LONDON BOROUGH OF TOWER HAMLETS

DRAFT

ANNUAL FINANCIAL REPORT 2025/26

UNAUDITED

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Narrative Report - 2025/26

Introduction

I am pleased to share Tower Hamlets Council's Statement of Accounts for 2025/26, which reports our financial results for the year. This covers the period 1st April 2025 to 31st March 2026.

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 2025/26 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 2025/26.

Richard Ennis,

Interim Corporate Director of Resources (S151 Officer)

Introduction to Tower Hamlets

Tower Hamlets is the best of London in one borough - rich in history and culture and keeping pace with changing times. 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. 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. Last year, Tower Hamlets was ranked 33rd best place to live in the UK according to The Times and making Tower Hamlets the highest-ranking place to live in, in East London.

This perception is reflected in our most recent 2025 Annual Residents Survey - 83 per cent residents are satisfied with the local area and 91 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, a mix of markets, and the Tower of London from which it derives its name. We currently hold a record number of awards for our parks including 14 Green Flag Awards and 8 gold awards from the London In Bloom competition (overall winners in 4 categories). Victoria Park holds the People's Choice recognition in the Green Flag top 10 parks in the country.

Tower Hamlets offers a rich cultural scene of festivals, 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. Late last year, our vision for the borough was published - 'Our Tower Hamlets – Vision to 2035' setting out the kind of place we want Tower Hamlets to be, our shared ambitions, and how we will achieve them.

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. This had grown to 331,886 by mid-2024.
- 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, and 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 an international business district which generates 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 facilities. It has over 310 retailers. 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 sub-area is located in the western part of the borough, bounded by the City of London to the west, the London borough of Hackney to the north, the River Thames to the south, and the borough's inner-city communities to the east. The City Fringe represents a collection of vibrant and distinctive town centres and employment hubs, which sit alongside residential areas.
- Plans for a world-class life science centre were submitted in 2021 with further amendments submitted in 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. Earlier this year (2026) a planning application to the London Borough of Tower Hamlets was submitted for a mixed-use scheme within the Barts Life Sciences Cluster. The proposals cover land surrounding The Royal London Hospital and set out plans to co-locate NHS services, research and office space with new homes, public amenities and green routes. (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 vibrant cultural attractions including the Tower of London, the Young V&A in Bethnal Green, the Museum of London Docklands, the English National Ballet and Tower Bridge, to name a few.
- We have over 120 parks, of which, some have won accolades such as Victoria Park –voted one of the top ten green spaces in the UK. The Queen Elizabeth II Olympic Park won the Green Flag Award for 2023, and Ropemakers Fields in Limehouse received the Green Flag status in 2024 The 'Keep Britain Tidy' Green Flag Award recognises well managed parks and green spaces and indicates 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, Petticoat Lane and Roman Road. The famous Brick Lane is a melting pot of food and culture - everything from renowned curry houses to the Old Truman Brewery. The 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 the 'Best Small Outdoor Market' and Whitechapel Market was awarded the '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 won the 'Royal Institute of British Architects 2025' London Award, following the restoration of the Grade II listed former Royal London Hospital 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, Rich Mix and the Half Moon Theatre.

We are a centre for world-class learning and innovation

- We are home to Queen Mary University of London (QMUL) in Mile End which is one of the top Russell Group universities. For 2026, QMUL now ranks 110 in the world and ranks 16th in the country - putting it in the top 20 UK 'Best Universities' table.
- The London Metropolitan University School of Art, Architecture and Design is based in Aldgate.
- The Government Digital Service is driving cutting-edge innovation from its headquarters in Whitechapel.
- Ofsted inspectors rated Tower Hamlets' Children's Services as 'Outstanding' in in January 2025. This rating places the service amongst the top 20 per cent across local authorities in the country.
- In March 2026, CQC inspection report rated our Adult, Health and Social Care services as 'Good'. This is an achievement, placing us in a positive position in terms of benchmarking with other London Boroughs.

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

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%).
- 2025 Annual Resident Survey data indicate that 91% of our residents feel that people from different backgrounds get on well together.

- In the past, our residents fought fascism in the Battle of Cable Street. 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.

According to the English Indices of Deprivation 2025, 71% of children in Tower Hamlets were income deprived and 61% of older people were income deprived. Of the 296 local authorities in England, Tower Hamlets was ranked 2nd most income deprived.

In the most deprived neighbourhood, 81% of people are estimated to be income deprived. The proportion of children in the borough living in relative low-income families after housing costs was 50.3% in 2025, the highest of any local authority area.

Tower Hamlets has a greater proportion of larger households than both London, and England and Wales. 12.2% of Tower Hamlets households had at least 5 persons compared with 10.1% in London, and 6.9% in England and Wales. 2.7% of Tower Hamlets households had at least seven persons – three times the proportion in England and Wales (0.9%). These are just some examples of challenges that Tower Hamlets faces.

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 local 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.

The Strategic Plan sets out a four-year vision from 2022 to 2026 as eight thematic priorities. It provides a framework for action to improve services and bring about strategic change for Tower Hamlets. In the last year, the council has focussed on supporting residents and businesses. The overarching aims of the Strategic Plan 2022 to 2026 are designed to improve outcomes for residents as summarised below. The Council publishes a quarterly Strategic Delivery and Performance Report to provide an update on progress of the delivery of the Plan.

<u>Priority 1 – Tackling the current Cost of Living crisis</u>
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.

<u>Priority 2 – Homes for the future</u>
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.

<u>Priority 3 – Accelerate education</u>
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.

Alongside this 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.

In the last few years, the Council has undergone external scrutiny through a Best Value (BV) Inspection from February 2024 to July 2024. The Council responded to the Best Value Inspection Report through the Continuous Improvement Plan (CIP). This response to the recommendations around Culture, Partnerships, Governance, Leadership and Continuous Improvement led to a statutory support package being put in place by the Government. The CIP is a framework for action.

Following the ministerial statement of 17 March 2026 - which outlined new directions - Tower Hamlets council outlined it will meet the new directions in full through our new Improvement Board, with the Envoys overseeing the delivery of our Continuous Improvement Plan.

The CIP is one of three workstreams that support our continuous improvement journey, alongside the Political Mentoring Programme and the Programme of Cultural Change to Rebuild Trust Between Officers and Members. At the heart of the CIP are a number of programmes, which provide a clear framework for how we will deliver improvement. Each programme is underpinned by clear aims, roles, and responsibilities, alongside well-defined workstreams, projects, and measures of success. High-level timelines for delivery, as well as robust governance arrangements, provide the necessary oversight and assurance. Below you can find out about each of the programmes:

1. **Vision, partnership and participation**
   This programme is about setting a bold, shared vision for the borough and strengthening how we work with partners and residents. It focuses on participation, trust, and collaboration, ensuring that our direction of travel is shaped by a wide range of voices and experiences.

2. **Governance, political culture and decision making**
   This programme strengthens the way decisions are made across the council, ensuring they are transparent, accountable, and informed by evidence. It focuses on embedding constructive challenge, respect, and integrity at every level of our governance.

3. **Culture and workforce**
   Our people are central to delivering change. This programme focuses on building a positive, inclusive culture and supporting a workforce that feels valued, capable, and confident in driving improvement. It is about creating the right environment for staff to thrive and deliver their best.

4. **One Corporate Team**
   The One Corporate Team programme continues to be a central element of the Council's Continuous Improvement Plan and has moved from mobilisation into delivery. The programme is focused on strengthening corporate grip, assurance and compliance, ensuring the Council operates as a single, joined-up organisation with clearer accountability, improved internal controls, and more consistent delivery across directorates.

During 2025/26, the programme has overseen strengthened governance and assurance arrangements, including the re-purposing of the Internal Assurance Board to focus on compliance and organisational health, clearer programme-level oversight of statutory recommendations, and improved reporting through the Transformation and Budget Board, Transformation Modernisation Board and Audit Committee. This has supported a more coordinated and transparent response to audit, inspection and regulatory findings, including those relating to housing management and corporate compliance.

The programme is overseeing the mobilisation and early delivery of the Council's corporate transformation programmes, alongside the development of a clearer single view of change. With a focus on the programme providing oversight and coordination across several key transformation programmes, including Adult Social Care (ASC), Housing, and Special Educational Needs and Disabilities (SEND) Transport. These programmes address areas of high financial risk, service demand and regulatory scrutiny, and are overseen through strengthened governance arrangements to ensure delivery against agreed improvement plans, benefits realisation, and assurance requirements. The One Corporate Team programme is supporting alignment between these transformation initiatives, ensuring dependencies are managed and that improvement activity is sequenced and prioritised at a corporate level.

Delivery against the statutory recommendations issued by the Council's external auditor, EY, has been consolidated under the One Corporate Team programme. These relate to financial reporting, risk management and assurance over internal controls, and contract management and procurement. Progress against the agreed action plans is regularly reported to the Audit Committee, enabling continued scrutiny and oversight and supporting the Council's ability to evidence sustained improvement and strengthened compliance.

Monitoring Performance

The Council sets and owns its own ambitions and targets, reflecting local priorities and statutory responsibilities in the context of Tower Hamlets.

We are increasingly benchmarking performance against statistical neighbours, London authorities and national comparators where this adds insight, rather than treating targets in isolation.

Looking ahead, it would be helpful to signal that we are anticipating and preparing to embed the future outcomes and performance framework being developed by government, once confirmed, and that our current work on assurance, grip and more outcomes-focused framework is aligned with that direction of travel rather than separate from it.

In year 4 of the Strategic Plan, performance for 2025/26 is monitored through 60 key performance indicators – (56 in 2024/25).

Presently, corporate performance is monitored quarterly and presented to Cabinet to identify and rectify poor performance to ensure that the indicators are on track. The quarter 4 2025/26 report is scheduled to be presented to Cabinet on 29th July 2026. It outlines progress against the eight priorities and where mitigatory action is being taken on performance that has not reached target.

The data submitted for the end of quarter 4 (for the reporting period of 1st April 2025 to 31st March 2026) shows that out of the 60 performance indicators - (56 for 2024/25):

- 34 performance indicators had been met or were exceeding their target (Green) - (34 for 2024/25);
- 6 were between the target and the minimum target (Amber) - (4 for 2024/25);
- 5 were below minimum target (Red) - (6 for 2024/25);
- 1 measure is awaiting monitoring data (No data currently) - (1 for 2024/25);
- 5 were reported as data reported annually – (5 for 2024/25);
- 9 were presented as data only – (6 for 2024/25).

5 key performance indicators are below target and are rated Red in Q4 2025/26. Mitigatory actions below summarises what the Council is doing to bring these back on track.

