32m.

A 0.1% increase in salary increase rate would increase the earnings inflation value of the liabilities by approximately £1m.

b) Valuation of Investments at Level 3

The Pension Fund contains investments in unitised pooled property funds and renewable energy infrastructure that are classified within the financial statements as level 3 investments. These funds are valued at £355.3 million according to non-exchange based market valuations. As a result of this, the final realised value of the pooled units may differ from the valuations presented in the accounts.

NOTE 6: EVENTS AFTER THE REPORTING DATE

The total market value of the Pension Fund was £2,189 million as at 31 March 2025 (£2,145 million 31 March 2024). The post-balance sheet period has been characterised by disruption in global markets and a spike in implied volatility. The difficult economic environment and cautious investor sentiment have been largely due to the continuing geopolitical tension and sluggish growth amongst the major economies. However, against the backdrop of heightened uncertainty, the Fund is positioned to capture opportunities presented by this environment.

The Fund's investment approach continues to be disciplined strategic investment and rebalancing within a diversified portfolio constructed to deliver long-term growth and resilience in periods of market disruptions.

The government's ongoing 'fit-for-purpose' pensions review and LGPS pooling arrangements will impact the governance of the Fund and its strategic asset allocation. The government has confirmed its intention to implement significant changes to the LGPS in the short to medium term.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 7: CONTRIBUTIONS RECEIVABLE

	2023/24 £'000	2024/25 £'000
Employees		
Council Employees' Normal Contributions	(14,109)	(15,778)
Admitted Bodies Employees' Normal Contributions	(148)	(90)
Scheduled Bodies Employees' Normal Contributions	(1,612)	(1,125)
Total	(15,869)	(16,993)
Employers		
Council Employers' Normal Contributions	(40,736)	(46,121)
Admitted Bodies Employers' Normal Contributions	(960)	(607)
Scheduled Bodies Employers' Normal Contributions	(4,868)	(3,889)
Total	(46,564)	(50,616)
Employers' Special Contributions	(599)	(2,089)
Deficit Funding	(15,473)	(12,246)
Total	(16,072)	(14,335)
Grand Total	(78,505)	(81,944)

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

	2023/24 £'000	2024/25 £'000
Transfer Values		
Transfer Values Received - Individual	(6,856)	(5,388)
Total	(8,412)	(5,388)

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 9: BENEFITS PAYABLE

	2023/24 £'000	2024/25 £'000
Pensions	59,533	65,292
Lump Sum Retirement Benefits	11,986	15,647
Lump Sum Death Benefits	1,402	1,719
Total	72,921	82,658
By type of employer:		
Administering Authority	66,177	81,761
Scheduled Bodies	3,416	213
Admitted Bodies	3,328	684
Total	72,921	82,658

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2023/24 £'000	2024/25 £'000
Transfer Values Paid	10,529	14,535
Refunds to Members Leaving Service	294	232
Total	10,823	14,766

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 11: MANAGEMENT EXPENSES

	2023/24 £'000	2024/25 £'000
Administration	2,433	2,170
Investment Management Expenses	12,653	12,436
Oversight & Governance	363	595
Total	16,207	15,202

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

	Management Fees £'000	Transaction Costs £'000	2024/25 £'000
Pooled Investments	6,785	2,831	9,616
Pooled Property Investments	2,439	307	2,746
	9,224	3,138	12,362
Custody Fees			74
			12,436

	Management Fees £'000	Transaction Costs £'000	2023/24 £'000
Pooled Investments	7,209	2,740	9,949
Pooled Property Investments	2,324	307	2,631
	9,533	3,047	12,580
Custody Fees			73
			12,653

NOTE 12: INVESTMENT INCOME

	2023/24 £'000	2024/25 £'000
Pooled Property Investments	(6,579)	(6,848)
Pooled Investments -unit trusts and other managed funds	(18,487)	(17,411)
Interest on Cash Deposits	(694)	(177)
	(25,760)	(24,435)

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 13: EXTERNAL AUDIT COSTS

	2023/24 £'000	2024/25 £'000
Audit Fees Payable in respect of external audit	73	120
Total	73	120

NOTE 14: INVESTMENTS

	2023/24 £'000	2024/25 £'000
Long Term Investments		
UK unquoted Equities London CIV Ltd	150	150
Total Long Term Investments	150	150
Investment assets		
Pooled Funds		
Fixed Income	216,338	437,131
Global Equity	1,352,609	1,135,978
Diversified Growth	261,173	286,910
Property	206,332	228,176
Infrastructure	67,974	83,960
Sub-Total	2,104,426	2,172,155
Other Investment Balances		
Cash held for investments	30,483	8,519
Amounts Receivable for Sales of Investments	11,012	0
Amounts Payable for Purchases of Investments	(2,551)	(256)
Investment Income Due	553	209
Investment Income Other	196	196
Sub-Total	39,693	8,668
Total Investment Assets	2,144,119	2,180,823

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market Value 31 Mar 2024 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Change in Market Value during the year £'000	Market Value 31 Mar 2025 £'000
Investment Assets					
Pooled Investments	1,830,120	353,139	(366,183)	42,943	1,860,019
Pooled Property Investments	206,332	25,975	(9,693)	5,563	228,176
Private equity/Infrastructure	67,974	21,193	(1,101)	(4,106)	83,960
	2,104,426	400,306	(376,977)	44,400	2,172,155
Other Investment Balances					
Cash held for investments	30,483			807	8,519
Amounts Receivable for Sales of Investments	11,012				0
Amounts Payable for Purchases of Investments	(2,551)				(256)
Investment Income Due	553				209
Other	196				196
Net Investment Assets	2,144,119			45,207	2,180,823

	Market Value 31 Mar 2023 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Change in Market Value during the year £'000	Market Value 31 Mar 2024 £'000
Investment Assets					
Pooled Investments	1,691,691	212,562	(268,834)	194,701	1,830,120
Pooled Property Investments	162,213	46,002	(3,222)	1,339	206,332
Private equity/Infrastructure	53,689	16,349	(1,014)	(1,050)	67,974
	1,907,593	274,913	(273,070)	194,990	2,104,426
Other Investment Balances					
Cash held for investments	29,853			566	30,483
Amounts Receivable for Sales of Investments	-				11,012
Amounts Payable for Purchases of Investments					(2,551)
Investment Income Due	628				553
Other					196
Net Investment Assets	1,938,074			(107,272)	2,144,119

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 14B: INVESTMENTS ANALYSED BY FUND MANAGER

All managers have discretion to buy and sell investments within the limits set by the Pensions Committee and their respective Investment Management Agreement. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against the benchmark on the investment manager.

Northern Trust (NT) act as the Fund's global custodian. They are responsible for safe custody and settlement of all investment transactions and collection of income and complete a monthly reconciliation of its own portfolio valuation to external fund manager reports. The bank account for the Fund is held with National Westminster Bank.

Security	Market value as at 31 March 2024 £'000	% total of investment assets	Market value as at 31 March 2025 £'000	% total of investment assets
Investments managed by regional asset pool (London CIV)				
London LGPS CIV Global Alpha Growth Paris Aligned fund	404,171	18.9%	399,824	18.3%
London LGPS CIV Absolute Return fund	184,376	8.6%	232,291	10.7%
London LGPS CIV Sustainable Equity fund	195,656	9.1%	198,484	9.1%
London LGPS CIV Multi-Asset Credit fund	127,988	6.0%	138,019	6.3%
London LGPS CIV Renewable Infrastructure fund	77,071	3.6%	83,967	3.9%
London LGPS CIV Diversified Growth fund	87,810	4.1%	54,621	2.5%
London LGPS CIV UK Housing fund	482	0.0%	43,152	2.0%
	1,077,554	50.3%	1,150,358	52.7%
Investments managed outside of regional asset pool				
Legal & General	561,127	26.2%	494,537	22.7%
BlackRock	0	0.0%	244,343	11.2%
Schroders	416,748	19.4%	236,474	10.8%
Insight Investment	88,429	4.1%	54,849	2.5%
Goldman Sachs	65	0.0%	66	0.0%
Legacy	196	0.0%	196	0.0%
	1,066,565	49.7%	1,030,466	47.3%
	2,144,119	100.0%	2,180,823	100.0%

The following investments represent over 5% of the net assets of the fund. All of these companies are registered in the UK Security Market.

Security	Market value as at 31 March 2024 £'000	% total of net assets	Market value as at 31 March 2025 £'000	% total of net assets
London LGPS CIV Global Alpha Growth Paris Aligned fund	404,171	18.4%	399,824	18.3%
Legal & General MSCI World Low Carbon Target Index Fund Hedged (GPCU)	424,951	19.3%	379,696	17.3%
BlackRock Aquilla Over 5 Years Index Linked fund	0	0.0%	244,343	11.2%
London LGPS CIV Absolute Return fund	184,376	8.4%	232,289	10.6%
London LGPS CIV Sustainable Equity fund	195,656	8.9%	198,484	9.1%
Schroder Inv Mg E Bespoke Investment fund 9 I	191,181	8.7%	0	0.0%
London LGPS CIV Multi-Asset Credit fund	127,988	5.8%	138,019	6.3%
Legal & General MSCI World Low Carbon Target Index fund (GPCL)	136,168	6.2%	114,823	5.2%
	1,664,491	82.5%	1,707,479	78.0%

NOTE 14C: STOCK LENDING

The Fund does not directly participate in stock lending. Investments held in pooled mandates such as LCIV Diversified Growth fund, LCIV Ruffer Absolute Return Funds.

In pooled mandates such as the LCIV Diversified Growth and Absolute return Funds as we just hold units of the Baillie Gifford Diversified Growth Fund and LF Ruffer Absolute Return Fund we do not do stock lending either.

NOTE 14D: PROPERTY HOLDINGS

The Fund's investment property portfolio does not comprise directly owned properties.

NOTE 15: ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

The objective for holding derivatives, if any are held, is mostly to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreements in place between the Fund and the various investment managers. No derivatives were held at the year end (2024: nil).

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 16: FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment 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 based on the characteristics of each instrument, with the overall objective of maximising the use of market based information.

Description of asset	Valuation hierarchy 2023/24	Valuation hierarchy 2024/25	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Pooled Investments - Equity Funds UK and Overseas Managed Funds	Level 2	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required.
Quoted UK and Overseas Bonds	Level 2	Level 2	Fixed income securities are priced based on evaluated price provided by independent pricing services.	Evaluated price feeds	Not required.
Pooled Investments - Bonds	n/a	Level 2	The NAV for the fund is calculated based on the market value of the underlying fixed interest assets.	Evaluated price feeds	Not required.
Pooled Investments - Property Funds	Level 3	Level 3	Closing bid price where bid and offer prices are published.	Adjusted for net capital current assets	Estimated acquisition and disposal costs.
Pooled Investments - Multi Asset Credit	Level 2	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services.	Evaluated price feeds	Not required.
Pooled Investments - Absolute Return	Level 2	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets.	Evaluated price feeds	Not required.
Pooled Investments - Infrastructure	Level 3	Level 3	Latest available fair value provided by the manager, adjusted for cash movements subsequent to the date as required.	Manager valuation statements are prepared in accordance with ECVA guidelines	Upward valuations are only considered when there is a validation of the investment objectives and such progress can be demonstrated.

Fair Value Hierarchy	Market Value as at 31 Mar 2025	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Financial assets at fair value through profit and loss					
Equities	150		150		150
<u>Pooled investments</u>					
Fixed Income	437,131		437,131		437,131
Global Equity	1,135,978		1,092,827	43,151	1,135,978
Diversified Growth	286,910		286,910		286,910
Property	228,176			228,176	228,176
Infrastructure	83,960			83,960	83,960
	2,172,305	-	1,817,018	355,287	2,172,305

	Market Value as at 31 Mar 2024	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	£'000
Financial assets at fair value through profit and loss					
Equities	150		150		150
<u>Pooled investments</u>					
Fixed Income	216,338		216,338		216,338
Global Equity	1,352,609		1,352,609		1,352,609
Diversified Growth	261,173		261,173		261,173
Property	206,332			206,332	206,332
Infrastructure	67,974			67,974	67,974
	2,104,576	-	1,830,270	274,306	2,104,576

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 16 : TRANSFERS BETWEEN LEVELS 1 AND 2

There were no transfers in the year.

NOTE 16: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market Value 31 Mar 2024	Transfers in/out of level 3	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market Value 31 Mar 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Global Equity	0	482	42,952	0	(283)	0	43,151
Pooled Property Funds	206,332	0	25,975	(9,693)	4,426	1,137	228,176
Infrastructure Funds	67,974	0	21,193	(1,101)	(4,106)	0	83,960
Total	274,306	482	90,120	(10,794)	36	1,137	355,287

	Assessed valuation range (+/-) %	Value 31 Mar 2025 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Property Funds	10%	228,176	250,994	205,359
Total		228,176	250,994	205,359

	Market Value 31 Mar 2023	Transfers in/out of level 3	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market Value 31 Mar 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Property Funds	162,213	0	46,002	(3,222)	1,061	278	206,332
Infrastructure Funds	53,689	0	16,349	(58)	(2,006)	0	67,974
Total	215,902	0	62,351	(3,280)	(945)	278	274,306

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 17A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

Market Value as at 31 Mar 2024			Market Value as at 31 Mar 2025		
Designated as fair value through profit and loss	Financial Assets at amortised cost	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Financial Assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial assets					
150	-	-	150	-	-
1,898,094	-	-	1,943,979	-	-
206,332	-	-	228,176	-	-
-	30,483	-	-	8,519	-
-	9,210	-	-	149	-
-	1,247	-	-	11,478	-
-	4,121	-	-	1,787	-
2,104,576	45,061	-	2,172,305	21,933	-
Financial liabilities					
-	-	(4,568)	-	-	(4,882)
-	-	(4,568)	-	-	(4,882)
2,104,576	45,061	(4,568)	2,172,305	21,933	(4,882)
2,145,069	Grand Total		2,189,356		

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 17B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2023/24 £'000	2024/25 £'000
Financial Assets		
Fair value through profit or loss	(194,990)	(44,400)
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	(556)	(807)
Total Financial Assets	(195,546)	(45,207)

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

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

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members).

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 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 that aim to identify and analyse the investment risks faced by the Fund and these are regularly reviewed by the Pensions Committee and Pension Board in the light of changing market and other conditions.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument may fail to pay amounts due to the Pension Fund. The Fund carries out a review of its investment managers annual internal control reports to ensure that managers are diligent in their selection and use of counterparties and brokers.

Deposits are made with banks and financial institutions that are rated independently and meet the Council's credit criteria.

The Fund employs a custodian to provide secure safe-keeping of the Fund's assets and to ensure that all trades are settled in a timely manner.

Liquidity risk

This is the risk that the Fund might not have the cash flow required in order to meet its financial obligations when they become due. Over the years contributions have tended to be greater than benefits and this has ensured that sufficient cash has been available to meet payments.

The Fund currently operates two types of bank accounts. One type of bank account is held by the Fund's custodian (Northern Trust Bank) and holds cash relating to the investment activities and the other type is the LBTH Pension Fund bank accounts used to for operational purposes.

Should the Fund have insufficient money available to meet its commitments it may under Regulation 5.2 borrow cash for up to 90 days. If there was a longer term shortfall then the Fund's assets could be sold to provide additional cash. A significant proportion of the Fund is made up of readily realisable assets. As at 31 March 2025, liquid assets were £1,877 million representing 85.7% of total assets of the Fund assets (£1,871 million as at 31 March 2024). The majority of these investments can be liquidated within a matter of days.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling. The Fund aims to mitigate this risk through the use of hedging. The Pensions Committee recognises that a strengthening / weakening of the Pound Sterling against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS cont.

Currency risk - contd.