- <u>KPI 010 – Lets to overcrowded households (Amber in 2024/25)</u>.
  This figure has shown a decline in Q4. The primary reason the figure is below the target is the limited availability of suitable properties for letting particularly larger, family-sized homes.
  Actions being undertaken: Detailed planning and monitoring of allocations to ensure that lets to overcrowded households are maximised whilst achieving lets for other priority groups in Band A i.e. emergency situations and residents facing risk due to medical and disability as well as the 35% quota for homeless households in temporary accommodation.

- <u>KPI 011 – Number of privately rented properties inspected (Green in 2024/25).</u>
  The service recorded 1,866 inspections as of Q4. There were 473 inspections

in quarter 4, supporting the underlying trend of improvements throughout the year.
Actions being undertaken: Recruitment to the Selective Licensing team is underway. The service anticipates being on track to meet the target once full staffing is achieved, subject to the restructure being progressed by the incoming Head of Service.

- KPI 025 - Rate of first-time entrants to the Youth Justice system (Amber in 2024/25).
  Actions being undertaken: We have already provided additional training to the partnership who make these decisions to ensure that every child that can be diverted is diverted. We have introduced Outcome 22 in the borough alongside our Police partners to ensure that we can divert children where safe and possible to do so.

- KPI 042 - Number of hours of uniformed patrols delivered by the Safer Neighbourhood Operations Service (Green in 2024/25).
  Actions being undertaken: THEOs will implement a targeted plan to ensure patrol hours return to and are sustained above the KPI threshold. This will include a tighter management of annual leave and a phased approach to mandatory training to reduce the impact on the operational capacity. These measures are intended to stabilise delivery and prevent recurrence of the KPI's underperformance.

- KPI 043 - Victims of violence against women and girls who feel safer after engaging with commissioned provider (Green in 2024/25).
  Actions being undertaken: The 5 individuals who reported not feeling safer were contacted for further feedback. Housing stability emerged as a concern, including alternative accommodation or remaining safely in the family home. To address this, the VAWG team continues to strengthen joint working with Housing including co locating Housing IDVAs, establishing a DA Housing Policy, and improving the housing pathway for victims.

5 key performance indicators, as listed below, were presented as data reported annually in Q4 2025/26.

- KPI 001 Number of EMAs awarded
- KPI 002 Number of university bursaries awarded
- KPI 035 People in adult social care quality of life (carers)
- KPI 037 Overall satisfaction with care and support services received
- KPI 061 Percentage of young people not in education, employment or training (NEET)

Annual KPIs are reported once a year, sometimes in arrears or when the data becomes available and reported the following year.

9 key performance indicators, as listed below, were presented as data only in Q4 2025/26.

- KPI 005 Number of attendances to holiday activities and food programme during school holidays
- KPI 012 Number of primary school pupils in KS2 receiving public-funded FSM

- KPI 020 Number of active education, health and care (EHC) plans
- KPI 027 Rate of children subject to protection plans
- KPI 029 Rate of children looked after
- KPI 056 Percentage of homes that do meet the Decent Homes Standard
- KPI 059 Number of requests for an EHC Assessment
- KPI 060 Percentage of requests received that progress to an EHC Assessment
- KPI 062 The number of arrests facilitated by CCTV operators by detecting offenders and directing police officers to their location

These indicators provide valuable insight into the operational context of services and may influence performance; however, they do not directly measure performance but linked to longer term outcomes. We are obliged to provide services where we identify a need rather than to reach a lower or higher target.

Key Achievements

In the last year (Year 4) from 1st April 2025 to 31st March 2026 progress has been made in:

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

By implementing targeted initiatives and innovative programmes, the Council's actions are mitigating the effects of the cost-of-living crisis for all residents:

- **Household Support Fund:** More than £5 million from the government Household Support Fund is being used to help residents facing financial hardship. Key support measures include Resident Support Scheme, the Food Hub supplying produce to 80 foodbanks, provision of Warm Hubs providing heated community spaces during the winter with warm packs and Community Cupboards providing essentials such as nappies and household items.

- **Future-proofing Talent:** A total of 1,250 Education Maintenance Allowance was awarded £600 maintenance grant to eligible college and sixth form students. This measure is based on the academic year (September 2025 – July 2026) and does not fit neatly into a single council financial year. £1,500 maintenance grant was awarded to 800 eligible university students from the University Bursary Fund.

- **Pioneering Free School Meals:** Tower Hamlets became the first local authority to introduce universal free school meals for all primary and secondary school pupils up to the age of 16. In 2025/26 11,344 (91.9%) of primary school pupils benefited from public funded meals, and 10,644 (78.8%) secondary school pupils benefitted from council funded meals.

- **Holiday Fun**: Over 58,135 benefitted from our Holiday Activities Food clubs programme through 2025/26 and exceeded the CIPFA average from last year of 25,663 (despite a reduction in funding and rising cost of inflation). We succeeded in increasing the number of clubs delivering the provision.

- **Community Food Support**: **–** In 2025/26 we delivered the equivalent of 2.80m meals to 80 food banks and food aid organisations across the borough, helping to ensure an effective safety net in the borough for residents in crisis. Volumes of food were briefly limited due to changes to the procurement process but are since back at normal levels.

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:** 50% of homelessness cases were prevented or relieved in Q4. This is the highest level of successful homeless preventions achieved to date. Whilst MHCLG statistics are running six months behind for benchmarking purposes, this result should put Tower Hamlets ahead of the nearest statistical neighbours. A Homelessness and Rough Sleeping Strategy is in place. The top three reasons for homelessness in Tower Hamlets are:

- Eviction from family and friends
- Ending of a Private Rented Sector (PRS) tenancy
- Domestic Abuse

- **New Family Homes:** Since 2022, 4,452 homes were added to the housing stock. At the end of Q4,1,052 homes were completed and commenced across all tenures. These include:
  - 72 market homes completions
  - 35 affordable completions
  - 800 market homes commenced and
  - 145 affordable homes commenced

- **Making Homes Happen**: Tackling overcrowding, reducing homelessness and building greener, affordable homes sit in the heart of the council's new Housing Strategy 2026-2036 published in February 2026. The strategy focuses action across seven key areas: 1. Tackling overcrowding; 2. Building more homes; 3. Looking after council homes; 4. Making private renting better; 5. Better together; 6. Preventing homelessness and rough sleeping; 7. Addressing diverse needs through diverse housing.

- **Safety First:** 69% (181) of tenants reported satisfaction with their home being safe. The Health & Safety team are delivering programmes to address fire safety actions, gas safety and electrical checks to improve the safety of our buildings. Communications are being issued to residents on these safety measures, as well as our wider Decent Homes investment of £609m to improve the quality of homes, which may have positively impacted upon resident satisfaction in this area.

3. Priority Three: Accelerate Education

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

- **Youth Services offer**: The 'Young Tower Hamlets Strategy 2025 to 2027 is in place which sets out a commitment to providing safe spaces for young people in every ward, with an expanded sports offer, outdoor learning and enhanced youth participation. 20 youth centres offer safe spaces, providing young people with education and leisure activities. A total of 5,013 children and young people regularly attended sessions with the youth centres between April and March 2026, exceeding the annual target of 4,000.

- **Young Tower Hamlets**: 181,000 young attendees accessed programmes in two years at youth centres, with more than 5,000 sessions delivered in the last year. A new youth centre dedicated for girls in St Paul's Way, Bow opened recently following feedback from young women and girls. This is to ensure that their needs are reflected in the service provision. The centre is open to young women and girls aged 11-19 years old and up to 25 years old with SEND needs.

- **Free School Meals:** Free school meals save the average family approximately £550 per year, per pupil. Free school meals in primary schools are now provided as 'business as usual'. The new Tower Hamlets School Food Accountability Policy launched to both Primary and Secondary Schools at Head Teacher Consultative meetings. The Free School Meal Action Plan – Scrutiny Response Report - was approved by Cabinet. 78% of secondary school pupils received council-funded free school meals in Q4.

- **Improving educational outcomes**: To improve post-16 attainment, the 14 to 25 Learning & Achievements Partnership membership was reviewed and refreshed recently. It includes representatives from secondary schools, New City College, careers services, SEND services, the Virtual School and the Voluntary and Community Sector. This follows on from two Post-16 Summits (with one focused on SEND & Vulnerable Students).

- **Helping Care Leavers:** The Local Offer for Care Leavers has been updated and published on the 'Local Offer' website. Children and young people in care were celebrated at the annual Virtual Schools Award ceremony earlier this year. This ceremony recognised hard work and that young people in care feel valued and supported in reaching their potential. It honoured outstanding academic progress, and personal development.

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:** 3,599 new jobs, training and apprenticeship opportunities were enabled for local people. More than 300 young people across Tower Hamlets joined a ‘Skills for the Future’ Fair in February 2026 which was delivered in partnership with Workpath. This event provided residents with an opportunity to learn about routes into a wide range of industries including digital, construction, health, engineering and creative industry, to name a few.

- **Helping Businesses:** During 2025/26, 1,297 enterprises were supported through the council’s business programmes and surpassed the annual target. The service took a stronger approach to local SME matching commercial supply chain opportunities from development schemes in the borough.

- **Leisure time:** Development of a new women’s only gym is underway at Poplar Baths Leisure Centre. This new facility will include 25 workout stations, free weights zone, and refurbished facilities. Q4 data shows that 74% of leisure centre users were women. Two new saunas are now available at Whitechapel Sports Centre. These aim to tackle health inequalities.

- **Culture boost:** The Arts and Events Team surpassed their 2025/26 targets by supporting 156 events and increasing park hires this financial year. Events are promoted through e-bulletins: 7,695 subscribe to the Monthly Events Highlights e-bulletin, and 3,034 subscribe to the Fortnightly Arts Forum Online e-bulletin.

- **Marking the Seasons:** We have exceeded the target for quarter 4 by supporting 11 events. In the last financial year, we continued to deliver a programme of events and projects, including Black History Month, A Season of Bangla Drama, Holocaust Memorial Day and Martyrs Day.

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. Refurbished football pitches are now open for use and a wider programme of improvements to leisure facilities across the brough planned.

- **Care in the Community:** 73.4% people were signposted to find appropriate advice and support in the wider community that helps them to maintain their independence. Out of 4,002 adult social care requests, 2,939 people were signposted to alternative provision. This exceeded our Q4 target of 70%.

- **Social Care:** Tower Hamlets Council’s Health and Adult Social Care service was recently rated ‘Good’ by the Care Quality Commission (CQC). The report highlights the council’s commitment to providing high-quality care and support to residents across the borough. At the end of Q4, 89% of service users surveyed agreed with the statement "Overall I have a positive experience of the services I am receiving from the homecare agency". During Q4 (281 responded to being satisfied out of 314 total number of calls made.

- **Learning in the Library:** We have exceeded our target at Q4 with 96% of Idea Store learners passing a Skills for Life course. The Skills for Work and Life team are continuing to work on creating an opportunity-driven curriculum that enables learners to progress in a joyful and enriching manner, focusing on learner progress in the subject-area and through the curriculum.

- **Children and Young People**: Public Health continue to work on improving access and awareness to early support and prevention offers for Children & Young people presenting with mental health needs. A mental health needs assessment was considered by the Health & Wellbeing Board in the last financial year.

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:** A total of 62, 964 hours of uniformed patrols was delivered by the Safer Neighbourhood Operations Service, surpassing our annual target of 56,000 hours. This is mainly driven by the THEO service.

- **Safer Streets:** Fewer residents reported feeling safe during the day in the 2025 Annual Resident Survey (93%, drop of 2% from 2024's 95%). The CCTV Transformation Programme was completed in March 2024 and has helped enhance the operators' ability to identify offenders in real time and direct police officers to their location. A total of 329 arrests were facilitated by CCTV operators by detecting offenders and directing police officers to their location.

- **Just say no:** A specialist Drugs Squad was launched in late 2025 designed to tackle substance misuse and associated anti-social behaviour by offering tailored support for vulnerable people. The Squad works with police, the Council's CCTV and Enforcement Teams, the Specialist Substance Misuse Investigations Team (SSMIT) and other local services. It uses a new model of community safety, one that targets the borough's prolific offenders by offering pathways of support. The 2025 Annual Resident Survey suggests that residents are less concerned about people using and dealing with drugs in 2025 compared to 2024 (down five points).

- **Kick the habit:** Supporting adults on release from prison - 95.7% of adults with substance misuse successfully engaged in community-based structured treatment following release from prison. The official Q4 report is scheduled for publication in May 2026. The narrative below is therefore informed by locally held performance data. During Q4, the Prison Exit Team supported 140 individuals on release from custody. Of these, 134 individuals successfully engaged in treatment, equating to a 95.7% engagement rate.

- **Not alone**: A new Women's Resource Centre opened earlier this year. The Nari Centre now provides support to tackle domestic violence, employment support, social welfare advice, health activities, women's leadership programmes and coffee mornings. The Centre aims to tackle inequalities faced by all women such as poverty, isolation, poor health, discrimination and difficulties accessing services.

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 with 2,459 new trees planted across the borough since 2022. Trees beautify public spaces and improve air quality by absorbing pollutants. In 2026, Tower Hamlets was awarded 'Tree Cities of the World' status for the fifth year in a row. At Q4, 694 trees were planted during 2025/26. Therefore, the overall target to plant 1,000 trees over two years (310 in 2024/25 and 694 in 2025/26) has been achieved.

- **Get on your bike:** A total of 1,341 children received bikeability training throughout 2025/26. Further funding is now secured from TfL to allow the additional training to continue. This Public Health initiative aims to improve the physical health of children and has proved to be popular.

- ❖ **Flying the Flag:** All Green Flags for parks have been maintained in Tower Hamlets, helping to demonstrate our horticultural excellence across the borough.

- ❖ **Flower Power:** Tower Hamlets in Bloom Awards 2026 recognised Individuals, community groups, schools, and organisations for their horticultural excellence, environmental care, community engagement and sustainable practices. This annual competition is part of a national initiative and locally celebrates local residents' passion and commitment to improving the local environment.

- ❖ **No to Fly Tipping:** 4,122 enforcement actions were issued in Q4 - a 14% increase from Q3. Action taken includes investigations, warning letters, statutory notices, fly-tipping fixed penalty notices, duty of care inspections and prosecution. Incidents are reported and pro-actively cleared by our own crews.

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 2024-28 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**: The Annual Resident Survey 2025 findings show that 91% 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 90%, 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. 43% of top 5% of earners are from Black, Asian and multi-ethnic communities exceeding the annual target of 35% for 2025/26. Action is taken to ensure under-represented groups have opportunities to progress through apprenticeship programmes, coaching, mentoring and ongoing learning and development activities.

- ❖ **Opinion Matters**: Results from the Annual Resident Survey show that Tower Hamlets is above all available measures compared to the LGA research on the country as a whole. 69% of residents are satisfied with the way Tower Hamlets operates services, up from last year's 61%. 65% of residents think Tower Hamlets Council acts on the concerns of local residents – up from last year's 59%.

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.

The council is committed to strengthening governance and risk management arrangements, a new strategy is being developed which is being supplemented through an externally commissioned independent review. The Council's risk management arrangements are now fully integrated within our Continuous Improvement Plan.

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 2025/26, we consider it more useful to stakeholders to highlight the risks present on the Council's Corporate Risk Register.

Summary of Corporate Risks (April 2026)

	Risk Event	**Current Risk Rating**
1	The risk of regulatory censure and Safeguarding failure arising from current process for new and ongoing employee vetting (i.e. pre-employment checks, ongoing vetting of DBS status, verification of qualifications and other suitability/ screening checks) where these are applicable.	20
2	There is risk to the Council's Financial Standing from overspending its revenue budget, failing to deliver savings and a reliance on reserves. For 2025/26, there were significant financial pressures in areas which are nationally recognised issues, including Homelessness, Adult Social Care (ASC) and SEND, with implications for 2026/27 if timely mitigations are not implemented.	20
3	The cost of temporary accommodation to the Council is rapidly increasing due to the demand from homeless residents and the increased cost of accommodation due to the shrinking lower end of the private rented sector market as a result of the forthcoming	16

	introduction of the Renters Reform Bill. This results in serious difficulties in providing emergency accommodation of vulnerable children and adults, the provision of which is immediate once the legal threshold is met. This cost pressure is impacting adversely on available budgets, with an annual spend of c.£64.7m (gross) on temporary accommodation. This produces financial, reputational and legislative risks	
4	There is an ongoing risk of a Cyber Attack and a consequential Data Breach, Financial Loss and Business Interruption.	16
5	Failure to comply with the Terrorism (Protection of Premises) Act (Martyn's Law)	15
6	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. There is an on-going need to ensure that services to all Vulnerable Children and young people have a focus on Safeguarding and Prevention of harm.	15
7	Major Health and Safety Incident affecting Council employees, Buildings or related Infrastructure.	15
8	There is a risk the Council will be unable to deliver critical and essential services owing to a Business Continuity Incident.	12
9	The preventable risk of death or serious harm to a vulnerable adult in receipt of services from the council or a partner agency, acknowledging that adult social care work naturally increases such risks but includes systems to manage them.	12
10	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. In certain circumstances, the offence will also apply where the fraud offence is committed with the intention of benefitting a client of the organisation. It does not need to be demonstrated that directors or senior managers ordered or knew about the fraud. (the offence comes into effect 1st September 2025)	12
11	Failure to comply with its obligations in relation to the Protection of Freedoms Act 2012 and therefore failing to meet the Code of Practice compiled under that Act by the Home Office Surveillance Camera Commissioner (SCC) for the operation of video surveillance systems. The Council may also fail to meet the requirements of the Data Protection Act 2018 related to the use and management of video surveillance systems.	9
12	Failure to deliver the Council's improvement and transformation programme, resulting in unrealised benefits, continued weaknesses, and reduced organisational performance.	9
13	Community Cohesion: A loss of social capital and a fracturing of the community and local networks	8
14	Failure to meet the Council's legal duties under the Civil Contingencies Act. This would become evident if a major incident	8

	occurred and the council failed to implement an effective response and recovery.	
15	Risk of exploitation of Supply Chain vulnerabilities or shocks impacting Council Services, Vendors and Partners.	6

Financial Overview

The Final Local Government Finance Settlement for 2026/27 was announced on 9 February 2026. This settlement represents the most significant redistribution of funding within the sector since the last major update to funding distribution occurred in 2013/14. Since 2016/17 there has been a series of one-year settlements.

The potential for funding redistribution would have been considerable, even if the only changes had been to update key datasets and council tax levels. However, this year's settlement goes much further, introducing a full baseline reset (for the first time since the Business Rates Retention Scheme was introduced in 2013/14). There are major changes to all the Relative Needs Formulas (RNFs), and the simplification of many grants into either the Settlement Funding Assessment (SFA) or one of four new Consolidated Grants. As a result, the distribution of resources between authorities will look very different by 2028/29 compared to today.

The settlement provides the Council with its funding allocation via Core Spending Power (CSP) from central government. It is a one-year settlement although figures for the next two years were also given as a guide. CSP is due to increase in cash terms by 11.8% next year and by 8.8% and 8.1% in the following two years. This includes grants that have been rolled in, such as the Adult Social Care grant with restrictions on expenditure, and assumptions at a national level around Council Tax and Business Rates income that do not reflect local circumstances.

Following the Final Local Government Settlement the Government announced that a 90% grant for the High Needs-related Dedicated Schools Grant (DSG) deficit accrued up to the end of 2025/26 will be paid in Autumn 2026, subject to each local authority submitting and securing the Department for Education's approval of a local SEND reform plan. Government have also stated that it would not expect local authorities to need to fund future SEND costs from general funds from 1st April 2028.

The Medium Term Financial Strategy (MTFS) for 2026/27 to 2028/29 sets out a balanced position and takes into account assumptions and scenario modelling. It incorporates the implications of the Government's Fair Funding Review 2.0 and the indicative multi-year Local Government Finance Settlement, both of which are critical for providing the planning certainty required over the medium term. Despite the settlement, Tower Hamlets faces unique pressures as an inner-London borough with high deprivation, rapid population growth, and acute housing challenges.

Homelessness numbers are high and are rising with 3,200 households currently in Temporary Accommodation. These high numbers place pressure on funding to secure suitable accommodation.

The main contributors towards pressures faced by the council are nationally recognised pressures in demand service-based areas including Homelessness, Adult Social Care, Children's Services and SEND.

Inflation remains persistent with international events impacting the financial climate the Council operates in. The MTFS recognises these risks and includes contingencies to mitigate them.

Revenue Outturn for the Year

General Fund

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

Homelessness pressures for Temporary Accommodation persisted in 2025/26. The main reasons for people presenting homeless are family evictions, domestic abuse and private tenancies that have been terminated. The cost-of-living crisis has increased family exclusions and reduced accessibility of private tenancies. The renter's reform bill has also led to an increase in evictions from private sector rented tenancies. This has been a key driver in the £20.8m net overspend in Housing and Regeneration in the year.

Adult Social Care has experienced continued increase in year-on-year costs which is driven by increased referrals resulting in additional support plans and complexity of presenting client needs as well higher than expected inflationary increase. This predominantly contributed to the £23.7m net overspend across Health and Adult Social Care in the year.

Children's Social Care has also seen significant pressures materialise in-year from demand in placements and complexity of need and sustained SEND pressures largely as a result of continued increases in the costs of transport. This has contributed to the overall £10.3m net overspend across Children's.