Overseas equities, fixed interest securities and equity protection swaps and some elements of the pooled investment vehicles are exposed to currency risk. The currency risk table demonstrates the change in value of these assets had there been a 10% change strengthening/weakening of the Pound against foreign currencies.

Market risk

This is the risk of loss emanating from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk across all its investment activities. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. To mitigate market risk, the Committee and its investment advisors undertake regular monitoring of market conditions.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual instrument or its issuer 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 regardless of being in a pool represent a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments with the exception of derivatives.

The Fund manages price risk of its portfolio by diversifying its investments across different asset classes and fund managers as required by regulations. Further, the Fund has a long-term investment horizon and can accept the price risk in its portfolio. The Fund can mitigate the price risk by regular reviews of its investment strategy in consultation with its investment advisors.

The price risk table below demonstrates the change in the net assets available to pay benefits if the market price has increased or decreased by 10%. The analysis excludes cash, debtors, creditors, other investment balances and forward exchange as these financial instruments are not subject to price risk.

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Pensions Committee and its advisors regularly monitor the Fund's interest rate risk exposure during the year.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk.

Cash deposits held in the Pension Fund bank account are invested in accordance with the Council's approved Treasury Management Strategy.

The Fund holds a percentage of its portfolio in fixed interest securities to mitigate this risk should interest rates fall.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS cont.

OTHER PRICE RISK - sensitivity analysis

Asset type	Market Value as at 31 Mar 2025	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Cash and cash equivalents	8,519	0.6%	8,570	8,468
Pooled Investments:				
Fixed Income	437,131	8.7%	475,161	399,100
Global Equity	1,135,978	14.1%	1,296,151	975,805
Diversified Growth	286,910	6.2%	304,699	269,122
Property	228,176	8.0%	246,430	209,922
Infrastructure	83,960	10.7%	92,943	74,976
Other Investment income due	405	0.6%	407	402
Amounts receivable for sales	0	0.6%	0	0
Amounts receivable for purchases	(256)	0.6%	(257)	(254)
Total investment assets	2,180,823		2,424,104	1,937,541

Asset type	Market Value as at 31 Mar 2024	Percentage change	Value on increase	Value on decrease
	£'000	%	£'000	£'000
Cash and cash equivalents	30,483	0.6%	30,666	30,300
Pooled Investments:				
Fixed Income	216,338	8.7%	235,159	197,517
Global Equity	1,352,609	14.1%	1,543,327	1,161,891
Diversified Growth	261,173	6.2%	277,366	244,980
Property	206,332	8.0%	222,839	189,825
Infrastructure	67,974	10.7%	75,247	60,701
Other Investment income due	749	0.6%	753	745
Amounts receivable for sales	11,012	0.6%	11,078	10,946
Amounts receivable for purchases	(2,551)	0.6%	(2,566)	(2,536)
Total investment assets	2,144,119		2,393,869	1,894,369

CURRENCY EXPOSURE - asset type

Asset type	Market Value as at 31 Mar 2025	Change in year in the net assets available to pay benefits	
	£'000	5.6%	(5.6%)
Overseas Assets			
Overseas Fixed Income Funds	0	0	0
Overseas Equity Funds	494,519	522,212	466,826
Overseas Property Funds	45,064	47,587	42,540
Total change in assets available	539,582	569,799	509,366

Asset type	Market Value as at 31 Mar 2024	Change in year in the net assets available to pay benefits	
	£'000	5.6%	(5.6%)
Overseas Assets			
Overseas Fixed Income Funds	191,181	201,887	180,475
Overseas Equity Funds	424,951	448,748	401,154
Overseas Property Funds	41,608	43,938	39,278
Total change in assets available	657,740	694,573	620,907

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 18: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS cont.

INTEREST RATE RISK

Asset type	Market Value as at 31 Mar 2025 £'000	Market Value as at 31 Mar 2024 £'000
Cash and cash equivalents		
Cash	8,519	30,483
Total	8,519	30,483

Interest rate risk sensitivity analysis

Asset type	Market Value as at 31 Mar 2025 £'000	Change in year in the net assets available to pay benefits +100 bps £'000	-100 bps £'000
Cash and cash equivalents			
Cash	8,519	85	(85)
Total	8,519	85	(85)

Asset type	Market Value as at 31 Mar 2024 £'000	Change in year in the net assets available to pay benefits +100 bps £'000	-100 bps £'000
Cash and cash equivalents			
Cash	30,483	305	(305)
Total	30,483	305	(305)

CREDIT RISK

Summary	Rating	Market Value as at 31 Mar 2025 £'000	Market Value as at 31 Mar 2024 £'000
Money Market Funds			
Schroder Special Situations Fund			
Sterling Liquidity Plus A			
Accumulation	A	8,009	16,319
Insight GBP Liquidity Fund Class 7	A	54,768	88,350
Bank current accounts			
Northern Trust custody cash account	A	254	14,165
National Westminster Bank Plc	A	11,478	1,247
Total		74,509	120,081

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 19: FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The valuation that took place as at 31 March 2022 covered the period up to 31 March 2026. This report details Fund assumptions and employer contributions for the three years covered by the 2022 valuation.

The key elements of the funding policy are:

- 1) to ensure the long-term solvency of the Fund so 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 reasonably stable as possible;
- 3) to minimise the long-term contributions which employers have to pay 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; and
- 5) to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time.

The actuary estimated the surplus of the Fund at the 31 March 2022 valuation was £373 million and the funding level to be 123%.

The contribution rates are made of two values, the Primary and Secondary rate. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer Secondary rates (before applying any pre-payment or capitalisation of future contributions).

The table below summarises the whole Fund Primary and Secondary Contribution rates at the 2022 triennial valuation:

Valuation at 31 March 2022			
Primary rate		20.90%	
Secondary rate		Monetary amount /£m	Equivalent to % of payroll
	2023/24	14,011	6.90%
	2024/25	14,346	6.90%
	2025/26	14,699	6.90%

50:50 option

It is assumed that 0.5% of members opt into the 50:50 option in the LGPS 2014 scheme.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

Actuarial Value of Promised Retirement Benefits

CIPFA's code of practice on Local Authority Accounting 2024/25 requires Administering Authorities of LGPS Funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022 using financial assumptions that comply with IAS19.

The actuarial present value of promised retirement benefits calculated in line with IAS19 assumptions is estimated to be £1,620 million (£1,866 million in 2023/24). The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, the actuary has not made an allowance for unfunded benefits.

Year ended	31 Mar 2024	31 Mar 2025
	£m	£m
Active members	648	581
Deferred members	382	316
Pensioners	836	723
	1,866	1,620

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2025 and 31 March 2024. The impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £289 million. The impact of the change in demographic assumptions is to decrease the actuarial present value by £4 million.

Demographic assumptions

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

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (SK7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Average future life expectancies at age 65 years	Male	Female
Current pensioners	21.2	23.7
Future pensioners	22.2	25.2

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2025	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2.0%	26
1 year increase in member life expectancy	4.0%	65
0.1% p.a. increase in the Salary Increase Rate	0.0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2.0%	25

Financial assumptions

The financial assumptions used for the purpose of the calculation is set out in the table below

Year ended	31-Mar-24	31-Mar-25
Pension increase rate (CPI)	2.8%	2.8%
Salary increase	2.8%	2.8%
Discount rate	4.8%	5.8%

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme, and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under IAS 26, or if it can be reliably estimated. As a result, Tower Hamlets Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 21: CURRENT ASSETS

	2023/24 £'000	2024/25 £'000
Cash at bank	1,247	11,478
Contributions due	2,821	1,302
Sundry debtors	305	477
Prepayments	995	8
Total	5,368	13,265

NOTE 22: CURRENT LIABILITIES

	2023/24 £'000	2024/25 £'000
Sundry creditors	(4,179)	(4,882)
Transfer values payable (leavers)	-	-
Benefits payable	(389)	0
Total	(4,568)	(4,882)

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

In accordance with Regulation 4 (1)(b) of the Pension Scheme (Management and Investment of Funds) Regulation 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

	2023/24		2024/25	
	Market Value*	Contributions Paid	Market Value*	Contributions Paid
	£'000	£'000	£'000	£'000
Aviva	1,475	94	1,475	94
Equitable Life / Utmost Life	637	2	512	2
	2,112	96	1,987	96

AVCs were paid to Aviva and Utmost Life during the year.

* The market value is as at 5 April for Utmost and 31 March for Aviva.

NOTE 24: AGENCY SERVICES

The Fund is fully reimbursed of all agency services costs paid on behalf of the administering authority.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 25: RELATED PARTY TRANSACTIONS

The London Borough of Tower Hamlets Pension Fund is administered by the Council.

The Council incurred costs of £1.577 million (£1.515 million 2024/25) relating to administration of the Fund and has been reimbursed by the Fund for these expenses. All monies owing to and from the Fund were paid in the year.

During the year no Committee Members or Council Chief Officers with direct responsibility for Pension Fund issues, have undertaken any declarable transactions with the Pension Fund, other than administrative services undertaken by the Council on behalf of the Pension Fund.

NOTE 25A: KEY MANAGEMENT PERSONNEL

Key management personnel for the Pension Fund include Pension Fund Committee Members, the Corporate Director for Resources, the Director of Finance Procurement and Audit, and the Head of Pensions and Treasury. There were no costs apportioned to the Pension Fund in respect of the Corporate Director for Resources post for 2023/24 and 2024/25.

Total remuneration payable to key management personnel from the Pension Fund is set out below:

	2023/24 £'000	2024/25 £'000
Short-term benefits	2	0
Post-employment benefits	72	104
	74	104

NOTE 26: CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES

The Fund has committed £120 million to the London CIV UK Renewable Infrastructure fund and £100 million to the London CIV UK Housing fund with the outstanding commitment for each fund as at 31 March 2025 being £42.572 million and £56.419 million respectively.

The Fund had no contingent liabilities as at 31 March 2025.

GLOSSARY OF FINANCIAL TERMS AND ABBREVIATIONS

The following terms and abbreviations, while not being exhaustive, may provide assistance in understanding the Statement of Accounts.

FINANCIAL TERMS

Accounting Code of Practice - The Code of Practice on Local Authority Accounting in the United Kingdom, published annually by CIPFA. It contains the provisions that the Council must comply with in preparing the Statement of Accounts.

Accounting period – The period covered by the financial statements. The Council's financial year is from 1st April to the following 31st March.

Accounting policies – The specific principles, bases, conventions, rules, and practices, applied by the Council, in preparing and presenting the financial statements.

Accounting standards – The pronouncements of standard setting bodies that local authorities are required to follow (subject to adaptation by the Accounting Code). Primarily the IFRS framework administered by the international Accounting Standards Board.

Accruals accounting – The recognition of income and expenditure in the year that they occur and not when the cash is received or paid.

Accumulated Absences Adjustment Account – The unusable reserve that absorbs the differences that would otherwise arise from accruing for the cost of holiday entitlements outstanding at the end of the year whereas statutory provisions permit them to be funded in the year the benefit is taken.

Actuary – An independent adviser to the Council who provides advice on the financial position of the Pension Fund.

Actuarial gains and losses - Changes in the Council's pensions liabilities calculated at the end of the previous year as a result of actual events being different from those predicted by the actuary or because the actuary has updated their assumptions.

Actuarial valuation – Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

Amortisation – The spreading of the cost of an asset over a number of financial years to fairly represent the period over which the Council benefits from the asset.

Amortised cost – A way of measuring financial instruments that ignores changes in fair value but takes into account the spreading of transactions costs over the instrument term and the impact of any concessionary interest rates.

Annual Governance Statement - A statement published with the Statement of Accounts prepared in accordance with the CIPFA/SOLACE publication Delivering Good Governance in Local Government: Framework. It assesses the effectiveness of the arrangements the Council has put in place to govern decision-making and accountability.

Assets—Present economic resources controlled by the Council as a result of past events. Assets include such things as the Council's property, cash and investments and sums owed to it.

Balance Sheet – The financial statement that summarises the assets and liabilities of the Council at the end of the financial year and shows how net assets are balanced by the reserves held by the Council.

Best Value - The statutory duty that the Council has to make arrangements to secure continuous improvement in the way in which it exercises its functions, combining economy, efficiency and effectiveness.

Better Care Fund (BCF) – A pooled budget between the Council and NHS North East London Integrated Commissioning Board, supported by grants from Central Government and incorporating the Integrated Community Equipment Service and the Improved Better Care Fund (iBCF).

Billing authority – An authority that is responsible for administering the collection of council tax and business rates, including issuing bills and distributing amounts collected to other authorities.

Budget – A plan of expenditure for a financial year for the Council. Detailed revenue budgets are prepared for each year, and it is on the basis of these figures that the Council Tax is set.

Business rates - The tax raised on non-domestic properties, based each year on multipliers set by the Government applied to an assessment of the value of the property.

Business Rate Supplement (BRS) – The Business Rate Supplements Act 2009 enables levying authorities - county councils, unitary councils and, in London, the Greater London Authority - to levy a supplement on the Business Rate to support additional projects aimed at economic development of the area.

Capital Adjustment Account – The unusable reserve that absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets (largely depreciation) and for the financing of the acquisition, construction or enhancement of those assets from revenue, grants, contributions and capital receipts as determined under statutory provisions. (The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.)

Capital expenditure – The expenditure incurred by the Council that is intended to provide longer-term benefits and qualifies to be paid for from capital resources, rather than charged to revenue as it is incurred. The definition covers expenditure that results in the recognition of non-current assets in the Balance Sheet and other transactions specified in Government regulations.

Capital financing - The Council's arrangements for meeting the cost of capital expenditure, covering capital grants and contributions, capital receipts and charges to revenue over the period that will benefit from the expenditure.

Capital financing requirement – The measure of the Council's capital expenditure that has yet to be financed, as defined in the Prudential Code. It increases as capital expenditure is incurred and reduces when resources are set aside as capital finance.

Capital grants receipts in advance – Balances of capital grants and contributions that have conditions which may require future repayment if not spent.

Capital grants unapplied – Grant receipts that are currently unspent and will be used for future capital expenditure.

Capital receipts – Income received from the sale of non-current assets (particularly property) and from other transactions specified in Government regulations. Their use is largely restricted to financing capital expenditure.

Capital Receipts Reserve – Represents proceeds from the sale of PPE available to meet future capital investment.

Carrying value – In relation to the value of assets, the value is based on the original cost of the asset less any depreciation, amortisation or impairment costs made against the asset. It is the amount to be recognised on the Balance Sheet.

Cash equivalents – Investments that are comparable to cash, being short-term, highly liquid and readily convertible to known amounts of cash and unlikely to change in value.

Cash Flow Statement - The financial statement that summarises the Council's cash inflows and outflows for the year, split into amounts for operating, investing and financing activities.

Collection Fund – The separate accounting arrangements for the collection of council tax and business rates and the sharing of the proceeds between the Council, Government and other public bodies.

Collection Fund Adjustment Account – The unusable reserve that manages the differences arising from the recognition of council tax and business rates income as it falls due from taxpayers compared with the statutory arrangements for paying across annual entitlements from the Collection Fund to the General Fund.

Community assets - Assets that a local authority intends to hold in perpetuity, which have no determinable useful life and that may have restrictions on their disposal. Examples of Community Assets are parks and historic buildings.

Comprehensive Income and Expenditure Statement (CIES) - The financial statement that summarises the expenditure that the Council has incurred in providing services and the income it has generated during the financial year and other gains and losses arising from changes in the value of assets and liabilities.

Contingent asset – An asset that the Council might be able to recognise as a result of something that has happened before the year-end, but whose existence will not be confirmed until an uncertain future event (not wholly within the Council's control) either takes place or does not.

Contingent liability - A possible obligation for the Council that arises as a result of something that has happened before the year-end, but whose existence will not be confirmed until an uncertain future event (not wholly within the Council's control) either takes place or does not.

Corporate and Democratic Core - This is the cost of managing core functions of the Council and includes corporate policy making, activities that relate to the corporate management of the Council and all other member-based activities.

Consumer Price Index (CPI) – Measures the average change in retail prices of a basket of goods and services purchased by most UK households, to provide an indication of the rate of inflation. The CPI includes some financial services in the basket of goods not included in the RPI.

Council tax - The tax raised on households, based each year on the position of the property in eight valuation bands A to H.

Creditors - Amount of money owed by the Council for goods and services received. Also referred to as Payables.

Current assets - Any asset expected to last or be in use for less than one year is considered a current asset. Examples are cash and debtors.

Current liabilities - A liability that the Council expects to settle within the next twelve months.

Debtors - Amount of money owed to the Council by individuals, and organisations. Also referred to as Receivables.

Dedicated Schools Grant (DSG) – Grant monies provided by the Department of Education ring-fenced to schools budgets.

Deferred income – receipt in advance – This represents a cash receipt received in advance of the period of time it relates to. For example, a cash receipt may be received as part of entering into a building lease, with the credit then being released over the term of the lease.

Deferred liabilities – These are future payments that the Council is contractually obliged to pay in future years. These liabilities may relate to Private Finance Initiative (PFI) schemes.

Defined benefit scheme - A pension scheme which pays out pensions or benefits based on final salary or other contractual terms irrespective of the contributions paid. Benefits are not directly related to the investments of the Pension Fund.

Defined contribution scheme - A pension scheme where the contributions payable into the fund are fixed and the benefits receivable by pensioners will depend on the assets that the fund has accumulated to pay them.

Depreciated replacement cost (DRC) – a valuation method that is based on the cost of recreating the asset in its current condition and use. This can be the cost of creating a modern equivalent asset where appropriate.

Depreciation - The charge made for the use of an item of property, plant or equipment during the year, based on the systematic allocation of its depreciable amount over its useful life.

Direct revenue funding– The use of revenue monies to pay for capital expenditure. Also referred to as Revenue Contributions to Capital Outlay.

Events after the reporting period - Events that have taken place after the financial year that might require the accounts to be adjusted or supplemented with further information in order for them to be true and fair.

External audit – An independent examination by an appointed Auditor of the Council's activities and accounts to ensure that legal requirements have been met, proper practices followed, and appropriate arrangements made to secure value for money. Ernst & Young LLP is the Council's appointed auditor for 2024-25.

Fair value - The price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants.

Finance lease - A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee.

Financial instrument - A contract that gives one party a financial asset and the other party a financial liability (or an equity instrument), such as a loan, credit terms for the purchase of goods or services or a share in a company.

Financial Instrument Adjustment Account (FIAA) - An unusable reserve that absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. For example, a debit balance on the Account shows that the Council has incurred expenses on borrowings that the Government has permitted it to spread over future years.

General Fund (GF) - The fund into which the Council pays all its revenue income and from which it incurs all its revenue expenditure, unless specifically mandated by law not to.

Going Concern - The assumption made when preparing the financial statements that the functions of the Council will continue in operational existence for the foreseeable future, in particular so that assets can be valued on the contribution they will continue to make to the Council's services rather than the price that would be obtained if they were sold on its liquidation.

Governance - The arrangements that the Council has in place to ensure that decision-making is lawful and democratic, services are provided in accordance with agreed policy and according to priorities and that there is accountability for the use of resources in pursuing desired outcomes.

Greater London Authority (GLA) – A strategic Local Authority with a capital-wide role.

Group accounts – Financial statements that bring together the transactions and balances of a local authority and its subsidiaries, associates and joint ventures as if they were a single economic entity.

Heritage asset – An asset with historical, artistic, scientific, technological, geo-physical and/or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Historical cost – An accounting convention based on what items actually cost to acquire or construct and the cost of their subsequent enhancement, rather than the value they currently have.

Housing Revenue Account (HRA) - The account that ring-fences the running costs for the Council's housing stock and the rents collectable from tenants, ensuring that the service is not subsidised by council tax payers.

Impairment – A fall in the value of an asset to the Council (whether it will be sold or continue in use) below the amount it is recorded in the Balance Sheet.

Improved Better Care Fund (iBCF) – A government grant, whose purpose is meet adult social care needs, part of the Pooled Budget.

Infrastructure assets – Inalienable assets, expenditure on which is only recoverable by continued use of the asset created. There is no prospect of sale or alternative use. Examples include roads, bridges, and tunnels.

Intangible assets – Assets that do not have physical substance, such as computer software, licences and websites supporting the Council's services.

Interest rate risk – The uncertainty the amounts of interest paid/received on variable rate instruments and the effect of fluctuations in interest rates on the fair value of an instrument.

International Financial Reporting Standards (IFRS) – The set of international accounting standards issued by the International Accounting Standards Board (IASB). Local Authorities are required to produce accounts based on IFRS.

Liability – A liability is where the Council owes payment to an individual or another organisation.

Levy – Payments to bodies such as the Environment Agency. The cost of these bodies is funded by local authorities in the area concerned based on their Council Tax base and is met from the General Fund.

Long-Term Assets – Assets that yield benefit to the Council and the services it provides for a period of more than one year.

Long-Term Liability – An amount which by arrangement is payable in more than one year.

Loss allowance - An allowance made by setting funds aside to cover the expected credit losses calculated for a financial asset.

Major Repairs Reserve – A statutory reserve that accumulates resources to finance capital expenditure on the Council's housing stock, built up from transfers from the HRA of amounts equal to the depreciation of the stock each year.

Materiality - A measure of the significance of information potentially to be included in the financial statements, whereby its omission, misstatement or obscuration could reasonably be expected to influence decisions that the primary users make on the basis of those financial statements. Materiality is important for influencing what figures should be included in the financial statements, how precise those figures need to be, and how much additional information needs to be provided about them.

Medium Term Financial Strategy (MTFS) – The Council's strategic plan surrounding its finances for the next five years.

Minimum Revenue Provision (MRP) – The method by which capital expenditure is financed by setting aside amounts from revenue over the useful life of the relevant asset (or in accordance with some other methodology that prudently approximates this).

Movement in Reserves Statement (MiRS) – The financial statement that shows the balances of capital and revenue resources available to the Council at the year-end, detailing how these balances have been arrived at by adjustments to the financial performance established by proper accounting practices in the Comprehensive Income and Expenditure Statement.

National Non-Domestic Rates (NNDR) – Local Businesses contribute to Council expenditure based on a rate in the pound decided by Central Government, this is applied to the rateable value of their premises.

Net book value – The amount at which PPE is included in the balance sheet after depreciation has been provided for.

Net realisable value – The open market value of the asset less the expenses to be incurred in realising the asset.

Non-Current Assets Held for Sale – Items of PPE whose carrying amount is to be recovered principally through a sale rather than continued use by the Council.

Operating lease – A lease other than a finance lease - a lease which permits the use of the asset without substantially transferring the risks and rewards of ownership.

Pooled Budget - An arrangement where two or more organisations contribute resources and agree how they will be spent so as to meet common objectives.

Precept – The charge made by the Greater London Authority (the precepting authority) on the Council to finance its net expenditure.

Private Finance Initiative (PFI) – Contracts under which an operator constructs or enhances an asset and then provides services on behalf of the Council through the use of that asset in return for payment. Payments are normally based on a fixed annual sum but can be reduced if the operator does not achieve targets for availability of the asset or standards of service. Usually includes transfer of ownership of the asset to the Council at the end of the contract.

Projected unit method – Actuarial valuation method whose key feature is to assess future service cost; the Actuary calculates the employer's contribution rate, which will meet the cost of benefits accruing in the year after the valuation date.

Property, Plant, and Equipment (PPE) – A class of assets with physical substance that are held for use in the production or supply of goods and services, or for administrative purposes (and expected to be used for more than one year).

Provisions – A liability of the Council where there is uncertainty about when it will be settled and/or how much the Council will have to pay. The estimated amount that will be required to settle the liability is charged as an expense when the Council recognises the obligation.

Public Works Loans Board (PWLb) – A lending facility operated on behalf of HM Treasury that provides loans to local authorities and other public bodies.

Registered Social Landlord – A not-for-profit organisation which owns and manages social housing.

Reserves – The balances in the Balance Sheet that show variously the revenue and capital resources available to support the provision of services by the Council, the cumulative effect of statutory adjustments to manage the availability of those resources for particular financial years, and balances of revaluation gains and losses on assets that have yet to be realised.

Revaluation Reserve – The unusable reserve that accumulates the gains made by the Council from increases in the value of its Property, Plant and Equipment assets. The Council might benefit from these gains in the future from the continued use of the assets or from their sale. (The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.)

Revenue Expenditure – The day-to-day expenditure of the Council - salaries, goods and services and capital financing charges.

Revenue Expenditure Funded from Capital Under Statute (REFCUS) – Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of long-term assets, which has been charged as expenditure to the relevant service revenue account in the year.

Revenue Support Grant – General grant paid by the Government to local authorities.

Right To Buy - The right acquired by tenants of Council dwellings to buy their homes at a discounted price.

Ring-fenced grant – A grant that can only be spent on a specific purpose, such as the Dedicated Schools Grant.

Section 106 Receipts - Monies received from developers and other parties to compensate for the adverse impact of granting planning permission (e.g. building a school to service a new housing development).

Section 151 Officer - The Responsible Finance Officer for the Council as required by Section 151 of the Local Government Act 1972.

Support services – Activities of a professional, technical and administrative nature which are not Council services in their own right, but support main front line services such as finance, information technology and human resources.

Surplus Assets – Those assets which are not being used to deliver services, but do not meet the criteria to be classified as either Investment Properties or Non-Current Assets Held for Sale.

Unusable Reserves – These represent reserve balances that cannot be spent as part of an organisation's medium term financial plan. An example is the revaluation reserve.

Usable Reserves – These represent reserve balances that can be spent as part of an organisation's medium term financial plan. Any organisation has to review reserve levels to ensure long-term financial stability. General fund and Housing Revenue Account reserves are usable reserves.

Value for money (VFM) – This term is used to describe the relationship between the economy, efficiency, and effectiveness (known as the 'three Es') of a service, function or activity. Value for money is high when there is an optimum balance between all three.

Abbreviations used in Accounts

AGS - Annual Governance Statement
AVC – Additional Voluntary Contribution
BCF – Better Care Fund
BRS – Business Rates Supplement
BSF - Building Schools for the Future
BVIB – Best Value Improvement Board
CBS – Community Benefit Society
CCG - Clinical Commissioning Group
CFR - Capital Financing Requirement
CIES - Comprehensive Income and Expenditure Statement
CIL - Community Infrastructure Levy
CIPFA - Chartered Institute of Public Finance and Accountancy
CLG – Company Limited by Guarantee
CPB – Corporate Parenting Board
CPI - Consumer Price Index
DfE - Department for Education
DRC – Depreciated Replacement Cost
DSG - Dedicated Schools Grant
EIR - Effective Interest Rate
EUV – Existing Use Value
EUV-SH – Existing Use Value-Social Housing
FIAA – Financial Instruments Adjustment Account
GF - General Fund
GLA - Greater London Authority
HMT – HM Treasury
HRA - Housing Revenue Account
IAS - International Accounting Standard
IFRS - International Financial Reporting Standards
LASAAC - Local Authority (Scotland) Accounts Advisory Committee
LBTH - London Borough of Tower Hamlets
LGA – Local Government Association
LGPS - Local Government Pension Scheme
LOBO - Lender's Option – Borrower's option
LPFA - London Pensions Fund Authority
MHCLG – Ministry of Housing, Communities & Local Government
MRP - Minimum Revenue Provision
MTFS - Medium Term Financial Strategy
NDC - New Deal for the Community
(N)NDR - (National) Non-Domestic Rates
NPV - Net Present Value

PFI - Private Finance Initiative

PMAF – Performance Management and Accountability Framework

PMO – Project Management Office

PPE - Property, Plant and Equipment

PSIAS – Public Sector Internal Audit Standards

PWLB - Public Works Loans Board

REFCUS - Revenue Expenditure Funded by Capital Under Statute

RPI - Retail Price Index

RSG - Revenue Support Grant

SDPS - Surplus or Deficit on the Provision of Services

SEN – Special Educational Needs

SOLACE – Society of Local Authority Chief Executives

TA – Temporary Accommodation

TH - Tower Hamlets

THH - Tower Hamlets Homes

TIB - Transformation & Improvement Board

VFM - Value For Money

Annual Governance Statement 2024/2025

Our Annual Governance Statement

We are required to report publicly about how the Council has complied with its governance arrangements, including how they have operated over the course of the last year and if any areas require improvement. This Annual Governance Statement reports the outcome of our assessment.

Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and responsible manner. The Council has adopted a Code of Corporate Governance that is based on the recommended guidance: *Delivering Good Governance in Local Government*. In adopting this Code, we recognise the importance of having good governance, which includes effective leadership and management, policies and procedures, to ensure we have a well-run Council that delivers high quality, value for money services to the local community. We also acknowledge our responsibility for ensuring that the Council conducts its business in accordance with the law and proper standards and that public money is safeguarded.

The Council is committed to being efficient and effective in delivering improved outcomes for residents of Tower Hamlets. We are open and transparent about our continuous improvement journey and have been recognised for our achievements so far.

The London Borough of Tower Hamlets (the “Council”) is committed to being efficient and effective in delivering improved outcomes for residents of Tower Hamlets. We pride ourselves in doing this in an open and transparent manner, especially when it relates to our continuous improvement journey.

We recognise that good governance requires a culture of continuous improvement and challenge, and we will continue to seek improvement and will be self-critical in doing so to ensure we uphold the highest possible standards of good governance.

Signed on behalf of the London Borough of Tower Hamlets

Steve Halsey, Chief Executive

Date:

Lutfur Rahman, Executive Mayor

Date:

Code of Corporate Governance

Foreword

From Stephen Halsey, Chief Executive Officer

This Code of Corporate Governance sets out the way in which the London Borough of Tower Hamlets seeks to achieve the highest possible standards of good governance. This is essential for ensuring we conduct our business in accordance with the law and proper standards and that public money is properly accounted for. Like all Councils, the work we do is complex and covers many very different specialist areas of service delivery subject to different laws, policies and national standards.

The Code of Corporate Governance is an important tool that sets out the Council's governance arrangements in one place and evidences that its governance arrangements meet the standards of best practice set out by CIPFA / SOLACE.

The Code is regularly reviewed to ensure that it keeps pace with our evolving corporate strategies and policies. Our Audit Committee has oversight of the document which is published on the Council's website. It is built upon guidance issued by CIPFA and SOLACE setting out the core components of good governance and the document is structured using that advice.

Following a Best Value Inspection in 2024 The Government published Directions in January requiring the Council to demonstrate improvement in the following areas:

Scrutiny, political and officer leadership, decision making processes and culture change within the organisation and with political groups / local parties to address political toxicity and improve trust between Council Officers and Members.

The Council is committed to doing so recognising that the need to make further improvements in these areas must be a priority. At the same time government introduced a support package to help the Council, recognising that the improvement journey in those areas has already begun. Whilst all decision-making authority remains with the Council, over the coming months the Council will be working with government envoys and the Council's own Transformation Assurance Board Chaired by the Elected Mayor, to build upon the Council's existing improvement programme in these areas. We will be publishing a continuous improvement plan, a political mentoring programme for Councillors and a culture change programme aimed in increasing levels of trust between Officers and Councillors. The implementation of these will be overseen by the government

envoys and Transformation Assurance Board. These arrangements and the work that emerges from them will serve to strengthen governance arrangements going forward and I hope will make this Council an exemplar authority in this area.

Introduction

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the communities it serves, with particular regard to being open, inclusive and accountable.

Our Commitment

Tower Hamlets is committed to upholding the highest standards of good corporate governance and to continuously improve.