This 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 and substitution of funding, is a net overspend of £18.6m, which has been funded this year from the Council's risk reserve. The revenue outturn position for the year is summarised below:

Directorate	Revised Budget including Reserve Transfers	Outturn	Outturn Variance
	£m	£m	£m
	A	B	= B - A
Children´s Services (including DSG)	100.0	110.3	10.3
Health and Adult Social Care	197.3	221.0	23.7
Housing and Regeneration	26.7	47.5	20.8
Chief Executive's Office	19.0	17.7	(1.3)
Resources	50.5	50.8	0.3
Communities	68.9	57.0	(11.9)
Corporate Costs and Central Items	5.3	(17.2)	(22.5)
Core Funding	(467.7)	(468.5)	(0.8)
GF Net Overspend	**0.0**	**18.6**	**18.6**
Outturn Variance Transfer from Risk Reserve actioned within Corporate Costs and Central Items			**(18.6)**
Council Outturn			**0.0**

Revenue Reserves

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

Reserves	31 March 2025	31 March 2026
	£m	£m
General Fund balances	(21.2)	(25.0)
HRA balances	(34.1)	(21.5)
Schools balances	(31.6)	(29.3)
GF earmarked reserves (Reserves without Restrictions)	(47.6)	(23.9)
GF earmarked reserves (Restricted Reserves)	(82.2)	(62.9)
Total	**(216.7)**	**(162.6)**

Strategically these are very challenging circumstances, and in line with the approved 2025/26 Council budget, The General Fund balance has been increased by £3.8m to £25.0m as at 31 March 2026.

As we are facing challenges over the medium-term, 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 of all GF earmarked reserves has been undertaken 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 net £12.6m overspend, resulting in a decrease in HRA balances from £34.1m at the start of the year to £21.5m at 31 March 2026.

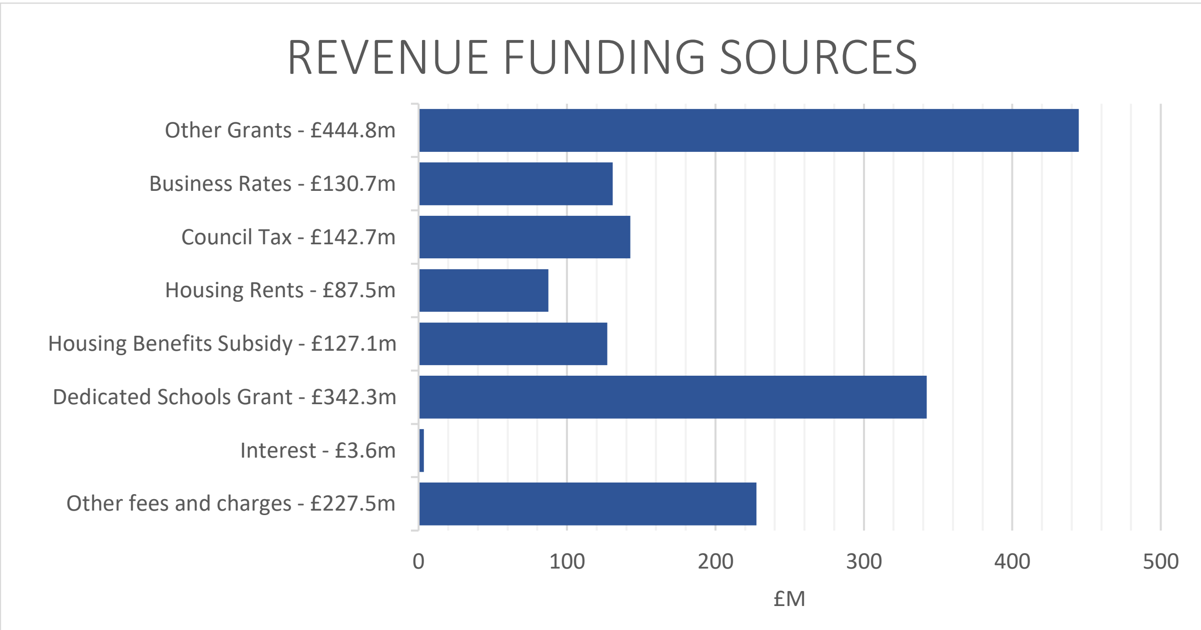
Dedicated Schools Budget

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 DSG of £15.1m, with the DSG now having a cumulative deficit of £35.2m at 31 March 2026.

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.

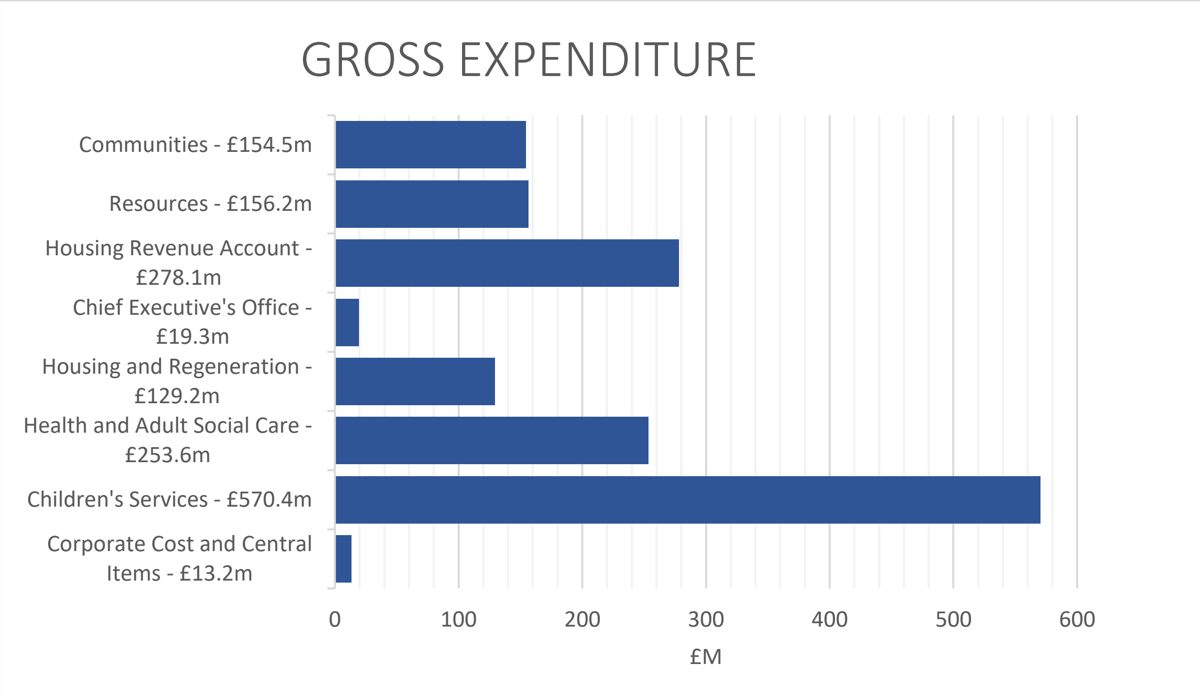
The main specific grant continues to be the DSG which can only be used to fund education services and is largely 'passported' directly to schools. An analysis of all the funding sources is shown in the diagram below.



The diagram shows where the Council's expenditure is funded from. Total revenue is £1.506bn, Government grants and subsidies are the main source of revenue funding at £0.914bn, along with revenues from fees and charges, business rates, council tax and housing rents. The largest service grant is the DSG of £0.342bn which can only be used to fund education services and is largely 'passported' directly to schools, followed by Housing Benefit Subsidy of £0.127bn. Further information on grants is contained in Note 34 to the Statement of Accounts.

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 £1.574bn is spent by services area. The largest gross expenditure of £0.570bn 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 £189.1m spent on its capital programme. Within the General Fund, the main area of investment in Children's and Culture with £3.9m spent was on the new Conditions and Improvements on schools. In Communities, £6.3m was invested in capital footway and carriage programme and streetlighting replacement. The Electric Vehicle Programme spent £1.6m and Phase 2 of the CCTV Implementation was £1.7m. Within Housing and Regeneration, £2.8m related to investment works on Whitechapel Road Improvements. Investment works spent £1.2m, this consists of electrical, mechanical and fabrication work to the Council's corporate estate such as libraries, offices and community centres to ensure they are safe and compliant. Within the HRA, £23.2m was spent on building new homes and £87.8m on council's acquisition programme. Furthermore, £7.2m was spent under the devolved schools' budgets.

Capital Funding

A significant part of the capital programme was financed by borrowing £21.7m. This was "internal borrowing" against the Council's own internal resources.

Capital grants and contributions financed £80.5m of expenditure with capital receipts of £42.6m being another significant source of funding.

Capital spending and financing for 2025/26 is shown in the following table:

	31 March 2025	31 March 2026
	£m	**£m**
Capital Investment		
Children's Services	22.5	15.4
Health and Adult Social Care	1.5	2.6
Housing and Regeneration	7.4	15.6
Local Authority Housing (Housing Revenue Account)	65.7	129.8
Resources	4.1	4.0
Communities	16.8	21.7
Total	**118.0**	**189.1**
Capital Funding		
Borrowing*	12.7	21.7
Capital Grants and Contributions	59.1	80.5
Capital Receipts	28.5	42.6
Major Repairs Reserve	14.9	29.5
Direct Revenue / Reserves Funding	2.8	14.8
Total	**118.0**	**189.1**

*Excludes IFRS16 lease remeasurement

Treasury Management

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 remained constant at £0.4m at the end of the year.

Long-term Investments for the Council increased slightly from £53.7m in 2024/25 to £54.7m in 2025/26 due to unrealised gains. Short-term Investments decreased from £20.9m in 2024/25 to £0.3m in 2025/26 largely due to redemptions.

Cash and cash equivalents decreased from £145.7m in 2024/25 to £79.3m in 2025/26.