The Governance arrangements listed in this document comprise the systems and processes by which the Council ensures sound governance across all of the complex work that it carries out. The systems and processes forming this document enable the Council to ensure that it manages its affairs lawfully, in an accountable and efficient way. This Code of Corporate Governance is based on the following principles recommended by CIPFA/SOLACE in a joint document entitled 'Delivering Good Governance in Local Government' which builds on the seven Principles for the Conduct of Individuals in Public Life.

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

This document describes the arrangements that the Council has put in place to achieve the seven principles of good governance and describes how the Council's corporate governance arrangements are monitored and reviewed. The effectiveness of the policies and procedures set out are evaluated as part of the Annual Governance Statement (AGS). All

local authorities are required to report publicly about how they have met their governance arrangements and do so through an AGS. The Audit Committee is scheduled to consider the Draft Annual Governance Statement 2025. Any areas identified for improvement within the AGS will be subject of an action plan agreed with the Audit Committee.

Applying the Seven Core Principles

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Supporting principles:

- A1 Behaving with Integrity.
- A2 Demonstrating Strong commitment to ethical values.
- A3 Respecting the Rule of Law.

The Council supports Principles A1 to A3 in the following ways:

- The Council's constitution sets out the rules under which the organisation must operate. This includes ensuring decisions are taken appropriately, by the correct body and with all relevant information presented.
- Section 24 of the Constitution sets out the role of the Monitoring Officer. The Monitoring Officer is responsible for dealing with many issues relating to integrity in decision making including around the work of the Standards Advisory Committee and Member Conduct and the conduct of Full Council Meetings. The Monitoring Officer is a role and not a post. It reports directly to the Chief Executive.
- The Council has a S151 officer. This statutory role is vested in the Corporate Director of Resources. The S151 officer has responsibility to ensure that all financial decision making is lawful and constitutes value for money.
- The Strategic Plan is the main strategic business planning document of the Council. It sets out the corporate priorities and outcomes, the high-level activities that the Council will undertake to deliver the outcomes, as well as the measures that will help us determine whether we are achieving the outcomes. The Strategic Plan outlines the Council's approach

to tackling inequality and improving outcomes for residents and has tackling inequality at its core outlining the priorities and outcomes for reducing inequality and need in the borough.

- The Tower Hamlets Plan is the over-arching plan for the borough's local strategic partnership. Partners wanted to work together to identify creative and innovative new ways of delivering effective and efficient services and providing strategic leadership on complex, cross-cutting issues.
- There is a whistleblowing policy and it can be found on the intranet (The Bridge). It provides a route for officers to bring to the monitoring officers attention areas of malpractice.
- Reports and decisions of the Executive (Mayor and Cabinet) are routinely published online to ensure transparency and Executive decisions are subject to the 'Call-In' process by backbench Councillors who have the opportunity to raise any concerns they may have.
- There is a Register of Interests (for officers and Members) and the requirement to declare interests at meetings. This includes the need to leave the meeting when any items for which they have a Pecuniary Interest are discussed.
- Likewise, the Gifts and Hospitality register ensures that Members, co-optees and officers declare any relations with outside people or bodies that could be an issue.
- The Member Induction and Member Development Programmes ensure Members are aware of their responsibilities around good decision making and behaving with integrity. This programme includes committee specific training where required.
- A scrutiny toolkit has been developed to support Members, Council officers, and partner agencies engage with the Overview and Scrutiny Committee.
- A Scrutiny improvement plan has been agreed by Overview and Scrutiny and noted and endorsed by Cabinet and will be the subject of further development over the next 12 months.
- Raising Awareness of Information Governance Regulations and Obligations as set out in the Council's procedures and framework.
- A new target operating model has been developed with six design principles. Among these design principles is to focus on areas of Transparency and Accountability.
- Promoting TOWER values which shape the culture and standards of the organisation.
- The Council's Legal Services are tasked with ensuring Council decision making is not ultra vires and follows relevant regulations and legal processes as required.

- The Council has embedded specialist contracted expertise into its procurement function to strengthen compliance with relevant regulatory frameworks.
- The Council has reviewed and further clarified and improved its appointment processes.
- The Council is a CIPFA approved employer.
- The Council has a Member / Officer relations protocol in place to ensure that both Members and Officers are aware of the need to meet a high standard of conduct when engaging with one another.
- The Council has introduced a monitoring and feedback process for Councillors and invited speakers to monitor and address any conduct issues at Council meetings and ensure equitable management of Committees.
- The Council has IIP accreditation that sets out core standards for engaging and developing staff. It currently has silver status and will be seeking to achieve Gold.
- The CEO meets regularly with Group Leaders of political groups represented on the Council and if necessary, raises any concerns specific to the A1-3 principles with them.
- The Council has adopted an equalities strategy that informs decision making across the Council.

Supporting documentation and evidence of compliance for Principles A1 to A3:

- The Council's Constitution including sections on:
 - Officer code of conduct.
 - Member code of conduct.
 - Member Officer Relations Protocol.
 - Scheme of Delegation.
- Register of Interests and Declarations at Meetings.
- Gifts and Hospitality Registers.
- Cabinet, Council and Committee reports online.
- Member Induction and Development Programme.
- Strategic Plan.
- Tower Hamlets Plan.
- Borough Equality Assessment.

- Equality Policy.
- Whistleblowing Policy.
- Corporate and Statutory Complaints Procedures.
- Information Governance Framework, including Data Protection, Information Security and Computer Use Policies.
- Social Media Policy.
- TOWER values and new Competency Framework.
- Investors in People accreditation.
- Declarations of interest and secondary employment for officers.
- Grievance Policy.
- Disciplinary Policy.
- Supply Chain Ethical Code of Conduct.
- Scrutiny Toolkit.
- New Target Operating Model.
- IIP accreditation.
- CIPFA Employer accreditation.
- Appointment processes and associated guidance.
- Councillor / Invited Speaker committee conduct feedback process.

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

Supporting principles:

- B1 Openness.
- B2 Engaging comprehensively with institutional stakeholders.
- B3 Engaging with individual citizens and service users effectively.

The following items are applicable to all three strands of Core Principle B

The Council supports Principles B1 to B3 in the following ways:

- Publishing a constitution setting out the Council's governance and decision-making arrangements.
- All formal decision-making meetings have agendas, reports and minutes which are published on the Council's website and also available to anyone through the Mod.Gov tablet app. Most committee meetings are also webcast for increased visibility. These are also available on the Council's website.
- The Council publishes and maintains a constantly updated list of planned important Executive decisions on the Council's website. This includes reports for Cabinet and any other key Executive decisions.
- The Council's Overview and Scrutiny Committee engage stakeholders, residents and community groups to review services and drive improvement in service delivery. The Overview and Scrutiny Committee co-opts residents with relevant knowledge onto the Committee and encourages residents to attend its meetings, which are open to the public and webcast. Further, residents, community groups and expert witnesses are invited to participate in Scrutiny review and challenge sessions so the Committee can hear directly from those whose interest are represented.
- The Council has updated its Overview and Scrutiny Toolkit to provide officers, Members, stakeholders and local communities with guidance and advice on how the scrutiny function works at Tower Hamlets. The Toolkit clarifies processes so residents know how they can get involved. Through the Council website residents can also suggest areas for review by scrutiny.
- The Strategic Plan is the main strategic business planning document of the Council. It sets out the corporate priorities and outcomes, the high-level activities that the Council will undertake to deliver the outcomes, as well as the measures that will help us determine whether we are achieving the outcomes. The Strategic Plan outlines the Council's approach to tackling inequality and improving outcomes for residents and has tackling inequality at its core outlining the priorities and outcomes for reducing inequality and need in the borough. Key partners and stakeholders are engaged as part of its development. This is published on the Council's website.
- The Communications teams provide advice on designing, running and analysing consultations and surveys to Officers around the Council, using the Council's consultation and engagement hub with its various engagement tools. The Council actively engages specific groups depending on the nature of the consultation / survey. The Council commissions a specialist market research company to undertake its Annual Resident Survey with key findings made public.
- The Council has an established Voluntary and Community Sector Strategy. In March 2023, Cabinet agreed a new Grants Policy and Outcomes Framework and associated grants programmes. Since then, the Mayor's Community Grants Programme has now replaced the Local Community Fund (from November 2023 until March 2027). The new

policy and outcomes framework was developed in consultation with the voluntary and community sector, local residents and Council departments.

- The Council has implemented a Corporate Grants Register to improve assurance and corporate oversight of all grant regimes run by the Council. Quarterly performance reports are provided to the Grants Determination Sub Committee on Council grant related matters.
- The Tower Hamlets Plan sets out how we will work with our key strategic partners through the Tower Hamlets Partnership and subgroups to deliver cross cutting actions for the borough.
- The Council's Youth Services facilitate the election of young mayors and deputy young mayors for two-year terms. They facilitate and support meetings and activities of the Youth Council which includes these elected youth representatives as well as chairs of other youth forums. These forums are also facilitated and supported by the Council and include the Youth Justice Youth Forum, the Children Leaving and in Care Council, Our Time forum for children and young people with special educational needs and disabilities, and a Young Carers forum. Tower Hamlets Children's Safeguarding Partnership also employs three young people to provide advice and scrutiny to the partnership.
- The Council engages with representative forums of parents and carers to inform service planning and decisions, such as the Tower Hamlets special educational needs and disabilities (SEND) Independent Parents forum. Children's social care works with Family Group Experts who are parents or grandparents who have had social work and early help involvement in their family life. Their role is to share their lived experience of having social workers involved in their and their child/ children's lives to support changes in Tower Hamlets to make Children's services more effective.
- The Council belongs to a range of public sector information sharing networks for example sharing performance data for benchmarking and improvement with London LAs through London Councils. We are working with the GLA to develop London level data analysis, and with our health partners through a partnership board Tower Hamlets Together.
- The Council makes use of modern committee management software to support the efficient and transparent publication of all information related to the Council's decision-making functions including Councillor contact details, registers of interest, agendas, petitions, ways to get involved and similar. The Committee Calendar is published on the Council Website.
- The Council maintains a public register of Members interests and declarations made at meetings. These are published on the Council website and monitoring on interests for Members is undertaken by the Standards Advisory Committee.
 - Freedom of Information processes to allow for the submission and publication of Freedom of Information requests.
 - Complaints systems to allow residents to challenge the Council.

- Use of the Open Government Licence for Public Sector Information ensures that people can make use of our data without having to apply for permission.
- The Council has a Partnership Engagement framework that is overseen by a Partnership Executive Group embracing a wide range of statutory and non-statutory partners and stakeholders. It is recognised that securing a better and more detailed understanding of where the Council needs to improve in respect of Stakeholder engagement is needed and this will be the focus of work undertaken as part of the development of the Council's continuous improvement plan.
- The Council has a consultation protocol in place for consulting on planning applications.
- The Annual Residents Survey secures community and service user feedback in respect to quality-of-service delivery, key concerns and perceptions of the Council. This then informs service delivery decision making.
- The Council regularly reviews quarterly performance against corporately agreed targets, reports them to Cabinet and publishes the reports as part of the committee papers.
- The Council has created a women's commission to explore the lived experience of women in the Borough and inform and promote the role of women in society. This commission is engaging with a wide range of relevant stakeholders and the community as it carries out its role.
- The Mayor holds a number of themed congresses during the year inviting key stakeholders and community representatives to attend. The findings inform the development of strategy and inform decision making.
- The CEO provides regular updates to staff on progress in respect of key transformation and improvement agenda's and holds a number of mass staff gatherings throughout the year where key messages are delivered and staff can ask him and other members of CMT questions.
- The Council has Directorate Leadership Teams in all Directorates Chaired by Corporate Directors where managers can ask Directors about key issues or challenges.
- The Council has a wide range of feedback systems in place for front line services and a formal complaints system.

Supporting documentation and evidence of compliance for Principles B1 to B3:

- The Council's Constitution.
- Publication of committee agendas and minutes of meetings.
- Forward Plan / Forthcoming Decisions pages.

- Committee software system.
- Public-I Webcast site.
- Register of Members' Interests.
- Strategic and Business Plans.
- Tower Hamlets Plan.
- Scrutiny Committee reports to Cabinet and Council.
- Scrutiny Toolkit.
- Tower Hamlets Equality Policy.
- Annual Residents' Survey and other surveys.
- Range of consultations.
- Borough Profile.
- Tower Hamlets Together Boards.
- Freedom of Information Publication and Disclosure Log.
- Publication Scheme.
- Corporate Complaints Procedure and Statutory Complaints Procedures.
- Customer Contact Centre and Complaints Procedure.
- Staff Training and Development.
- Engaging staff forums.
- Change Champions (i.e. Your Voice Ambassadors).
- Youth Council and Young Mayor.
- Annual Statement of Accounts.
- Medium Term Financial Strategy and regular MTFS reports.
- The Internal Audit function.
- The role of the Audit Committee.
- Open Government Licence for Public Sector Information.
- Expected Standards for responding to residents/customers.
- Corporate Grants Register.
- A range of communication channels including digital infrastructure (website, social media, newsletter, plasma screens in Idea Stores and other buildings), physical infrastructure (street advertising, vehicle advertising) and print (Our East End).

- Partnership Boards and their Terms of Reference/ Structures/ Minutes) (including for example Health and Wellbeing Board, Community Safety Partnership Board, Tower Hamlets Together Board Safeguarding Adults Board, Safeguarding Children's Partnership Board, Children and Families Executive.

Core Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council supports Core Principle C in the following ways:

- The Strategic Plan is the main strategic business planning document of the Council. It sets out the corporate priorities and outcomes, the high-level activities that the Council will undertake to deliver the outcomes, as well as the measures that will help us determine whether we are achieving the outcomes. The Council has a structured set of plans which turn our vision into actions, through Directorate, Key Council Strategies and Business Plans.
- The Tower Hamlets Children and Families Partnership Strategy 2024 – 2029, called 'Accelerate,' sets out the eight priorities of how the Council and its partners will deliver on our vision for a child-friendly borough where children and young people from all backgrounds thrive, achieve their best, have opportunities and are listened to. Delivery of the strategy is overseen by children's partnership boards, including Every Chance for Every Child Forum and the Children and Families Executive.
- The Council has an established Voluntary and Community Sector Strategy. In March 2023, Cabinet agreed a new Grants Policy and Outcomes Framework and associated grants programmes. The Mayor's Community Grants Programme (November 2023 – March 2027) has now replaced the current Local Community Fund Programme (which came to an end in October 2023). The new policy and outcomes framework has been developed in consultation with the voluntary and community sector, residents and Council departments.
- The Council works with key partners in the Tower Hamlets Partnership Executive Group to identify and deliver on borough wide social, economic and environmental outcomes the Tower Hamlets Partnership partners are seeking to achieve.
- The report templates for all Council, Cabinet and Committee reports contains specific sections to highlight key risks such as those around equalities, environment, and crime.
- The Council has a clear vision of the quality and nature of service delivery which we need to provide to meet the needs of our local community. To do this, ongoing investment needs to be made in our staff through our People Strategy.