The Council has complied with CIPFA's Treasury Management Code (2021) for 2025/26 and details on investment performance against benchmarks is detailed below;

Investment Benchmarking 31 March 2026	**Tower Hamlets**	**16 London Boroughs and Metropolitan Borough Averages**	**135 Local Authority Averages**
Internal Investments	£16.9m	£51.7m	£49.8m
Cash Plus & Short Bond Funds	£0.1m	£0.0m	£0.7m
Strategic Pooled Funds	£54.7m	£9.4m	£9.9m
TOTAL INVESTMENTS	**£71.7m**	**£61.1m**	**£60.4m**
Security			
Average Credit Score	4.75	4.62	4.60
Average Credit Rating	A+	A+	A+
Average Credit Score (time-weighted)	5.14	4.60	4.51
Average Credit Rating (time-weighted)	A+	A+	A+
Number of Counterparties / Funds	24	8	10
Proportion Exposed to Bail-in	100%	80%	64%
Liquidity			
Proportion Available within 7 days	22%	73%	57%
Proportion Available within 100 days	24%	78%	72%
Average Days to Maturity	3	192	10
Market Risks			
Average Days to Next Rate Reset	42	230	52
Strategic Fund Volatility	4.1%	1.3%	3.1%
Yield			
Internal Investment Return	3.80%	3.91%	4.02%

Cash Plus Funds - Income Return	3.92%	3.92%	3.60%
Strategic Funds - Income Return	4.60%	4.82%	4.88%
Total Investments - Income Return	**4.41%**	**4.09%**	**4.18%**
Cash Plus Funds - Capital Gain/Loss	0.33%	0.33%	0.62%
Strategic Funds - Capital Gain/Loss	1.90%	0.61%	1.19%
Total Investments - Total Return	**5.87%**	**4.29%**	**4.46%**

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 of £185.5m at the end of 2024/25 moved to a net liability of £38.0m at the end of 2025/26. This net position reflects an underlying net asset position of £686.0m which is reduced by an asset ceiling of £724.0m due to future funding commitments. This change is based on a complex set of calculations carried out by the Councils 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 was published 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.

<u>**Statement of Responsibilities for the Statement of Accounts**</u>

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 Interim Corporate Director of Resources (S151 Officer)

The Interim Corporate Director of Resources 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 for 2025/26* ("the Code of Practice").

In preparing this Statement of Accounts, the Interim Corporate Director of Resources:

- 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 Interim Corporate Director of Resources 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 Interim Corporate Director of Resources

I certify that the Statement of Accounts 2025/26 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 for 2025/26* ("the Code of Practice") as at 31 March 2026 and its income and expenditure for the year ended 31 March 2025.

Richard Ennis
Interim Corporate Director of Resources (Section 151 Officer) Date: 30 June 2026

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 2024		(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																		
IFRS 16 Adjustment 1 April 2024		4,521	-	-	-	-	-	4,521	-	(4,521)	-	-	-	-	-	-	(4,521)	-
(Surplus) or Deficit on the Provision of Services		108,718	-	(54,365)	-	-	-	54,353	-	-	-	-	-	-	-	-	-	54,353
Other comprehensive expenditure and income		-	-	-	-	-	-	-	(7,081)	-	30,922	-	-	-	-	-	23,841	23,841
Total Comprehensive Expenditure and Income		**113,239**	**-**	**(54,365)**	**-**	**-**	**-**	**58,874**	**(7,081)**	**(4,521)**	**30,922**	**-**	**-**	**-**	**-**	**-**	**19,320**	**78,194**
IFRS 16 Transitional adjustments		(4,521)	-					**(4,521)**		4,521							4,521	
Adjustments between accounting basis and funding basis under regulations	8	(63,396)	-	56,058	(2,105)	11,043	(8,383)	**(6,783)**	23,334	6,451	(25,921)	1,089	(437)	(193)	(1,828)	4,288	6,783	-
Net Increase or Decrease before Transfers to Earmarked Reserves		**45,322**	**-**	**1,693**	**(2,105)**	**11,043**	**(8,383)**	**47,570**	**16,253**	**6,451**	**5,001**	**1,089**	**(437)**	**(193)**	**(1,828)**	**4,288**	**30,624**	**78,194**
Transfers to/(from) earmarked reserves	9	(42,935)	44,530	(2,400)	-	-	805	-	-	-	-	-	-	-	-	-	-	-
Transfers to/(from) school reserves	9	(2,387)	2,387	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Increase) or Decrease in 2024/25		**-**	**46,917**	**(707)**	**(2,105)**	**11,043**	**(7,578)**	**47,570**	**16,253**	**6,451**	**5,001**	**1,089**	**(437)**	**(193)**	**(1,828)**	**4,288**	**30,624**	**78,194**
Balance as at 31 March 2025 carried forward		**(21,234)**	**(161,362)**	**(34,080)**	**(9,816)**	**(149,425)**	**(244,552)**	**(620,469)**	**(966,781)**	**(1,553,226)**	**185,516**	**24,916**	**15,240**	**2,246**	**3,514**	**20,116**	**(2,268,459)**	**(2,888,928)**
Movement in reserves during 2025/26																		
(Surplus) or Deficit on the Provision of Services		(39,881)	-	121,452	-	-	-	**81,571**	-	-	-	-	-	-	-	-	**-**	**81,571**
Other comprehensive expenditure and income		-	-	-	-	-	-	**-**	(175,880)	-	(134,434)	-	-	-	-	-	**(310,314)**	**(310,314)**
Total Comprehensive Expenditure and Income		**(39,881)**	**-**	**121,452**	**-**	**-**	**-**	**81,571**	**(175,880)**	**-**	**(134,434)**	**-**	**-**	**-**	**-**	**-**	**(310,314)**	**(228,743)**
Adjustments between accounting basis and funding basis under regulations	8	81,357	-	(108,899)	9,816	17,594	8,023	**7,891**	17,768	(15,523)	(13,073)	(11,371)	(435)	(916)	548	15,112	**(7,891)**	**-**
Net Increase or Decrease before Transfers to Earmarked Reserves		**41,475**	**-**	**12,553**	**9,816**	**17,594**	**8,023**	**89,462**	**(158,112)**	**(15,523)**	**(147,507)**	**(11,371)**	**(435)**	**(916)**	**548**	**15,112**	**(318,205)**	**(228,743)**
Transfers to/(from) earmarked reserves	9	(42,941)	42,941	-	-	-	-	**-**	-	-	-	-	-	-	-	-	**-**	**-**
Transfers to/(from) school reserves	9	(2,334)	2,334	-	-	-	-	**-**	-	-	-	-	-	-	-	-	**-**	**-**
(Increase) or Decrease in Year		**(3,800)**	**45,275**	**12,553**	**9,816**	**17,594**	**8,023**	**89,462**	**(158,112)**	**(15,523)**	**(147,507)**	**(11,371)**	**(435)**	**(916)**	**548**	**15,112**	**(318,205)**	**(228,743)**
Balance as at 31 March 2026		**(25,034)**	**(116,087)**	**(21,527)**	**-**	**(131,831)**	**(236,529)**	**(531,007)**	**(1,124,893)**	**(1,568,749)**	**38,009**	**13,545**	**14,805**	**1,330**	**4,062**	**35,228**	**(2,586,664)**	**(3,117,671)**

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.

2024/25 Gross Expenditure £'000	2024/25 Gross Income £'000	2024/25 Net Expenditure £'000		Note	2025/26 Gross Expenditure £'000	2025/26 Gross Income £'000	2025/26 Net Expenditure £'000
			CONTINUING OPERATIONS				
544,550	(437,294)	107,256	Children's Services		570,457	(455,758)	114,698
236,978	(137,124)	99,854	Health and Adult Social Care		253,541	(144,971)	108,570
168,940	(105,158)	63,782	Housing and Regeneration		129,162	(126,117)	3,046
16,210	(2,427)	13,783	Chief Executive's		19,283	(7,738)	11,545
80,771	(124,916)	(44,145)	Local Authority Housing (Housing Revenue Account)		278,106	(128,512)	149,594
195,944	(149,086)	46,858	Resources		156,174	(106,820)	49,353
12,069	(3,230)	8,839	Corporate Cost and Central Items		13,233	(10,496)	2,737
152,167	(70,705)	81,462	Communities		154,450	(92,536)	61,914
1,407,629	**(1,029,940)**	**377,689**	**NET COST OF SERVICES**		**1,574,406**	**(1,072,949)**	**501,457**
		104,980	Other Operating Expenditure	10			1,032
		(11,866)	Financing and Investment Income and Expenditure	11			9,434
		(416,450)	Taxation and Non-Specific Grants Income	12			(430,351)
		54,353	**(SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES**				**81,571**
		(7,081)	(Surplus)/Deficit on revaluation of non-current assets				(175,880)
		30,922	Remeasurement of the net defined benefit pensions liability				(134,434)
		23,841	**OTHER COMPREHENSIVE INCOME AND EXPENDITURE**				**(310,314)**
		78,194	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**				**(228,743)**

BALANCE SHEET

31 March 2025 £'000		Notes	31 March 2026 £'000
	Long-term Assets		
3,128,048	Property, plant and equipment	14	3,248,194
19,173	Heritage assets	15	23,179
2,057	Intangible assets		1,018
-	Investment properties	15	76,455
53,651	Long-term investments	16	54,670
750	Long-term debtors	16	711
3,203,679	**Total Long-term assets**		**3,404,227**
	Current Assets		
20,881	Short-term investments	16	302
178,959	Short-term debtors	18	166,806
209,966	Cash and cash equivalents	19	108,206
409,806	**Total Current Assets**		**275,314**
	Current Liabilities		
(64,297)	Bank overdraft	19	(28,951)
(381)	Short-term borrowing	16	(381)
(211,586)	Short-term creditors	20	(203,730)
(11,367)	Revenue grants receipts in advance	35	(16,560)
(13,954)	Provisions	21	(15,707)
(301,585)	**Total Current Liabilities**		**(265,329)**
	Long-term Liabilities		
(4,519)	Provisions	21	(5,594)
(68,709)	Long-term borrowing	16	(68,709)
(185,516)	Liability related to defined benefit pension schemes	38	(38,009)
(101,425)	Capital grants receipts in advance	34	(114,887)
(62,803)	Deferred liabilities	36, 37	(69,342)
(422,972)	**Total Long-term Liabilities**		**(296,541)**
2,888,928	**NET ASSETS**		**3,117,671**
	Reserves		
(620,469)	Usable reserves	22	(531,007)
(2,268,459)	Unusable reserves	23	(2,586,664)
(2,888,928)	**TOTAL RESERVES**		**(3,117,671)**

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2026 and its income and expenditure for the year then ended.

…..

Richard Ennis - Interim Corporate Director of Resources

Date 30 June 2026

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.

2024/25 £'000		Notes	2025/26 £'000
(54,353)	Net surplus or (deficit) on the provision of services		(81,571)
132,087	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	157,091
(84,908)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(83,872)
(7,174)	**Net cash flows from Operating Activities**		**(8,352)**
(106,166)	Investing Activities	25	(146,661)
72,358	Financing Activities	26	88,599
(40,982)	**Net increase or (decrease) in total cash and cash equivalents**		**(66,414)**
186,651	Total cash and cash equivalents at the beginning of the reporting period	19	145,669
145,669	**Total cash and cash equivalents at the end of the reporting period**	19	**79,255**

NOTES TO THE ACCOUNTS

1 Material Accounting Policies

1. Basis of Preparation

The Accounts and Audit Regulations 2015 (SI 2015 No 234, as amended) require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2025/26, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (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. There is a de-minimis limit of £10,000 on manual accruals.

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. MRP only applies to unfinanced capital expenditure.	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 2025/26.	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 2025/26 or	No credit	Capital Grants Unapplied Reserve (amounts

	were received in 2025/26 without conditions.		unapplied at 31 March 2026) 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 2025/26. Losses on soft loans granted in 2025/26 and interest receivable in 2025/26 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 2025/26	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 2025/26	Pooled Investment Funds Adjustment Account
Pension costs	Movements in pensions assets and liabilities (see Policy 5)	Employer's pensions contributions payable and direct payments made by the Council to pensioners for 2025/26	Pensions Reserve
Council tax	Accrued income from 2025/26 bills	Demand on the Collection Fund/precept for 2025/26 plus recovery of estimated deficit/share of estimated surplus for 2024/54	Collection Fund Adjustment Account
Business rates	Accrued income from 2025/26 bills	Budgeted income receivable from the Collection Fund for 2025/26 plus recovery of estimated deficit/share of estimated surplus for 2024/25	Collection Fund Adjustment Account
Dedicated schools grant	Expenditure incurred in 2025/26 to be met from Dedicated Schools Grant	Expenditure incurred up to the amount of the Grant receivable for 2025/26.	Dedicated Schools Grant Adjustment Account
Holiday pay	Projected cost of untaken leave entitlements at 31 March 2026	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 Schemes

The two Local Government schemes are defined benefits schemes.

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 either Revenue or Capital Grants Receipts in Advance accounts. 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 is 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 is 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 are 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 Authority as Lessee

The Authority assesses whether a contract is, or contains, a lease based on its substance. A lease exists where the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This includes arrangements with nil consideration, peppercorn or nominal payments, in accordance with the Code.

Initial Measurement

Leases are recognised as right-of-use assets with corresponding lease liabilities at the commencement date of the lease.

Lease liabilities

Lease liabilities are initially measured at the present value of lease payments payable over the lease term, discounted using the Authority's incremental borrowing rate where the interest rate implicit in the lease cannot be readily determined. Lease payments included in the measurement comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, measured using the index or rate at the commencement date;
- amounts expected to be payable under residual value guarantees;

- the exercise price of a purchase option where the Authority is reasonably certain to exercise that option; and
- penalties for early termination where the Authority is reasonably certain to terminate the lease early.

Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the lease liability, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs and estimated costs of dismantling, removal or restoration where an obligation exists.

Where lease payments are peppercorn, nominal or nil, the right-of-use asset is measured at fair value at the commencement date.

Subsequent Measurement of Right-of-Use Assets

After the commencement date, right-of-use assets are measured in accordance with Section 4.1 of the Code for property, plant and equipment at current value, where applicable.

As a practical expedient, for right-of-use assets that are classified to be measured at current value under Section 4.1, the Authority uses the cost model as a proxy for current value where this provides an appropriate approximation. The cost model is not used as a proxy where it is not appropriate, and this is anticipated to the case where both of the following conditions are met:

• the lease is longer-term and lease payments are not updated for market conditions (for example through rent reviews), or there is a significant period of time between such updates; and/or

• the fair value or current value of the underlying asset is likely to fluctuate significantly due to changes in market prices (more likely for property assets).

Under the cost model, right-of-use assets are measured at cost less accumulated depreciation and impairment and are adjusted for any remeasurement of the lease liability. Right-of-use assets are also adjusted for changes in estimated dismantling, removal or restoration costs where an obligation exists.

Where the cost model is not an appropriate proxy for current value, the right-of-use asset is carried at a revalued amount in accordance with Section 4.1 of the Code.

Depreciation and Impairment

Right-of-use assets are depreciated on a straight-line basis from the commencement date.

Where a lease transfers ownership of the underlying asset to the Authority, or where the Authority is reasonably certain to exercise a purchase option, the asset is depreciated over the useful economic life of the underlying asset. In all other cases, depreciation is over the shorter of the lease term and the useful economic life of the right-of-use asset.

Right-of-use assets are reviewed for impairment in accordance with Section 4.7 of the Code.

Subsequent Measurement of Lease Liabilities

After the commencement date, lease liabilities are measured at amortised cost by:

- increasing the carrying amount to reflect interest using a constant periodic rate;
- reducing the carrying amount to reflect lease payments made; and
- remeasuring the liability for lease reassessments and lease modifications.

Where a lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset. Where this reduces the right-of-use asset to nil, any further reduction is recognised in the surplus or deficit on the provision of services.

Short-Term Leases and Low-Value

Short-term leases (12 months or less) are excluded from IFRS 16 recognition requirements in accordance with the Code. The Authority also applies the recognition exemptions for leases of low-value assets (less than £10,000 when new). Payments for such leases are recognised as expenditure over the lease term.

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. The Council has revalued all of it stock as at the end of 2025/26 as a base for indexation which will be applied from financial year 2026/27, where appropriate. 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.

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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, Vehicles, Plant, Furniture & Equipment, Community and Assets Under Construction	Depreciated historical costs.
Property, Plant and Equipment: Investment Property and 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 estimated 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 each 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 the 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 Capital Receipts 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, (those where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor but where ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge), the assets used under the contracts are carried 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 four 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,
- 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.

With effect from 1 April 2024, IFRS 16 applies to service concession arrangements. Under IFRS 16, where indexation (or other changes in a rate) affects future service concession payments, the lease liability requires to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments.

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 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 2026/27 Code of Practice of Local Authority Accounting in the United Kingdom:

● Amendments to FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage Assets).
● Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS7).
● Annual improvments to IFRS accounting standards - Volume 11.
● Contracts Referencing Nature-dependant Electricity (Amendments to IFRS 9 and IFRS 7).

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 2026 of £35.3m and £650.7m 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 £35.3m to a deficit of £1.6m in the case of the LPFA scheme, and the net pension asset of £650.7m to a deficit of £36.4m 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 113 of these statement of accounts. This is due to the material value of its net assets. 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 92 under it's 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 2026 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 £36.4m, and the LPFA scheme, of £1.6m, 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 £22.6m in the scheme liabilities;
- a 0.1% increase in the rate of pension increase (taken as CPI) would lead to an increase of £21.7m;
- a 0.1% increase in salaries would result in an increase of £0.9m; and
- an increase of 1 year in life expectancy would increase the liabilities by £64.3m.

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.

Property, Plant and Equipment Valuations

Assets at carrying value of £2,921m 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 2025/26 was conducted by Lambert Smith Hampton Group Limited.

The total net book value of assets valued as part of the valuation process for 2025/26 amounted to £2,921m. A 0.1% variation in valuation would lead to a movement of approximately £2.9m 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.

The total net book value of HRA Dwellings valued as part of the valuation process for 2025/26 amounted to £1,093m. A 0.1% variation in valuation would lead to a movement of approximately £1.1m.

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 cost 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 Modern Equivalent Asset/ Gross Replacement Cost has been adjusted to reflect obsolescence factors to arrive at the Estimated Replacement Cost.

When arriving at the obsolescence, physical obsolescence derived through the depreciation of these assets on a straight-line basis from the date of construction. Generally, permeant buildings have a design life of 60 years and 25 years for temporary building. Each asset is then assessed on an individual basis where the overall life is evaluated to reflect significant repair, renewal, and capex that may have taken place through three principal components being structure, fit out and M&E.

School buildings are valued at £620.2m as at 31 March 2026 (£479.2m at 31 March 2025).

The land is valued in accordance with a prevailing use land value matrix of the Boroughs defined submarkets. School sites can comprise both developed and undeveloped land, and where this is applicable, is reflected in the land element of the valuation.

The sites have therefore been apportioned; accordingly, for example, a site may be assessed with approximately 40% as undeveloped land (to reflect areas such as playing fields that cannot be developed) and the remaining 60%, which contains the school buildings, treated as developed land. The suitable land value rates are then applied.

The land the schools sit on is valued at £383.5m as at 31 March 2026 (£419.3m at 31 March 2025).

Heritage Assets

In valuing material heritage assets, valuations have been obtained from independent Valuers where practicable. Where a value has been given between a certain band then the mid point of the band is used. However because of their unique nature the value of heritage assets is difficult to predict. there is a risk that the value of heritage assets is incorrectly stated but this would only become apparent if the asset is sold. Most heritage items have been given a nil value in the Accounts as their values are significantly below the materiality threshold and so the risk is that the assets' values are understated.

Provisions

In calculating the provision required for the impact of successful appeals against business rate valuations a number of factors are considered including number and type of appeals and an estimate of the likelihood of success based on historic data. There is the potential that the number of successful claims is significantly different to the assumption in the calculation.

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 2025/26, 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 £724.0m in 2025/26 (£704.9m in 2024/25). That is, the Council is restricted in its ability to use the underlying assets in the schemes to reduce contributions moving forward.

- The sale proceeds generated from the disposal of assets amounted to £25.0m in 2025/26 (£17.4m in 2024/25). The value of the assets disposed of was £23.9m (£120.3m in 2024/25) of which £11.0m relates to the General Fund and £12.9m relates to the Housing Revenue Account. The amount recognised under the general fund has been driven by maintained school (Virginia Primary School) 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.

6 Events after the Balance Sheet Date

The Draft Statement of Accounts was authorised for issue by the Interim Corporate Director of Resources on the 30 June 2026. Since the Balance Sheet date of 31 March 2026, 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.