- The Council's Local Plan sets out the spatial vision for the borough and when supplemented by our planning policies puts in place the tools for how the Council works with stakeholders to shape the built environment to deliver economic, social and environment outcomes identified within the strategic and TH Plan. Tower Hamlets adopted its current Local Plan in January 2020 and provides the planning policy framework for the borough up to 2031. However, several of the objectives, policies and guidance contained within it could be considered outdated as national and regional guidance is progressively updated.
- These documents are further complemented by a range of key strategies which also set out clear economic, social and environmental outcomes.
- The Council is committed to sustainable development and has a Net Zero Carbon Management Plan, and an Air Quality Action Plan to improve environmental outcomes for local residents. We also have in place a Transport Strategy which promotes sustainable transport and a Waste Strategy which promotes waste reduction which complements our environmental objectives.
- The Council is committed to maximising the benefit of economic growth and ensuring the benefits from this growth are shared amongst those who live and work in the borough. Our Growth Plan seeks to improve the employment outcomes for residents and support the growth of businesses operating and is supplemented by our High Streets and Town Centre Strategy.
- Our Housing Strategy puts in place a range of actions to improve access to housing of all tenures, prioritising the delivery of affordable homes and seeks to improve the quality and condition of housing across the Borough. This is supplemented by our Homelessness and Rough Sleeping strategy which sets out the Council's priorities for tackling homelessness and rough sleeping over the next five years.
- This cannot be done alone, and the Tower Hamlets Housing Forum is a partnership between housing associations and the Council to deliver on our housing, social and environmental and economic objectives.
- All Council decision making is informed by its best value duty. Committee templates reflect this and all decisions of the Council are informed by this duty.
- The Council has moved from a 1-year to a 3-year Medium Term Financial Strategy to ensure that its financial planning arrangements are sustainable over the period.
- The Council is part of the HDRC (Health Determinants Research Collaboration) which is seeking to establish the outcomes driven by Council decisions as they impact upon health. This is groundbreaking research that forms part of a national funded programme of which Tower Hamlets Forms part.

- The Customer Experience Strategy 2023-2026 has been launched to deliver excellent customer service. To deliver against this commitment, we will use data to connect the Council with our residents, facilitating easy access to our services and helping residents secure a better future. We will also work collaboratively with our partners, local communities, and individuals to help deliver and shape a positive customer experience.
- The Market Improvement Action Plan is in place to improve the market space and help develop Council markets that are fit for purpose, while reflecting the diversity of their traders.

Supporting documentation and evidence of compliance for Core Principle C:

- Voluntary and Community Sector Strategy.
- Strategic Plan and Business Plans.
- Community Engagement Strategy.
- Customer Experience Strategy.
- Risk Implications section in all reports.
- Reduction and Recycling Plan.
- Market Improvement Action Plan.
- Local Plan 2031: and related Planning policies and documents.
- Growth Plan.
- High Street and Town Centre Strategy.
- Air Quality Action Plan.
- Biodiversity Action Plan.
- Transport Strategy.
- Waste Management Strategy.
- Our East End.
- Financial and Budget Planning Consultations.
- Risk Management Policy and Procedures.
- Corporate Risk Register.
- Annual Statement of Accounts.
- Quarterly and annual finance and performance reporting being presented alongside one another.
- Capital Strategy.
- The work of the external auditors.

- Housing Strategy.
- Tower Hamlets Housing Forum.
- Self-Build Policy.
- Homelessness and Rough Sleeping Strategy.
- Community Safety Partnership Plan.
- Health and Wellbeing Strategy.
- Substance Misuse Strategy.
- Mental Health Strategy.
- Violence Against Women & Girls Strategy.
- Safeguarding Adults Board Strategy.
- Suicide Prevention Strategy.
- Children and Families Strategy 2024 – 2029.
- Special educational needs and disability (SEND) Strategy.
- Medium Term Financial Strategy.
- Audit Plan and Reports.

Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Supporting principles:

- D1 Determining Interventions.
- D2 Planning Interventions.
- D3 Optimising Achievement and Intended Outcomes.

The following items are applicable to all three strands of Core Principle D

The Council supports Principles D1 to D3 in the following ways:

- Looking to ensure that decision making processes receive objective and rigorous analysis including involvement of the Monitoring Officer and the Section 151 Officer with all reports having set sections for legal and finance comments and all reports requiring final finance and legal clearance before publication.
- Council, Cabinet and Committees receive regular reports on performance monitoring, the strategic plan and other policies and procedures to demonstrate the level to which intended outcomes are being achieved and any interventions planned to address issues.
- Our Strategic and Business Plans are underpinned by a clear vision of the economic, social and environment of the borough, which has been informed by extensive analysis of key data, service intelligence and national and regional policy.
- The Council's Corporate Portfolio Management Office is responsible for setting standards for programme and project management to make sure we can seek to be excellent in delivering change.
- The Council's Performance Management and Accountability Framework (PMAF) sets out our approach to monitoring, managing and improving performance. It sets out roles and responsibilities. It sets the framework within which individual Directorates and services should manage performance and how issues are escalated. Performance Improvement Board is the main board responsible for identifying and determining interventions to bring about improvements at strategic level.
- We are committed to undertaking needs assessments that provide evidence for areas where service improvement may be required. Our Joint Strategic Needs Assessments (JSNA) helps us, and our health partners understand residents' needs relating to health inequalities and improving health and wellbeing. In addition, the Borough Profile provides data and analysis in a range of topic areas such as crime, housing, income, jobs, education, supporting practitioners and policy officers to identify interventions necessary to achieve outcomes. We use the Borough Profile to develop a Borough Equality Assessment which enables us to set our equality objectives.
- In furthering our JSNA work, EDITH, a place-based tool to understand distribution of health and health determinants, enabling comparisons within the borough was deployed in July 2024.
- The Council prepares an Annual Governance Statement that assesses the Council's governance framework and identifies areas for improvement. This is presented to the Audit Committee and included in the Council's Statement of Accounts. The Council will seek to implement any action plans agreed to address any identified weaknesses.

- The Council's Emergency Planning works to try to ensure the Council can react quickly and robustly to any emergency affecting residents or its own ability to provide services. Several plans have also been prepared on a multiagency basis to deal with specific threats.
- Internal Audit focus on outcomes achieved and provide assurance opinions on the effective management of risk leading to the organisational achievement of outcomes and priorities.
- The Council's accounts are externally audited on an annual basis.
- The Mayors Community Grant Programme process is externally audited.
- The Council has a Transformation Advisory Board that in 2025 will be adapted to become the Council's Transformation Assurance Board. This will work with government appointed envoys and the Council to address the specific areas for improvement identified in the Governments Best Value Directions.

Supporting documentation and evidence of compliance for Principles D1 to D3:

- Constitution containing the scheme of delegation and financial regulations.
- Strategic and Business Plans.
- Community equality and engagement groups.
- Scrutiny Committees.
- Corporate Leadership Team.
- Performance Management and Accountability Framework.
- Needs Analysis such as Borough Profile and Joint Strategic Needs Assessments □ Quarterly and annual finance and performance reports.
- Cabinet and Committee agendas and reports.
- Legal and Financial clearance of all relevant reports.
- Annual Governance Statement.
- Standards for Managing Employee Performance.
- Performance Development and Review Scheme.
- Borough Major Emergency Plans.
- Business Continuity Policy.
- Budget Setting and approval process.
- Risk Management Framework.
- Business Plans and Consultations and Savings Tracker Risk Management Policy.

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Supporting principles:

- E1 Developing the entity's capacity.
- E2 Developing the capability of the entity's leadership and other individuals.

The Council supports Principles E1 and E2 in the following ways:

- The Constitution is published on the website and the General Purposes Committee receive regular reports with proposed amendments and updates. The Constitution Working Group is overseeing a wider project to holistically review the constitution. The Constitution contains many relevant sections including the Scheme of Officer delegations, Terms of References for committees and panels, Member and Officer Codes of Conduct and the Member / Officer relations protocol.
- The Corporate Management Team (CMT), Cabinet, Council and Committees receive reports on how the Council is performing and to highlight areas of weaker performance. CMT, in particular, receive regular reports on matters of performance.
- The Overview and Scrutiny Committee has reviewed its processes and has implemented recommendations to further strengthen its effectiveness and support a culture of Overview and Scrutiny throughout the Council. This review also takes place at the end of each municipal year.
- A Scrutiny improvement plan has been approved by Overview and Scrutiny and endorsed by Cabinet. The improvement actions within it will be addressed over the coming 12 months.
- New members are supported through an induction programme to scrutiny, which includes effective questioning techniques and training throughout the year, covering budget scrutiny, performance reporting and one-to-one chairing skills. Further, scrutiny Members are provided with tools, advice and guidance through a scrutiny toolkit.
- Key to the Overview and Scrutiny Committee's effectiveness is a well-developed work programme. This programme is led by the Overview and Scrutiny Committee and facilitated by Council support officers and is regularly reviewed and updated.

- The Partnership Governance structure includes a Partnership Executive Group (PEG) led by the Mayor with chief officers from key local partner organisations and a range of Partnership groups/ board including statutory boards.
- Led by CLT and managed by the Transformation Management Office, the Council's Transformation programme is called People First. This programme is designed to address four key areas:
 - To embed strong focus and alignment to the Council's corporate priorities.
 - To have complete grip of our efficiencies programme and £40m savings gap.
 - To ensure everyone is pulling in the same direction with stability, quality and compliance.
 - To simplify priorities to improve performance and management accountability.
- Three boards have been set up to help drive our transformation, so that we are in the strongest position possible to deliver the objectives detailed in our strategic plan, while establishing higher levels of corporate control over our budgets and to ensure that we achieve those efficiencies detailed in our MTFS. These boards have helped us to reorganise and restructure the Council. The boards have been approved and are now operational. They include a Transformation Advisory Board (replacing the existing Transformation Board), which will meet quarterly and be outwardly focused. It comprises of sector and other external experts who we can learn from, be mentored by and who can help guide us on our transformation journey. The two other boards comprising this 'reset programme' are:
 - Budget Board: Approves and monitors all budget efficiencies and testing/embedding Council wide efficiencies.
 - Reorganisation Board: Oversees efficient Council reorganisation and managing workforce spend.
- A Member Development Strategy sets out the Council's comprehensive member development offer including the Member Induction programme following the local elections and the ongoing member development programme. The programme provides annual updates on mandatory training areas, opportunities for training in specialist portfolio areas as well as personal development for members. In addition, training can be provided on an ad-hoc basis should issues become apparent.
- As part of the Member Development Strategy the Council offers Individual Member Training Budgets so that each Councillor can undertake a Personal Development Plan and then access a wide range of training and mentoring specific to their needs both individually and in relation to their roles on the Council.
- Members have been provided with an online portal giving them access to many useful documents and links to assist them in carrying out their roles.
- The Council has a wide range of staff development programmes and opportunities.

- The Council's structural reviews have identified weaknesses in capacity that have informed the MTFS. Targeted investment programmes are underway in areas such as HR and Procurement to accelerate improvement in capacity both structurally and at individual level.

Supporting documentation and evidence of compliance for Principles E1 and E2:

- The Council's Constitution, including:
 - Scheme of Delegation.
 - Committee Terms of Reference.
 - 'Other Bodies' Terms of Reference.
 - Member Code of Conduct.
 - Officer Code of Conduct.
 - Member Officer Relations Protocol.
- Partnerships Governance Structure.
- Tower Hamlets Plan.
- Partnership Annual Report.
- People First Transformation Programme.
- Corporate Portfolio Management Office Scrutiny Committees.
- Reports to CLT, Cabinet, Council and Committees.
- Member Development Strategy including the Member Induction Programme and wider Member Development Programme.
- Members' Hub.
- People Resource Plan.
- Corporate Training Programme.
- PDP/PDR Process.
- Job descriptions and person specifications.
- Continuous professional development for officers.
- Secondment policy.
- Recruitment and Selection Policy and Toolkit.

- Workforce Development Strategies.
- Corporate Induction and wider induction policies.
- TOWER values and new Competency Framework.
- Quarterly and annual finance and performance reporting being presented alongside one another.
- Corporate Risk Register.
- Role of Internal Audit.
- Business Planning Processes.
- Scrutiny Improvement Plan.
- Employee Assistance Programme.

Core Principle F: Managing risks and performance through robust internal control and strong public financial management

Supporting principle F1 Managing risk

The Council supports Principle F1 in the following ways:

- The Council's Constitution sets out the Council's decision making in relation to Financial Management including through the Budget and Policy Framework, Key Decisions and Officer Schemes of Delegation. The Budget Board has been established, chaired by the Director of Resources which oversees key corporate financial performance, operationally related financial risk management and financial compliance management. The Board reports to CMT / CEO.
- New financial monitoring and reporting systems have been put in place enabling managers and finance to see real-time budget data to inform decision making and financial management.
- The Council's procurement management systems have been updated and external expertise brought in to increase capacity and develop improvements to the Council's inhouse expertise and operational capacity. New safeguards have been put in place to reduce risk and the opportunity for contract management failure.
- All report templates contain sections to highlight the risks associated with the proposals set out in the reports.

- The Council looks to ensure that responsibilities for managing individual risks are clearly allocated, and the Corporate Risk register is reported to and reviewed by the Council's Corporate Leadership Team and Audit Committee on a regular basis.
- The Council has recently reviewed its whistleblowing policy which the Audit Committee has agreed. There is a related whistleblowing section on the Council's intranet (The Bridge).
- The Council's Emergency Planning works to ensure the Council can react quickly and robustly to any emergency situation effecting residents or its own ability to provide services. A number of plans have also been prepared on a multi-agency basis to deal with specific threats.
- The Council is developing a global 'Universal Work Plan' of reports/issues being presented to Cabinet, Committees and senior officer meetings to ensure that Corporately the Council is aware of all matters due for decision in the near future.
- The Council has conducted a self-assessment against the CIPFA Financial Management Code in relation to 2024-25.

Supporting documentation and evidence of compliance for Supporting Principle F1:

- The Council's Constitution.
- Performance dashboards, scorecards and reports.
- Quarterly and annual finance and performance reporting being presented alongside one another to Overview and Scrutiny Committee and Cabinet.
- Cabinet and Committee Report Templates.
- Risk Reports to CLT, DLT's and Committees.
- Data Sharing Agreements.
- Information Governance Framework.
- Whistleblowing Policy.
- Borough Major Emergency Plans.
- Multi Agency Plans.
- Business Continuity Policy.
- Publishing spend exceeding £250.
- Risk Management Strategy and Toolkit.
- Corporate Risk Register.
- Regular risk management reports to the Audit Committee.

- Internal Audit Plan, annual report and recommendations tracker.
- Anti-Fraud and Corruption Strategy and Action Plan.
- The role of external audit.
- Risk Champions Group.
- Audit Committee.
- Risk reports to Committees.
- Project Management Framework.
- Financial Regulations.
- Universal Work Plan.

Supporting Principle F2 Managing performance

The Council supports Principle F2 in the following ways:

- The Council looks to make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.
- Quarterly strategic performance monitoring of the strategic plan and strategic outcome measures is a separate agenda item for the Overview and Scrutiny Committee.
- Performance is reported against agreed KPI's on a quarterly basis. Strategic Plan commitments are required to be SMART. Members and senior management are provided with regular reports on performance and progress towards outcome achievement. The Mayor leads a number of star chamber discussions where performance is reviewed and discussed on a service basis.
- The Council has introduced new financial analytical and real time reporting systems and rolled them out to managers to inform their financial performance in year and provide Finance with a real time picture of spend.
- All staff have personal development plans setting targets that are reviewed annually.
- Corporate Directors and the CEO have annual performance reviews.
- The work of the Audit Committee and internal audit also inform performance evaluation.
- The Council also engages with key statutory partners to evaluate joint Council/partner performance in a variety of service specific areas.

- The Council uses bench marking data where available to assess its performance. For example, the Annual Residents Survey uses national benchmarking data provided by the LGA to determine its relative performance on resident satisfaction against the national average.

Supporting documentation and evidence of compliance for Principle F2:

- Scrutiny Committees.
- Performance Management & Accountability Framework.
- Performance, dashboards, scorecards and reports.
- Customer Feedback.
- Committee agendas, reports and minutes.
- Cabinet and Committee report templates.
- Quarterly and annual finance and performance reporting being presented alongside one another.
- Savings Tracker.
- Business Development Team.
- Internal Audit Reports.
- Annual Residents Survey.