2024/25 Outturn	2024/25 Adjustments from Outturn to Chargeable to GF/HRA balances	2024/25 Net Expenditure Chargeable to GF and HRA Balances	2024/25 Adjustments between funding and accounting basis	2024/25 Net Expenditure in the CIES		2025/26 Outturn	2025/26 Adjustments from Outturn to Chargeable to GF/HRA balances	2025/26 Net Expenditure Chargeable to GF and HRA balances	2025/26 Adjustments between funding and accounting basis	2025/26 Net Expenditure in the CIES
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
					Continuing Operations					
95,918	2,569	98,487	8,769	107,256	Children's Services	110,340	2,334	112,675	2,024	114,698
201,324	(100,666)	100,657	(803)	99,854	Health and Adult Social Care	220,910	(109,438)	111,471	(2,902)	108,570
58,933	-	58,933	4,849	63,782	Housing and Regeneration	47,552	-	47,552	(44,506)	3,046
17,414	-	17,414	(3,631)	13,783	Chief Executive's	17,694	-	17,694	(6,149)	11,545
-	1,187	1,187	(45,332)	(44,145)	Local Authority Housing (Housing Revenue Account)	-	11,738	11,737	137,857	149,594
46,104	(1)	46,104	736	46,840	Resources	50,834	-	50,834	(1,480)	49,353
(37,028)	49,654	12,626	(3,769)	8,857	Corporate Cost and Central Items	(35,783)	42,578	6,796	(4,059)	2,737
68,578	-	68,578	12,884	81,462	Communities	56,990	(5,137)	51,853	10,061	61,914
451,243	**(47,257)**	**403,986**	**(26,297)**	**377,689**	**NET COST OF SERVICES**	**468,537**	**(57,925)**	**410,612**	**90,845**	**501,457**
(451,243)	94,272	(356,971)	33,635	(323,336)	Other Income and Expenditure	(468,537)	111,953	(356,584)	(63,302)	(419,886)
-	**47,015**	**47,015**	**7,338**	**54,353**	**(SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES**	**-**	**54,028**	**54,028**	**27,543**	**81,571**
		(262,886)			**Opening General Fund and HRA balances**			**(216,676)**		
		47,015			Plus Deficit/(Surplus) on General Fund and HRA Balance in Year			54,028		
		(805)			Transfer (To)/From General Fund Earmarked Reserves (From)/To Capital Grants Unapplied			-		
		(216,676)			**Closing General Fund and HRA Balances***			**(162,648)**		

* 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:

2024/25					2025/26			
Adjustments for Capital Purposes £'000	Net Change for Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000		Adjustments for Capital Purposes £'000	Net Change for Pensions Adjustments £'000	Other Adjustments £'000	Total Adjustments £'000
12,146	(3,304)	(73)	8,769	Children's Services	(7,317)	(5,230)	14,571	2,024
1,089	(1,648)	(244)	(803)	Health and Adult Social Care	(212)	(2,427)	(263)	(2,902)
7,697	(1,610)	(1,238)	4,849	Housing and Regeneration	(40,977)	(2,482)	(1,047)	(44,506)
1,813	2,688	(8,132)	(3,631)	Chief Executive's	1,157	897	(8,203)	(6,149)
(39,472)	(3,768)	(2,092)	(45,332)	Local Authority Housing (Housing Revenue Account)	144,389	(4,353)	(2,179)	137,857
2,963	(2,251)	24	736	Resources	1,725	(3,255)	49	(1,480)
(3,571)	-	(198)	(3,769)	Corporate Cost and Central Items	(3,964)	-	(95)	(4,059)
19,259	(4,057)	(2,318)	12,884	Communities	19,319	(5,995)	(3,263)	10,061
1,924	**(13,950)**	**(14,271)**	**(26,297)**	**NET COST OF SERVICES**	**114,120**	**(22,845)**	**(430)**	**90,845**
35,817	(11,971)	9,789	33,635	Other income and expenditure from the Expenditure and Funding Analysis	(66,109)	9,772	(6,965)	(63,302)
37,741	**(25,921)**	**(4,482)**	**7,338**	**Difference between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**	**48,011**	**(13,073)**	**(7,395)**	**27,543**

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 is 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

2025/26	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	(40,157)	-	(19,712)	-	-	**(59,868)**	**59,868**
Charges for amortisation of intangible non-current assets	(1,039)	-	-	-	-	**(1,039)**	**1,039**
Revaluation movements on PPE (charged to SDPS) reversed	70,487	(154,581)	-	-	-	**(84,094)**	**84,094**
Capital grants and contributions applied	27,747	-	-	-	52,767	**80,514**	**(80,514)**
Revenue expenditure funded from capital under statute	(15,725)	(2,427)	-	-	-	**(18,152)**	**18,152**
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(10,992)	(12,868)	-	-	-	**(23,860)**	**23,860**
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure	2,673	-	-	-	-	**2,673**	**(2,673)**
<u>Inclusion of items not debited or credited to the CIES</u>							
Statutory provision for the financing of capital investment	14,515	217	-	-	-	**14,732**	**(14,732)**
Capital expenditure charged against the General Fund and HRA balances	2,594	12,184	-	-	-	**14,778**	**(14,778)**
Adjustments involving the Capital Receipts Reserve							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	288	24,663	-	(24,951)	-	**-**	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	42,545	-	**42,545**	**(42,545)**
Adjustment involving the Major Repairs Reserve							
Use of the Major Repairs Reserve to finance new capital expenditure	- -	- -	29,527 -	- -	- -	**29,527**	**(29,527)**
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	(42,018)	(3,334)	-	-	-	**(45,352)**	**45,352**
Employer's pensions contributions and direct payments to pensioners payable in the year	50,738	7,687	-	-	-	**58,425**	**(58,425)**
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	11,371	-	-	-	-	**11,371**	**(11,371)**
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	916	-	-	-	-	**916**	**(916)**
Adjustments involving the Capital Grants Unapplied Account							
Capital grants and contributions unapplied credited to CIES when receivable	25,619	19,125	-	-	(44,744)	**-**	**-**
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	(548)	-	-	-	-	**(548)**	**548**
Adjustments primarily involving the Dedicated Schools Grant Adjustment Account:							
Movement of negative Dedicated Schools Grant reserve to the DSG adjustment account	(15,112)	-	-	-	-	**(15,112)**	**15,112**
Total Adjustments	**81,357**	**(108,899)**	**9,816**	**17,594**	**8,023**	**7,891**	**(7,891)**

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

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							
Reversal of items debited or credited to the CIES							
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	(98,999)	(21,298)	-	-	-	**(120,297)**	**120,297**
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)**
Inclusion of items not debited or credited to the CIES							
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	-	-	-	28,466	-	**28,466**	**(28,466)**
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	(1,089)	-	-	-	-	**(1,089)**	**1,089**
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	**(63,396)**	**56,058**	**(2,105)**	**11,043**	**(8,383)**	**(6,783)**	**6,783**

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 2024 £'000	TRANSFERS OUT 2024/25 £'000	TRANSFERS IN 2024/25 £'000	BALANCE AT 31 MARCH 2025 £'000	TRANSFERS OUT 2025/26 £'000	TRANSFERS IN 2025/26 £'000	BALANCE AT 31 MARCH 2026 £'000
1	Schools Balances	(33,977)	9,525	(7,138)	(31,590)	8,984	(6,650)	(29,256)
2	Insurance	(8,130)	325	(1,180)	(8,985)	636	-	(8,349)
3	Parking Control	(9,811)	3,683	(3,850)	(9,978)	7,300	-	(2,678)
4	Transformation	(3,417)	2,335	-	(1,082)	255	-	(827)
5	Collection Fund Smoothing Reserve	(29,639)	5,228	(712)	(25,123)	22,382	(3,747)	(6,488)
6	ICT / Finance Systems	(9,671)	215	(125)	(9,581)	5,128	-	(4,453)
7	Mayor's Tackling Poverty Reserve	(3,256)	-	-	(3,256)	3,255	-	(1)
8	Free School Meals	(1,800)	1,800	-	-	-	-	-
9	Mayor's Investment Priorities	(21,188)	21,188	-	-	-	-	-
10	Risk Reserve	(15,861)	16,303	(2,300)	(1,858)	18,606	(21,666)	(4,918)
11	Adults, Health & Wellbeing (including Public Health)	(7,286)	3,602	-	(3,683)	1,126	-	(2,557)
12	Services Reserve	(14,325)	3,766	(14,338)	(24,897)	16,280	(5,050)	(13,667)
13	Revenue Grants	(7,108)	2,351	(1,580)	(6,337)	2,950	(1,605)	(4,991)
14	Covid-19 Grant	(2,444)	2,444	-	-	-	-	-
15	Ringfenced Developers' Contributions	(12,468)	145	(226)	(12,549)	3,392	(13,091)	(22,249)
16	CIL	(2,411)	607	-	(1,804)	312	(1,024)	(2,517)
17	Council Tax Hardship	(2,448)	-	-	(2,448)	-	-	(2,448)
18	Local Elections Reserve	(723)	122	(150)	(751)	140	-	(611)
19	Mayors Covid Recovery Fund	(1,763)	1,763	-	-	-	-	-
20	Black, Asian and Minority Ethnic	(548)	61	-	(487)	487	-	-
21	HAC Joint Fund	(3,779)	2,414	(780)	(2,145)	1,255	-	(890)
22	Social Care Pressures	(3,174)	3,174	-	-	-	-	-
23	Mayors Grant Programme	(10,653)	2,745	-	(7,908)	2,931	-	(4,977)
24	HRA Property Portfolio Reserve	(2,400)	2,400	-	-	-	-	-
25	Mayors Accelerated Delivery Fund	-	-	(6,900)	(6,900)	6,900	-	-
26	CIL NCIL	-	-	-	-	3,240	(7,451)	(4,211)
Earmarked Reserve Total		**(208,279)**	**86,196**	**(39,279)**	**(161,362)**	**105,560**	**(60,285)**	**(116,087)**

Corporate Reserves

1 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.
2 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.
3 Parking control reserve.
4 Reserve created to support the delivery of the Council's transformation programme.
5 Collection Fund Smoothing Reserve - used to manage fluctuations in Business Rates income.
6 Reserve to support the planned investment in Council's finance systems.
7 Contribution toward funding of welfare reform programme.
8 Reserve to fund free school meals programme.
9 Reserve to fund Mayor's Investment Priority schemes.
10 Risk Reserve to manage funding of risks arising.
11 Reserves held for Adults, Health and Wellbeing and Public Health services.
12 Includes Building Control, Land Charges, and Planning reserves.
13 Unspent revenue grants without repayment conditions.
14 Grant received to fund Covid-19 related expenditure.
15 This balance consists of developers' contributions which are ringfenced for specific purposes.
16 Community Infrastructure Levy.
17 Council Tax Hardship Relief.
18 Contribution for future Local Election Costs.
19 Mayors Covid Recovery Fund.
20 Black, Asian and Minority Ethnic (BAME) reserve to support delivery of Inequalities Commission recommendations.
21 Health, Adults and Communities (HAC) Joint Funding.
22 Social Care Pressures reserve to mitigate against future inflationary pressures within Adult Social care.
23 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.
24 HRA Property Portfolio reserve to support the work of a specialist team who will be reviewing the councils HRA property portfolio.
25 Budgeted contribution to reserves to accelerate delivery of service priorities.
26 Community and Neighbourhood Infrastructure Levy for revenue.