Supporting principle F3 Robust internal control

The Council supports Principle F3 in the following ways:

- Reports to Council, Cabinet and Committees are required to set out key implication information in areas such as risk, equalities and environmental impact.
- The Audit Committee is responsible for considering the Council's arrangements for governance, risk management and internal control and recommends any actions accordingly. It receives a number of relevant reports such as internal and external audit plans, reports from internal and external audit, anti-fraud and corruption initiatives, risk management arrangements and similar. The Committee's full terms of reference are provided in the Council's Constitution. The

Council's democratic Services oversees proper control of decision-making processes and along with the Monitoring Officer governance specific to decision making. The S151 officer ensures that financial controls meet the required standards.

Supporting documentation and evidence of compliance for Principle F3:

- Annual Governance Statement.
- Reports to Council, Cabinet and Committees of the Council with implications provided that are clear and measured.
- Anti-Fraud and Corruption Policy.
- Anti-Money Laundering Policy.
- Internal Audit.
- Internal Audit progress and Outcome Reports.
- Risk Management Policy.
- Risk Management Procedures.
- Corporate Risk Register.
- Audit Committee.
- Grants Determination Sub Committee.

Supporting principle F4 Managing data

The Council supports Principle F4 in the following ways:

- The Council operates to expected Data Protection, information security and records management policies in accordance with the Data Protection Act 2018 and General Data Protection Regulation (GDPR) 2016.

Supporting documentation and evidence of compliance for Principle F4:

- Partnerships Governance.
- Data Protection Policy.

- Freedom of Information/EIR.
- Information Security Incident Policy.
- Records Management Policy.
- Information Handling Policy.
- Senior Information Risk Owner.
- Data Protection Officer.
- Data Sharing Agreements.
- Data protection impact assessments.

Supporting principle F5 Strong public financial management

The Council supports Principle F5 in the following ways:

- Overview And Scrutiny Committee has a crucial role in budget scrutiny. This includes reviewing and scrutinising the Council's annual allocation of financial resources to different services and projects, according to the Council's strategic priorities. This includes reviewing the treatment of risk, setting the council tax, and decisions relating to the control of the Council's borrowing, the control of its capital expenditure and the setting of virement limits.
- The Overview and Scrutiny Committee on a quarterly basis also reviews budget monitoring and performance monitoring reports to provide challenge and identify areas further work by scrutiny.
- Residents, businesses and key stakeholder's views relating to the budget consultation are analysed alongside other intelligence which is then used to inform decision-making.
- Budget monitoring reports are presented to Cabinet and are published on the Council's website allowing residents to see how the Council is performing against expected budgets and planned savings.
- Reports to Council, Committees, Cabinet and CLT include financial implications and CFO comments and clearance.
- The Audit Committee is responsible for considering the Council's arrangements for financial management and to recommend any actions accordingly. It receives regular reports such as internal audit plans, risk management arrangements, treasury management strategies and it approves the Council's Statement of Accounts.

- The Budget Board, an officer board chaired by the Corporate Director of Resources, provides officer challenge, corporate oversight and grip on budget related matters.

Supporting documentation and evidence of compliance for Principle F5:

- Scrutiny Budget Meetings.
- Budget Consultations.
- Regular Budget monitoring reports published in Cabinet and overview and scrutiny agendas.
- Financial Regulations.
- Quarterly and annual finance and performance reporting being presented alongside one another.
- Business Plans.
- Business Planning Process.
- Budget Holders and Finance Business Partners Handbook.
- Objection Timetable.
- External Auditors.

Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

The following items are applicable to the four strands of Core Principle G

Supporting principle G1: Implementing good practice in transparency

The Council supports Principle G1 in the following ways:

- The Council has a published constitution setting out how decisions are taken and how the public can get involved in decision making, including Access to Information, Petitions and ways of getting involved in decision making.
- Key data, statistics and horizon scanning of policy is produced to support the Overview and Scrutiny Committee in their work programming. Overview and Scrutiny Committee work programmes are published.

- Having a defined process to try to ensure that reports for the public / stakeholders are fair, balanced and easy to access and understandable for the audience.
- The Council seeks to write and communicate reports and other information for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
- The Council webcasts its Council, Cabinet, Development Committee, Strategic Development Committee, Overview and Scrutiny Committee alongside most other meetings to ensure full transparency. Since May 2021, hybrid technology has been used to try and ensure physical and remote attendance options are available when possible.
- The Council maintains an up-to-date website which provides a mechanism for the Council to publish information important in ensuring transparency of its actions.
- The Council has recently reviewed its whistleblowing policy which the Audit Committee has agreed. There is a related whistleblowing section on the Council's intranet.

Supporting documentation and evidence of compliance for Principle G1:

- The Council's Constitution.
- Annual Work Programme of Scrutiny Committees.
- Agendas and minutes of Cabinet and Committee Meetings.
- Agendas and minutes of Scrutiny and relevant Committees published.
- The Executive Forward Plan.
- Meeting Webcasts.
- Transparency Code.
- Data Sharing Agreements.
- Publication Scheme.
- The Council's Website.
- Whistleblowing Policy.
- Gender Pay Gap reporting.
- Internal Audit Plan, annual report and recommendations tracker.
- Anti-Fraud and Corruption Strategy and Action Plan.
- External Audit Reports.

- Annual Governance Statement.
- Communications ensuring residents are informed of key issues, decisions and consultations.
- Safeguarding Adults Board Annual Report.
- Local Account in adult social care.
- Tower Hamlets Safeguarding Children Partnership Annual Report.
- Special educational needs and disability (SEND) annual report.

Supporting principle G2 Implementing good practice in reporting

The Council supports Principle G2 in the following ways:

- The Council's constitution sets out the terms of reference of all committees to ensure information is presented to the appropriate committees. Access to information rules set out how the Council maintains good public access to information and reports.
- There are governance arrangements for the partnership structure. The Tower Hamlets Plan identifies how the partnership will work together through the Partnership Executive Group to deliver cross-cutting activities.
- Each Committee has a workplan or similar forward programme including expected monitoring reports.
- The Forward Plan for reports is considered by CMT at every meeting.
- Each report prepared by officers sets out a decision pathway showing clearly the different stages of approval prior to final presentation to the Executive or Non-executive decision maker(s).
- At each stage the relevant officers with the expertise to respond to questions are made available.
- Lead Cabinet Members are briefed as is the Mayor on all reports going to Cabinet / Full Council.
- Minutes of the Decisions taken at Committee or Cabinet / Full Council are taken and published.

Supporting documentation and evidence of compliance for Principle G2:

- Partnerships Governance Guidance.

- Committee agendas, reports minutes and work plans.
- Constitution including Committee Terms of Reference and Access to Information Rules.
- Quarterly and annual finance and performance reporting being presented alongside one another.
- Statement of Accounts.
- Annual Governance Statement.
- Annual External Audit Report and Letter.
- Internal Audit Reports.

Supporting principle G3 Assurance and effective accountability

The Council supports Principle G3 in the following ways:

- Having processes to ensure external / internal audit recommendations are acted upon / responded to by managers and the Council (G3 & G4).
- There are governance arrangements for the partnership structure. The Tower Hamlets Plan identifies how the partnership will work together through the Partnership Executive Group to deliver cross-cutting activities.
- As part of our extensive improvement journey since 2014, the Council has taken part in a tailored Peer Challenge managed by the LGA. The LGA Corporate Peer Challenge review commenced in September 2023 and findings were published in December 2023. We are currently addressing the actions that emerged from this review as part of the LGA CPC Action Plan (currently 86% complete). A revisit by the LGA to review progress is expected to take place in 2025.
- The Council uses the results from external inspections to help the Council continuously improve. There is an extensive improvement structure in the Council including Member oversight and Officer operational groups.
- As the Council's senior decision-making body tasked with overseeing this work, the Audit Committee, and any other relevant non-executive committees including Overview and Scrutiny, can report to the Cabinet any concerns they have regarding any area of governance or performance relevant to their terms of reference. Full Council is also a forum for members and the public to formally raise concerns that meeting may direct the Council to act upon.

Supporting documentation and evidence of compliance for Principle G3:

- Role of Internal and External Audit.
- Audit Committee.
- Risk Management Procedures.
- Peer Reviews.
- LGA CPC Action Plan.
- Results of External Inspections (Ofsted, CQC, ICO etc).
- Partnerships Governance Guidance.
- Council Meetings.

Supporting principle G4 Managing data.

See supporting documentation for G1 and G3.

Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole of the Council's activities. It is a requirement for the Head of Internal Audit to give an annual opinion on the adequacy and effectiveness of governance, risk management and internal controls within the Council. The Head of Internal Audit, Anti-Fraud & Risk reported the 2024/25 annual opinion to the Audit Committee in July 2025.

2024/25 Head of Internal Audit Annual Opinion

Basis of the Annual Opinion

The outcome of the audits undertaken during the year by Internal Audit forms the primary basis of the annual audit opinion over the adequacy and effectiveness of the governance, risk, and control framework. Additionally, there has also been recourse to the following sources of evidence and assurance:

- Anti-fraud and fraud investigations.
- Follow up of management actions.
- The Council's governance and risk management framework.
- Inspections and external reviews, including work undertaken by the external auditor.

The Head of Internal Audit's Opinion for 2024/25 is that having considered the relevant evidence, it is my opinion that I can provide Limited Assurance that the Council has adequate systems of governance, risk management and internal control.

The full report is available on the Council's website via this [link](#).

External Audit & Inspections

External Audit

From 1st September 2018 Deloitte LLP was appointed as the Council's external auditor, this was following the decision of the Council to opt into the Public Sector Audit Appointments Limited (PSAA) arrangement. PSAA appointed Deloitte to audit the accounts of the Council for a period of five years (2018/19 to 2022/23).

During November 2023, Deloitte completed its audit of the Council's 2018/19 and 2019/20 financial statements, though they received qualified audit opinions. In December 2024, Deloitte completed its audit of the Council's 2020/21, 2021/22 and 2022/23 financial statements, though they received disclaimer audit opinions, necessitated by the introduction of the statutory local government backstop dates.

During February 2024, DLUHC issued a joint statement (Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit) and a related consultation. The statement sets out a proposed three-phase approach to tackle the national backlog in the audited accounts of local authorities. Concurrently, the NAO consulted on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements.

In February 2024, the former Secretary of State MHCLG instigated a Best Value Inspection of Tower Hamlets Council. On 22nd January 2025 Ministerial Directions were published putting a Statutory Support Package and Ministerial Envoys in place.

Following implementation of the revised arrangements described above, the audit of the Council's 2020/21, 2021/22 and 2022/23 financial statements was completed in December 2024. These accounts were issued with disclaimer audit opinions by the external auditor.

All of the Council's financial statements, including the draft Statement of Accounts for 2024/25, are available on the Council's website.

In October 2022, EY (also known as Ernst and Young LLP) was appointed by PSAA as the Council's external auditor for a period of five years, from 2023/24 onwards. During February 2025, EY completed its audit of the Council's 2023/24 Statement of Accounts under the statutory backstop arrangements, with a disclaimer audit opinion being issued.

Progress on external audit activity continues to be reported regularly to the Audit Committee.

Local Government Association – Corporate Peer Challenge

An expert team of independent reviewers was invited to inspect the Council as part of a Local Government Association Corporate Peer Challenge. A team of councillors and senior leaders visited the Council for a week during September 2023 to assess how the organisation operates and recommend areas for improvement.

Its report, which can be accessed via this [link](#), recognised that the Council 'is still adjusting to changes and challenges' after 'going through a period of significant change in the last eighteen months, with a new Mayor and, a new Chief Executive, as well as a move to new Council offices. It is clear that the organisation is still adjusting to those changes and has some challenges to overcome.' It further stated that 'it is clear that the organisation is well underway with activity to deliver against the Mayor's priorities. However, the level of corporate and political capacity being directed to these priorities must not deflect from the delivery of business-as-usual activity at the Council. Also, in the longer term a more comprehensive strategic vision is needed which should be co-produced with partners and communities. This strategy should be accompanied by a clear MTFS, with a workforce strategy. A delivery plan should be developed to keep track of progress.' In reflecting on the development of a vision for the borough, the report also stated that the 'The Mayor's manifesto, whilst clearly ambitious, focuses on some short to medium term priorities and there now needs to be a longer-term focus for the organisation and borough which should be co-produced with partners and communities.'

Despite the significant change that the Council has been through, the Peer Review found the Council was delivering at speed with the help of 'highly skilled, dedicated people who are evidently committed to delivering the best outcomes for the borough's residents.' It went on to say that: 'Both members and officers should be commended for the delivery against the election promises to date and in particular the speed of the implementation of universal free school meals for all children up to age 16, and the implementation of the Educational Maintenance Allowance for sixth form and college students.'

The 18 core recommendations contained within the report are the subject of a detailed action plan (available via this [link](#)) which the Council has published alongside the Corporate Peer Challenge Report on the Council's website. It identifies all of the core recommendations and sets against them key actions that help to address the recommendations. It also sets out those actions that the Council has already undertaken relevant to the recommendations or that resolve them altogether. The actions that emerged from this review are currently 86% complete. A revisit by the LGA to review progress will take place from the 6-8th October 2025.

Best Value Inspection

On Thursday 22nd February 2024, the Government notified the Council of an inspection to provide assurance of improvement progress in the Council. The former Secretary of State decided to commission this inspection to provide him with direct, independent assurance that the Council is complying with its Best Value Duty. The Inspection ended in July 2024 and the report was delivered to the current Secretary of State.

The Best Value Inspection Report was published on 12th November by the Minister for Local Government and English Devolution. On the Wednesday 22nd January, the Government published the London Borough of Tower Hamlets Ministerial Directions, which you can view here ([London Borough of Tower Hamlets: Directions made under the Local Government Act 1999 - GOV.UK](#)).

These directions set out that the Ministerial Envoys will work closely with the Council on a programme to improve how the Council operates. This support package establishes a new model for Local Government intervention, designed to build on existing strengths, mechanisms and improvement measures that the Council has progressed in recent months.

The role of the Envoys is different to the role of Commissioners in other Government interventions. Unlike under Commissioner models, the Council retains all of its Executive Decision-making Powers. Envoys are here to mentor, advise and support the Council to deliver its improvement work, as well as monitor and report progress. The Council will report to the Minister every 6 months on the delivery of these directions, with these reports having been considered by Full Council. The Envoys will also report regularly to the Minister on progress against the Directions. The Ministerial Directions are clear that the Secretary of State is satisfied that the Authority is failing to comply with its Best Value Duty, for the themes of Continuous Improvement, Governance, Leadership, Culture and Partnerships as described in the statutory guidance.

As part of the governance process, a new Transformation and Assurance Board (TAB) was established to provide external expertise, challenge and advice.

TAB Membership includes:

The Mayor	The Mayor will chair the TAB
The Chief Executive	Steve Halsey
Ministerial Envoys	Kim Bromley-Derry, Shokat Lal and Pam Parkes
TAB Leads	Carolyn Downs, Jenny Rowlands, Sir Steve Bullock and Professor Shafi Ahmed
Councillor representatives	There is one member representing the Labour Group (Councillor Sirajul Islam), one member representing ungrouped members (Councillor Nathalie Bienfait), and an Aspire group representative (Councillor Abu Talha Chowdhury).
A representative from the Local Government Association	Kate Herbert, a representative of the LGA will provide a link to sector-led improvement and assurance support.

The first TAB meeting took place on Monday 14 April 2025, where all three improvement programmes were agreed. They are:

1. the [Continuous Improvement Programme](#) (CIP)
2. the Political Mentoring Programme; and
3. the Programme of Cultural Change to Rebuild Trust Between Officers and Members.

The CIP will develop over time and any changes will be agreed at the quarterly delivery report to the Board.

Other Inspections and Review

During 2024/25 work by external review bodies/inspectors comprised the following:

- An Ofsted report, published in January 2025, rated Tower Hamlets' Children's Services as Outstanding - the highest rating attainable. It found that children in Tower Hamlets receive timely and effective help, and that staff "are ambitious for children, encouraging them to reach their full potential. As a result, children receive excellent support." The inspection credits a journey of "relentless drive" and continuous improvement, after the service was rated 'Good' five years ago, following on from 'Inadequate' just two years prior in 2017. This rating now places the service amongst the top 20 per cent across local authorities in the country.
- On 4th October 2024, the Council referred itself to the Regulator of Social Housing (RSH) to help improve services and meet all new consumer standards for social housing providers. Having brought Tower Hamlets Homes in-house during 2023, the Council commissioned two external reviews to assess its position against new regulatory requirements. These reviews provided a deeper understanding of performance gaps and areas of improvement required to meet residents' needs, as well as the new consumer standards. In a proactive move and in the spirit of co-regulation, the Council took the decision to self-refer and has a Regulatory Assurance Action Plan in place to show how improvements will be made following similar moves by other local authorities. The Regulator welcomed the decision to self-refer and the level of detail provided by the Council. Having carried out an inspection in February and March 2025, on 30th April 2025, the regulator graded Tower Hamlets Council at C3, which means there are "serious failings" in assuring the regulator that it is meeting new consumer standards in social housing. Over half of local authorities nationwide, who have been graded by the RSH, have received a C3. In London, this also includes Wandsworth, Hackney and Southwark Councils.
- As part of the Council's extensive improvement journey since 2014, the Council has taken part in a tailored Peer Challenge managed by the LGA. The LGA Corporate Peer Challenge review commenced in September 2023 and findings were published in December 2023. We are currently addressing the actions that emerged from this review as part of the LGA CPC Action Plan (currently 86% complete). A revisit by the LGA to review progress is expected to take place in 2025.
- Care Quality Commission Local Authority Adult Social Care inspections which will take place in all boroughs nationally from January 2024 to the end of December 2025. Whilst the Council has yet to receive notification of an inspection date, it is preparing for an inspection to take place before the end of the year.

- Other inspections that are expected to take place during 2025 include:
 - Youth Justice inspection.
 - SEND Local Area inspection.
 - Anti-Social Behaviour peer review.

Related Companies and Charities

The Council is involved in a number of companies and charities, the significant ones of which are detailed below.

Tower Hamlets Homes

In February 2023, the Council agreed to transfer Tower Hamlets Homes (THH: the Council's Housing Arm's Length Management Organisation) back in-house – this took effect from 1st November 2023. Having reviewed the options for the future of housing management services, the Council has assessed that bringing services back in-house (and thereby ending the Management Agreement) will provide an opportunity to join up services, increase accountability to residents and the Regulator of Social Housing, and enable the Council to take a strategic approach to delivering good quality homes.

The decision to return THH to the Council was taken after a consultation last year, in which Council tenants and leaseholders overwhelmingly supported the proposal. Over 86% of Council tenants and leaseholders, who took part in the consultation, agreed that housing management services should be brought back in house under the direct control of the Council.

Whilst THH is now back in-house, integration work is ongoing and forming a key part of a wider changes to strengthen performance and governance in Housing & Regeneration directorate, including:

- External reviews commissioned from Penningtons and HQN to identify performance and compliance gaps.
- Housing Management Improvement Plan developed and agreed at Cabinet.
- Strengthened governance arrangements agreed, including establishment of Cabinet Housing Management Sub-Committee.
- Ratification of senior officers as Responsible Person under Consumer Standards and Health & Safety Lead.

King George's Field Trust

The Council serves as sole trustee of the King George's Field, Mile End charity. The charity is governed by a Trust Deed, and is unincorporated, being established by a Scheme of the Charity Commission dated 28th February 2000. The Charity's objectives are set out in Trust Deeds, which are as follows "To preserve in perpetuity the covenanted land and to apply the

land to such charitable purposes as are set out in the Recreational Charities Act 1958, including the construction of indoor recreational facilities, subject to the approval of the National Playing Fields Association and the Charity Commission in respect of any additional purposes".

The Trust has no employees of its own and is dependent on staff of the Council for its operations; its standing orders with respect to controls for procurement, expenditure and income are aligned to those of the Council.

Significant Governance Issues

Corporate Directors are required to consider whether there have been any significant governance issues. For the purposes of this review, we have defined a significant governance issue as something that:

- Seriously prejudiced or prevented achievement of one or more principal objectives.
- Resulted in the need to seek additional funding to resolve the issue.
- Required a significant diversion of resources.
- Had a material impact on the accounts.
- Resulted in significant public interest or has seriously damaged the reputation of the Council.
- Resulted in formal actions by the Section 151 (Corporate Director of Resources) or Monitoring Officer.
- Received significant adverse commentary in an external inspection report and was not or cannot be addressed in a timely manner.

Progress against Significant Governance Issues Identified in 2023/24

The 2023/24 AGS included 13 significant governance issues which needed to be addressed. A summary of progress and outcomes against these actions follows:

No.	Issue	Action	Progress / Outcome
1.	Overspending in Housing & Homelessness. This main risk area relates to the Housing Options service where homelessness continues to be high, resulting in the use of expensive nightly booked accommodation.	<p>Whilst much of the pressures on spending relates to factors which are outside the direct control of the Council, mitigating actions have been identified and includes:</p> <ul style="list-style-type: none"> • Proactive and earlier interventions to prevent Homelessness occurring. 	<p>While demand for homelessness remained very high, the service took a range of steps to mitigate overspending. These steps included:</p> <ul style="list-style-type: none"> • Reducing use of B&B by amending the booking process and raising the number of management approvals needed.

No.	Issue	Action	Progress / Outcome
		<ul style="list-style-type: none"> Putting in place help people to quickly recover from and exit homelessness. <p>Utilising the Housing Revenue Account to support an additional 300 homes rather than placing households in non-Council owned housing.</p>	<ul style="list-style-type: none"> Securing additional PRS, in part through increasing staffing in the Procurement, PRS Move-On and frontline homelessness teams. Reviewing and implementing new rates for nightly paid and leased accommodation. Training frontline staff in pro-actively preventing homelessness. Utilising cost of living grants and other schemes to prevent homelessness.
2.	THH integration – whilst THH is now back in-house, integration work is ongoing and forming a key part of a wider review of the Housing & Regeneration directorate's governance structure.	THH integration work is ongoing.	<p>In 2023-24 a Housing Integration Director was appointed in May 2024 to strengthen senior capacity and oversee transition of THH following insourcing.</p> <p>The Housing and Regeneration Directorate restructure was implemented in July 2024.</p> <p>Two external audits were undertaken of the service.</p> <p>Following the external audits a new Governance structure was implemented, including the establishment of a Housing Management Cabinet Sub Committee to strengthen Governance of the housing management service.</p> <p>Other integration projects delivered included the integration of Tree Management, ASB with Council services and the complaint stage 2 management being transferred back to the service from the corporate centre.</p> <p>The liquidation of THH is still progressing and on track to be completed by the end of Q1, which</p>

No.	Issue	Action	Progress / Outcome
			would in essence complete the transition of services.
3.	The new Regulator for Social Housing is a key consideration for Housing & Regeneration, with significant impacts across the directorate, including ensuring that the right training and development is in place to ensure that staff are equipped with the skills and qualifications required under the Social Housing (Regulation) Act.	Housing & Regeneration are working at pace to ensure compliance with the new Social Housing (Regulation) Act.	<p>Following the commissioning of external reviews, the CEO took the decision to self-refer to the RSH for areas of non-compliance with RSH Consumer Standards.</p> <p>A new Governance structure and an improvement programme was put in place.</p> <p>The RSH brought forward the planned inspection of the service and the Council was inspected from November to March. The RSH graded the Council's service, C3 and we are now engaged with them on the delivery of our improvement plan.</p> <p>Staff training has delivered on HHSRS, Understanding Consumer Standards and Tone of Voice training for colleagues involved in complaint resolution. We will continue to develop a resident-first culture across the service through our Your Voice, Our Action improvement programme. Staff training will be a key part of that programme.</p>
4.	Financial sustainability of Waste Service further to additional investment and continuation to delivery service improvements within budget.	<p>Further develop and implement the Mayor's Waste Improvement Plan (MWIP) with targeted action around:</p> <ul style="list-style-type: none"> • Introduction of Time banding. • Communication and Consultation. • Engagement. • Parks Service Enhancement. • Street Cleansing Enhancement. • Waste Systems Review. • Commercial Waste Review. 	Q4 MWIP report is completed and outlines the deliverables and sustainability through BAU. The report is going through the governance process and is due to go to cabinet in July. The budget has been realigned for the next 3 years, and phase 1 of the Waste service redesign has started and will be completed by end of June 2025.

No.	Issue	Action	Progress / Outcome
		<ul style="list-style-type: none"> Recycling Reduction Plan. 	
5.	Cessation of funding for Crime Reduction Team which requires service realignment in order to deliver on local crime and safety priorities within budgets. This exposes the Council to significant reputational risk from external stakeholders due to deletion of services and withdrawal of safeguarding services.	<ul style="list-style-type: none"> Redesign of the Crime Reduction team in conjunction with staff, HR and TU's and in line with corporate change management processes. Consultation with all relevant stakeholders (NHS, Police, Probation, ELFT, VRU). Develop relevant external comms lines in event of media interest. Review current caseload to ensure no escalation of risk with vulnerable individuals and signpost/handover to other services. <p>Support staff in finding redeployment opportunities.</p>	<ul style="list-style-type: none"> Phase 1 and 2 of the redesigning service has been completed in line with full consultation with HR and Trade Unions. Regular meetings and updates are held with all key partners and stakeholders to ensure that they are informed of the redesign and are able to feed in any feedback. Comms have a dedicated media person to work exclusively with Community Safety directorate and they have supported media lines when necessary. As yet no proactive lines have been offered. Regular daily meetings are held with all senior staff and additional briefings on the launch of each phase. There are daily catch-up meetings for the senior leaders to ensure any leaning and update is fed into the review. These meetings have now been held on a weekly basis. All staff who are subject to potential redeployment have had proactive advice and guidance from their line managements which has resulted in staff applying for suitable roles or being seconded to other suitable roles.
6.	Exposure to significant financial and operational risk through insourcing of Leisure Centre management which requires robust management to minimise service disruption and improved service outcomes.	<p>Deliver a number of actions through the Leisure Insourcing Board to</p> <ul style="list-style-type: none"> Improve the leisure offer for residents. 	Now that we are moving to BAU, this board has closed down and the insourcing team is winding down and transferring to the regular staff.

No.	Issue	Action	Progress / Outcome
		<ul style="list-style-type: none"> • Deliver improved customer service and increase engagement and participation. • Manage key risks, including budgetary control to ensure expenditure does not exceed income. • Transition staff and ensure the workforce is sufficient in scale and expertise to manage the estate. • Embed processes (inc. health and safety) to robustly manage and mitigate operational risks and implications of running the leisure centres. 	<p>There was a concern that the service would overspend by £1.3m last year, but outturn position was only a £400k overspend.</p> <p>The budget is being monitored closely this year.</p>
7.	Significant increase (+£1m) to transport expenditure due to extra insurance premiums or payment of increased excess charges (due to worsening claims history).	Develop and Implement a Fleet Safety policy and procedures to ensure that all aspects of the Council's fleet operations, including the use of vehicles, plant, and equipment, comply with relevant statutory provisions related to health and safety, road transport operations, as well as construction and use regulations.	Reviewed procedures and developed fleet transport policy setting out standards and arrangements to improve management of vehicles and driver performance. The focus is now on driver training, health & safety, improved weekly / monthly review of vehicle damage, accidents/incidents investigation with follow up to hold staff accountable for poor driving / vehicle care.
8.	Financial sustainability/overspend in Adult Social Care	Medium Term Financial Strategy contains significant invest to save programme of technology enabled care. The capital programme supports the first phase of the 10-year housing with care strategy that will be presented to Cabinet shortly. These are both crucial to future financial sustainability.	Housing with Care Strategy now adopted. Currently in implementation stage including establishing governance framework to oversee delivery. The TEC enabled Care project procurement process has been paused to allow evaluation and quality assurance of the process and proposed partner.

No.	Issue	Action	Progress / Outcome
		<p>In year controls on spending and robust oversight of costs of care packages put in place to meet our statutory duties under the Care Act. Reduce levels of debt.</p> <p>Work to simplify the budget construction and reporting to further improve forecasting. This has progressed in line with the corporate approach; however, it would still benefit from more integration of performance and activity data.</p>	<p>Since April 2025, the Director is now overseeing any high-cost packages and arranging any necessary reviews, any new high-cost packages (over £1k per week) must be approved and reviewed by a director to prevent drift in care overspend.</p> <p>Ongoing identification and review of high-cost packages is being implemented and incorporated into new monitoring procedures.</p> <p>The Adult Social Care Budgets for 25/26 have now been aligned. This will lead to improved budget management and forecasting, making it more meaningful, improving visibility of spending and accountability by service managers.</p> <p>Integration of finance and performance reporting remains in train. An agreed template has been developed with the first report due to go live in June 2025.</p>
9.	Financial sustainability/overspend in Children's Services.	<p>Children's Services face significant pressures to the SEND General Fund due to the high number of children being assessed for an EHCP, which requires more caseworkers and educational psychology time. Additionally, SEN transport costs have risen. The Medium-Term Financial Strategy contains some investment towards addressing these issues.</p> <p>Other mitigations include tighter budgetary control and monitoring, working groups and the provision of</p>	<p>An external review of SEND transport has been undertaken which highlighted areas for significant savings, which are being taken forward. Star Chamber sessions with members are taking place to scrutinise budgets and actions such as the Delivering Better Value programme and transport review. These sessions are an important part in driving improvements in this area.</p>

No.	Issue	Action	Progress / Outcome
		independent travel training where practicable to reduce demand. Additionally, we are implementing a range of measures funded through investment secured as a result of our engagement in the Delivering Better Value program.	
10.	Emerging concerns regarding contract monitoring and management.	<p>Finalise updated contract management guidance.</p> <p>Ensure implementation across all contracts.</p> <p>Ensure that shared records are in place across the Directorate/Legal/Procurement containing all relevant procurement documentation and copies of sealed contracts.</p> <p>Internal audit of contract management across Integrated Commissioning and Public Health.</p>	<p>Health and Adult Social Care contract monitoring guidance approved and rolled out in quarter 2 of 2024.</p> <p>Full audit of all contract monitoring undertaken across all teams/ contracts and schedules of contract monitoring in place for full year 25-26.</p> <p>Contract monitoring quality improvement project established to support roll out and ensure compliance and support skill development.</p> <p>Full audit of contractual documentation undertaken.</p>
11.	In line with best practice set out in CIPFA Bulletin 16 (Local audit delays and the publication of the AGS), which states that the AGS should be kept up to date at the time of publication, the Council has, in the interests of transparency and good governance chosen to disclose a significant issue affecting this period	<p>This matter is currently the subject of a detailed investigation and the Council intends to report its outcome to a public meeting as soon as it is available.</p> <p>Concurrently, work is underway to transform the Council's procurement function and related supplier management practices, including for example:</p>	<p>External Investigations have been completed, and the outcomes will be reported to public meetings during Q1 in 2025. Additionally, outcomes will be reviewed to consider if further internal investigation is required.</p>

No.	Issue	Action	Progress / Outcome
	<p>of account that it only became aware of at a later date.</p> <p>During 2023/24, several issues came to light concerning a multi-party Homecare contract that had been in operation from 2017 onwards. These concerned systemic failures and irregularities in relation to supplier oversight, supply chain management, payments to suppliers and procurement processes.</p>	<ul style="list-style-type: none"> Revised procurement standing orders and procedures will mandate a quarterly review of new contracts by key suppliers' financial positions to mitigate the risk of supplier failure. Contracts will be monitored monthly to ensure there is no risk of exceeding the agreed contract value. A new management system, a brokerage data retrieval and reporting regime will allow the Commissioning & Brokerage service to regularly review and monitor weekly allocation of work to providers. Power BI reporting tool has been made available for all budget holders. This will link budgets to contract spending, allowing budget holders to view their current and past spending in real time, enabling them to take early mitigating actions. 	
12.	<p>In line with best practice set out in CIPFA Bulletin 16 (Local audit delays and the publication of the AGS), which states that the AGS should be kept up to date at the time of publication, the Council has, in the interests of transparency and good governance chosen to disclose a significant issue affecting this period</p>	<p>In deciding upon how to proceed the Minister has acknowledged the Council's sound financial planning, good service delivery, balanced budget and the fact that it has demonstrated that it has key components of an improvement programme in place. One of these is the Transformation Advisory Board which the Minister proposes to be strengthened in order to cover 'assurance'.</p>	<p>Matters disclosed as a significant issue in the associated issues column are now the subject of a detailed improvement plan agreed with the Audit Committee in response to the Annual External Audit report where it referenced the AGS and the matter concerned. New process governance arrangements have already been put in place to mitigate the risk of a repeat failure.</p>

No.	Issue	Action	Progress / Outcome
	<p>of account that it only became aware of at a later date.</p> <p>On 22nd February 2024, DLUHC notified the Council of an inspection to provide assurance of improvement progress in the Council. The [then] Secretary of State decided to commission this inspection to provide him with direct, independent assurance that the Council is complying with its Best Value Duty. The Best Value Inspection Report was published on 12th November by the Minister for Local Government and English Devolution.</p> <p>The Ministerial Directions published on 22nd January put in place a statutory support package to accelerate and provide the Minister with independent assurance around LBTH Improvement Journey.</p>	<p>The Council will retain its powers, and the Ministerial envoys will be present two days a week to provide the Transformation Advisory and Assurance Board and the Council with advice and guidance. They will report to the Minister quarterly.</p> <p>The Directions require the Authority to take certain actions:</p> <ul style="list-style-type: none"> • Reconfigure the existing Transformation Advisory Board into a Transformation and Assurance Board (the Board). • Undertake recruitment of a permanent appointment to lead the improvement work in the Authority and progress against the Directions. • Prepare and implement programmes of cultural change and political mentoring. • Prepare and implement a Continuous Improvement Plan. • Work with the LGA to agree a review visit to the 2023 Corporate Peer Challenge. • Co-operate with the Envoys and provide assistance and access to them as set out in the Directions and required to deliver improvement. 	<p>All of the time limited instructions contained within the Directions have been actioned and completed. The Transformation Assurance Board has been established and is now meeting.</p> <p>The recruitment of a permanent appointment to lead the improvement work is underway.</p> <p>A continuous improvement plan, Political Mentoring Programme and Culture Change programme have all been prepared and agreed with the Envoys and Transformation Assurance Board and resources identified to deliver them.</p> <p>A date for a revisit by the LGA Corporate Peer Challenge team has been set.</p> <p>All Theme Leads for the Transformation Assurance Board have been appointed</p>

No.	Issue	Action	Progress / Outcome
		<ul style="list-style-type: none"> Have regard to recommendations from the Board. Report to the Board, the Authority and Minister on delivery against these Directions. 	
13.	<p>In its audit results report in relation to the year ended 31st March 2024, EY the Council's external auditor, EY issued three statutory recommendations, as set out below:</p> <p><u>Preparation of the Statement of Accounts</u></p> <p>1. To meet its objectives and the requirements of the Audit and Accounts Regulations the Authority needs to:</p> <ul style="list-style-type: none"> continue to re-assess roles, responsibilities and resource requirements for financial reporting; take action to ensure that sufficient and appropriate audit evidence is retained in relation to transactions in the financial statements; and respond to audit recommendations and findings and implement corrective actions plans in a timely manner. 	No action was disclosed in the 2023-24 AGS.	<p>The Audit Committee has considered the recommendations and accepted them.</p> <p>Each Statutory Recommendation is the subject of an action plan that addresses the issues raised within them. All three action plans have now been presented to and agreed by the Audit Committee. Progress against these plans will be reported to CMT, the Audit Committee and reviewed with the External Auditors.</p>

No.	Issue	Action	Progress / Outcome
	<p><u>Internal Control Environment</u></p> <p>2. In relation to the internal control environment:</p> <ul style="list-style-type: none"> • The Council requires to put in place an action plan to address recommendations raised by internal and external audit, as well as other external agencies within a reasonable timeframe. • The action plan should be owned by CLT with a view to embedding a culture of continuous improvement and the importance of addressing findings in the control environment. • Progress should be regularly reported to and monitored by CLT before being presented to each meeting of the Audit Committee. • Audit Committee should ensure that they apply appropriate governance and oversight to the arrangements in place by management to address control findings, as well as considering the adequacy of the arrangements implemented to address findings. 		

No.	Issue	Action	Progress / Outcome
	<p><u>Procurement and Contract Management</u></p> <p>3. In relation to Procurement and Contract Management, the Council needs to:</p> <ul style="list-style-type: none"> • Undertake a detailed review of procurement and contract management arrangements and implement an action plan to improve the processes and controls. • Improve controls associated with payments, including segregation of duties and identification of conflicts of interest. • Embed arrangements for training and compliance of the Council's policies and procedures related to procurement and contract management. <p>The statutory recommendations must be considered and responded to publicly by the Council within 30 days</p>		

Significant Governance Issues Identified in 2024/25

All Corporate Directors have submitted their returns for 2024/25 to the Chief Executive. The following table summarises the most significant issues raised and the proposed actions to address them:

No.	Issue	Action	Responsible	Timescale
1.	<p>Costs of meeting statutory homelessness duty and temporary accommodation remain high and above budgeted provision.</p> <p>While high demand and above inflation rent increases are already a reality, the Council's overall financial position is at risk if:</p> <p>(i) cost mitigations are not fully delivered by the service: and</p> <p>(ii) ongoing action is not taken throughout the year to review and corporately mitigate the underlying cost pressures in the service.</p>	<p>The Corporate Director for Housing and Regeneration, and the Director of Finance and Deputy s151 Officer have commissioned a series of actions to mitigate these risks as far as possible, including:</p> <ul style="list-style-type: none"> • Appointment of permanent Director of Housing Options and Homelessness. • Establishing a bi-weekly key officer working group to strengthen the grip on and monitoring of the service. • Developing a monthly budget and performance monitor to strengthening the reporting framework for tracking and forecasting homelessness spend and performance and ensuring risks are escalated appropriately. • Developing a programme of mitigation workstreams to alleviate budget pressures by circa £10m. 	<p>Corporate Director of Housing & Regeneration</p> <p>Director of Housing Options and Homelessness</p>	Ongoing

No.	Issue	Action	Responsible	Timescale
		<ul style="list-style-type: none"> Develop a revised assurance and governance framework for the Housing Options Service. Developing a Temporary Accommodation supply strategy to: <ul style="list-style-type: none"> ensure that the Council is appropriately maximising its capital capabilities to minimise revenue pressures; and through changing the balance of the portfolio to increase the proportion of low-cost TA properties available to the Council and reducing reliance on expensive nightly paid properties. <p>Officers from the Service and Finance are also developing proposals to forecast and address likely in-year budget pressures, as well as to inform future budget setting over the course of the MTFS.</p>		
2.	Delivery of Your, Voice, Our Action Improvement Programme to improve regulatory position against Housing Consumer Standards.	<ul style="list-style-type: none"> Already making significant improvements in areas of non- compliance, for example, cleared backlog of stage 2 complaints, reduced the number of overdue High Risk Fire Actions from 3317 to 1304 (60% improvement) . Reduced legionella/water safety actions from 2735 to 442 (83% improvement). Up to date stock condition information is increasing month by month via a planned programme of property surveys and this is informing investment decisions. 	Director of Housing Management and Neighbourhoods Director of Property and Assets Director of Housing Strategy, Policy and Regulatory Assurance	March 2026

No.	Issue	Action	Responsible	Timescale
		<ul style="list-style-type: none"> • Deliver actions outlined in the improvement programme. • Deliver additional actions which will come from engagement with the Regulator of Social Housing. • Implement a 'resident first', value driven' approach supported by a programme of staff engagement including surveys to pulse test staff feelings, barriers to carrying out quality work, a resident-focused staff engagement exercise called the Big Door Knock; all to get staff working on a common objective. • Performance management framework across the service (People, Processes, Systems). 		
3.	2025/26 Capital Delivery Programme delays slow down the investment needed in our housing stock	<ul style="list-style-type: none"> • Appointment of permanent Director of Property and Assets. • Some works are already on site and progressing. • Contingency arrangements are in place for sourcing contractors (to deliver works) via the Southeastern consortium (SEC). • Progressing further stages of £140M partnering contract for major works following the completion of the preliminary market engagement. 	Director of Property and Assets	Ongoing
4.	Financial sustainability/overspend in Children's Services. In line with national trends, the Children's Services revenue	A Transport Transformation Group has been established to take forward the findings of an external consultancy review of SEN	Director of Education	2025/26

No.	Issue	Action	Responsible	Timescale
	<p>budget faces significant pressures in relation to SEND provision, specifically SEN transport. Additionally, additional pressures are emerging around Children's Social Care, such as:</p> <ul style="list-style-type: none"> The impact of the supported accommodation regulations Growth in client demand in relation to no recourse to public funds Inflationary pressures across provider contracts 	<p>transport. This includes a proposal to save c£2.2m over the next 3 years.</p> <p>In relation to SEND generally, external consultants are carrying out a funding review of how various types of provision are banded in our funding framework.</p> <p>Additionally, the Council and its partners agreed and signed off a SEND and inclusion strategy. The related action plan has been developed and is being implemented now.</p> <p>Other mitigations to address financial pressures include tighter budgetary control & monitoring and working groups, with oversight exercised via the monthly Directorate Finance meetings.</p>	<p>SEN Team</p> <p>Finance Business Partner - Education</p>	
5.	<p>In line with best practice set out in CIPFA Bulletin 16 (Local audit delays and the publication of the AGS), which states that the AGS should be kept up to date at the time of publication, the Council has, in the interests of transparency and good governance chosen to disclose a significant issue affecting this period of account that it only became aware of at a later date.</p> <p>On 22nd February 2024, DLUHC notified the Council of an inspection to provide assurance of improvement progress in the Council. The [then] Secretary of State</p>	<p>In deciding upon how to proceed the Minister has acknowledged the Council's sound financial planning, good service delivery, balanced budget and the fact that it has demonstrated that it has key components of an improvement programme in place. One of these is the Transformation Advisory Board which the Minister proposes to be strengthened in order to cover 'assurance'.</p> <p>The Council will retain its powers, and the Ministerial envoys will be present two days a week to provide the Transformation Advisory and Assurance Board and the Council with</p>	CEO and Corporate Leadership Team	<p>The Directions cover a 3-year period, this period may be extended or reduced depending on progress delivering against the directions.</p>

No.	Issue	Action	Responsible	Timescale
	<p>decided to commission this inspection to provide him with direct, independent assurance that the Council is complying with its Best Value Duty.</p> <p>The Best Value Inspection Report was published on 12th November by the Minister for Local Government and English Devolution.</p> <p>The Ministerial Directions published on 22nd January put in place a statutory support package to accelerate and provide the Minister with independent assurance around LBTH Improvement Journey.</p>	<p>advice and guidance. They will report to the Minister quarterly.</p> <p>The Directions require the Authority to take certain actions:</p> <ul style="list-style-type: none"> • Reconfigure the existing Transformation Advisory Board into a Transformation and Assurance Board (the Board). • Undertake recruitment of a permanent appointment to lead the improvement work in the Authority and progress against the Directions. • Prepare and implement programmes of cultural change and political mentoring. • Prepare and implement a Continuous Improvement Plan. • Work with the LGA to agree a review visit to the 2023 Corporate Peer Challenge. • Co-operate with the Envoys and provide assistance and access to them as set out in the Directions and required to deliver improvement. • Have regard to recommendations from the Board. • Report to the Board, the Authority and Minister on delivery against these Directions. 		

No.	Issue	Action	Responsible	Timescale
6.	<p>In its audit results report in relation to the year ended 31st March 2024, EY the Council's external auditor, EY issued three statutory recommendations, as set out below:</p> <p><u>Preparation of the Statement of Accounts</u></p> <p>1. To meet its objectives and the requirements of the Audit and Accounts Regulations the Authority needs to:</p> <ul style="list-style-type: none"> • continue to re-assess roles, responsibilities and resource requirements for financial reporting; • take action to ensure that sufficient and appropriate audit evidence is retained in relation to transactions in the financial statements; and • respond to audit recommendations and findings and implement corrective actions plans in a timely manner. <p><u>Internal Control Environment</u></p> <p>2. In relation to the internal control environment:</p> <ul style="list-style-type: none"> • The Council requires to put in place an action plan to address recommendations raised by internal and external audit, as well as other external agencies within a reasonable timeframe. 	<p>All of the statutory recommendations have been accepted by the Audit Committee at a public meeting held on 13th March 2025.</p> <p>Action Plan approved by Audit Committee on 13th March 2025.</p> <p>Action Plan approved by Audit Committee on 13th March 2025.</p>	<p>Corporate Head of Financial & Technical Accounting</p> <p>Section 151 Officer</p>	<p>As set out in the agreed Action Plan.</p> <p>By July 2025.</p>

No.	Issue	Action	Responsible	Timescale
	<ul style="list-style-type: none"> The action plan should be owned by CLT with a view to embedding a culture of continuous improvement and the importance of addressing findings in the control environment. Progress should be regularly reported to and monitored by CLT before being presented to each meeting of the Audit Committee. Audit Committee should ensure that they apply appropriate governance and oversight to the arrangements in place by management to address control findings, as well as considering the adequacy of the arrangements implemented to address findings. <p><u>Procurement and Contract Management</u></p> <p>3. In relation to Procurement and Contract Management, the Council needs to:</p> <ul style="list-style-type: none"> Undertake a detailed review of procurement and contract management arrangements and implement an action plan to improve the processes and controls. Improve controls associated with payments, including segregation of duties and identification of conflicts of interest. Embed arrangements for training and compliance of the Council's policies 	<p>Action plan approved by Audit Committee on 24th April 2025.</p>	<p>Director of Finance and Procurement</p>	<p>As set out in the agreed Action Plan.</p>

No.	Issue	Action	Responsible	Timescale
	<p>and procedures related to procurement and contract management.</p> <p>The statutory recommendations must be considered and responded to publicly by the Council within 30 days.</p>			

Conclusion for 2024/25

2024/25 has been another challenging year, with the continued rising cost-of-living alongside the long-term effects of the pandemic having a profound effect. We have made significant progress in resolving legacy issues and have continued to support our most vulnerable residents during challenging times. The Council has worked tirelessly to tackle inequality, though the cost-of-living crisis also means that people will need more from the Council at a time when we expect future funding from central government to decline.

In response, we have updated the Medium-Term Financial Strategy for 2024/25 in which we further committed to securing a sustainable balanced position across the medium term, and ensured our budget can support delivery of our priorities and address the significant financial challenges facing the Council – these include, driving improvements following the insourcing of Tower Hamlets Homes, further funding and expanding our Education Maintenance Allowance programme, and launching a Council Tax Cost of Living Relief Fund to protect households with an income of below £53,500.

Whilst we are pleased with our progress, there remains significant challenges. In addition to the long-term impact of the pandemic, geo-political uncertainty and greater economic pressures such as the continuing “cost-of-living crisis” for the entire nation, we still want to address issues around service performance and budget management in key areas.

We recognise that good governance requires a culture of continuous improvement and challenge, we will continue to seek improvement and will be self-critical in doing so to ensure we uphold the highest possible standards of good governance. Following the Best Value report, we have also committed to working constructively with the government to achieve improvement and provide any assurance going forward.

We have put action plans in place to address any issues and regularly report progress via the Corporate Management Team and relevant Committees.