10 Other Operating Expenditure

2024/25 £'000			2025/26 £'000
2,107	Levies		2,122
102,873	Net (gain) / loss on disposal of non-current assets		(1,091)
104,980	**Total**		**1,032**

11 Financing and Investment Income and Expenditure

2024/25 £'000			2025/26 £'000
11,563	Interest payable and similar charges		7,491
(11,971)	Net interest on the net defined benefit liability/(asset)		9,772
(6,943)	Interest receivable and similar income	16	(3,595)
(4,515)	Net (gains)/losses on financial assets at fair value through profit and loss		(4,234)
(11,866)	**Total**		**9,434**

12 Taxation and Non-Specific Grants Income

2024/25 £'000			2025/26 £'000
(130,234)	Council Tax income		(142,717)
(131,684)	Non domestic rates		(130,734)
(87,588)	Non-ringfenced Government grants	34	(91,881)
(66,944)	Capital grants and contributions	34	(65,018)
(416,450)	**Total**		**(430,351)**

13 Income and Expenditure Analysed by Nature

2024/25 £'000		2025/26 £'000
604,949	Employee benefits expenses	621,950
784,048	Other service expenses	806,805
18,634	Depreciation, amortisation and impairment	145,001
11,563	Interest payments	7,491
2,107	Precepts and levies	2,122
102,873	Losses on disposal of non-current assets	-
-	Net interest cost on the net defined benefit liability/(asset)	9,772
1,524,174	**Total Expenditure**	**1,593,141**
(11,971)	Net interest gain on the net defined benefit liability/(asset)	-
(4,515)	Net (gains)/losses on financial assets at fair value through profit and loss	(4,234)
-	Gains on disposal of non-current assets	(1,091)
(297,509)	Fees, charges and other service income	(315,042)
(6,943)	Interest and investment income	(3,595)
(261,918)	Income from council tax and non domestic rates	(273,451)
(886,965)	Government grants and contributions	(914,157)
(1,469,821)	**Total Income**	**(1,511,570)**
54,353	**(Surplus) or Deficit on the Provision of Services**	**81,571**

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.

2024/25 £'000	Total PPE	2025/26 £'000
146,143	Infrastructure assets (net book value) - 31 March	149,311
2,981,905	Other PPE - 31 March	3,098,883
3,128,048	**Total PPE - 31 March**	**3,248,194**

2024/25 £'000	Infrastructure Assets	2025/26 £'000
144,948	Infrastructure assets (net book value) - 1 April	146,143
13,303	Additions in-year	15,802
(12,108)	Depreciation charge in-year	(12,634)
146,143	**Infrastructure Assets (Net Book Value) - 31 March**	**149,311**

14 Property, Plant and Equipment (continued)

MOVEMENTS IN 2025/26	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 2025	**1,206,513**	**1,620,953**	**58,347**	**41,303**	**33,781**	**58,220**	**3,019,117**	**261,719**
Additions	90,892	16,896	9,037	476	79	37,482	**154,862**	800
Additions - Lease Remeasurements	1,222	21,054	268	-	-	-	**22,544**	885
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(60,381)	180,118	-	-	14,284	-	**134,021**	64,282
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the provision of services	(150,602)	70,368	-	-	(3,859)	-	**(84,093)**	16,785
Derecognition - Disposals*	(10,692)	(11,293)	(1,356)	-	-	-	**(23,341)**	(7,606)
Derecognition - Other		(991)	(13,286)	-	(1,116)		**(15,393)**	-
Other Reclassification of Assets	16,176	(82,459)	-	52	(2,002)	(8,221)	**(76,454)**	-
At 31 March 2026	**1,093,128**	**1,814,646**	**53,010**	**41,831**	**41,167**	**87,481**	**3,131,263**	**336,865**
Accumulated Depreciation and Impairment								
At 1 April 2025	**-**	**4,668**	**32,515**	**-**	**19**	**10**	**37,212**	**4,531**
Depreciation charge	17,636	19,953	8,719	-	276	-	**46,584**	2,588
Depreciation written out to the Revaluation Reserve	(17,524)	(20,091)	-	-	(243)	-	**(37,858)**	(2,821)
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	-	-	-	-	-	650	**650**	-
Derecognition - Disposals	(156)	(77)	(649)	-	-	-	**(882)**	(77)
Derecognition - Other		(26)	(13,286)	-	(14)	-	**(13,326)**	-
Other Reclassification of Assets	44	(12)	-	1	(33)	-	**-**	-
At 31 March 2026	**-**	**4,415**	**27,299**	**1**	**5**	**660**	**32,380**	**4,221**
Net Book Value								
At 31 March 2026	**1,093,128**	**1,810,231**	**25,711**	**41,830**	**41,162**	**86,821**	**3,098,883**	**332,644**
At 31 March 2025	**1,206,513**	**1,616,285**	**25,832**	**41,303**	**33,762**	**58,210**	**2,981,905**	**257,188**

The Balance Sheet Property, Plant and Equipment total Net Book Value (£3,248.2m) comprises of Property, Plant and Equipment total Net Book Value (£3,098.9m - above) and total Infrastructure assets Net Book Value (£149.3m - previous page).

ROU assets included in Property, Plant and Equipment are disclosed on Note 36 Leases

14 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	PFI ASSETS INCLUDED IN PROPERTY, PLANT AND EQUIPMENT £'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**
Adjustment to opening balance IFRS16	7,746	19,735	613		151		**28,245**	3,261
Adjusted 1 April 2024	**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	54,904	**93,203**	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	6,450	-	1,546	(2,744)	(39,430)	**-**	-
At 31 March 2025	**1,206,513**	**1,620,953**	**58,347**	**41,303**	**33,781**	**58,220**	**3,019,117**	**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**	**1,616,285**	**25,832**	**41,303**	**33,762**	**58,210**	**2,981,905**	**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 (£3,128.0m) comprises of Property, Plant and Equipment total Net Book Value (£2,981.9m - above) and total Infrastructure assets Net Book Value (£146.1m - previous page).

ROU assets included in Property, Plant and Equipment are disclosed on Note 36 Leases

*AUC Disposals are Academised schools completed in year - Mulberry London Dock Secondary School and Mulberry Wood Wharf Primary School

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
- Other Land and Buildings – 60 years for schools, libraries and offices; 54 years for temporary accommodation; 53 years for garages; 41 years for community buildings
- Vehicles, Plant & Equipment
- 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 2026 as below:

	Committed sum at 31 March 2026 £'000
Beatrice Tate Expansion	5,500
Buckhurst Street	861
Residential Energy Efficiency Programme	1,000
Better Neighbourhoods	22,458
Fire Safety Works Phase 3	1,062
Total	**30,880**

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
Arnold Road 3-5 William Brinson House	9,596
O Brien Garages	1,718
Buckhurst Street	2,657
HAP (Clichy)	2,214
Better Neighbourhoods	9,835
Fire Safety Works Phase 3	1,066
Total	**27,087**

14 Property, Plant and Equipment (continued)

Revaluations

In 2025/26, the housing stock and the non-dwellings assets were valued by Lambert Smith Hampton Group Limited. 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 has carried out full revaluation of all Property, Plant and Equipment and will be applying indexation from financial years 2026/27 onwards. Valuations are as at 31 March in the year of valuation. 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*	-	23,508	25,711	149,311	41,830	-	86,821	327,181
Valued at current value in:								
2025/26	1,093,128	1,786,723	-	-	-	41,162	-	2,921,013
31 March 2026	**1,093,128**	**1,810,231**	**25,711**	**149,311**	**41,830**	**41,162**	**86,821**	**3,248,194**

*ROU assets totalling £23.5m recognised at historic cost are included in Other Land and Buildings

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 tangible heritage assets valued at £23m. These include civic regalia, works of art across the borough (one of which is a sculpture valued at £22m 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.

For the Henry Moore Sculpture an insurance valuation was carried out by Gurr Johns in March 2026.

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 2025 £'000	2025/26 Acquisitions/ Additions £'000	2025/26 Disposals £'000	2025/26 Revaluation £'000	Balance at 31 March 2026 £'000
Value of Heritage Assets held by Council					
Works of art	18,784	6	-	4,000	22,790
Civic Regalia	389	-	-	-	389
TOTAL HERITAGE ASSETS	**19,173**	**6**	**-**	**4,000**	**23,179**

15a Investment Properties (continued)

The fair value of investment properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the levels of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

The income and expenditure on investment assets was as follows:

	2024/25 £'000	2025/26 £'000
Rental income from investment property	-	(1,184)
Fair value adjustments - (upwards)/downwards revaluation	-	-
Direct operating expenses arising from investment property	-	281
Net (gain)/loss included in Financing and Investment Income in CIES	**-**	**(903)**

The movement in the fair value of investment properties held was as follows:

	2024/25 £'000	2025/26 £'000
Balance as at 1 April	**-**	**-**
Additions	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	-	-
Transfers (to)/from property, plant and equipment (PPE)	-	76,455
Balance as at 31 March	**-**	**76,455**

After a review of the Council's asset portfolio it was decided that assets previously revalued as part of Property Plant & Equipment, would be valued as Investment Property. As per Code Guidance at the point of transfer the assets are valued at fair value as an investment property with the gain or loss recognised as a revaluation gain or loss in accordance with IAS 16 (IAS 40, paragraph 61). Gains or losses arising from changes in the fair value of the investment property are recognised in the surplus or deficit on the provision of services – financing and investment income and expenditure line.

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 2025 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000
Financial Assets						
Financial Assets - Fair Value through profit and loss*						
Investments	53,651	54,670	20,103	59	73,754	54,729
Financial Assets at Amortised Cost						
Investments	-	-	778	242	778	242
Trade Debtors	750	710	84,951	81,213	85,701	81,923
Cash and Cash Equivalents	-	-	209,966	108,206	209,966	108,206
Total Financial Assets	**54,401**	**55,380**	**315,798**	**189,720**	**370,199**	**245,100**
Financial Liabilities						
Financial Liabilities at Amortised Cost						
Bank Overdrafts	-	-	(64,297)	(28,951)	(64,297)	(28,951)
Borrowing	(68,709)	(68,709)	(381)	(381)	(69,090)	(69,090)
Trade Creditors	-	-	(100,561)	(91,406)	(100,561)	(91,406)
Service Concessions and Finance Leases	(62,803)	(69,342)	(9,803)	(11,704)	(72,606)	(81,046)
Total Financial Liabilities	**(131,512)**	**(138,051)**	**(175,042)**	**(132,442)**	**(306,554)**	**(270,493)**

*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:

	2024/25			2025/26		
	Financial Liabilities measured at amortised cost £'000	Financial Assets measured at amortised cost £'000	Financial Assets measured at FVPL* £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets measured at amortised cost £'000	Financial Assets measured at FVPL* £'000
Interest expense	11,563	-	-	7,491	-	-
Interest income	-	(625)	-	-	(105)	-
Money Market Funds (Cash Equivalents)	-	(6,318)	-	-	(3,490)	-
Pooled Funds	-	-	(4,515)	-	-	(4,234)
Net (Gain)/Loss for the year	**11,563**	**(6,943)**	**(4,515)**	**7,491**	**(3,595)**	**(4,234)**

*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 2025 Carrying Amount £'000	31 March 2025 Fair Value £'000	31 March 2026 Carrying Amount £'000	31 March 2026 Fair Value £'000
Borrowing held at amortised cost					
Public Works Loans Board	Level 2	(51,518)	(25,187)	(51,518)	(24,667)
Market Loans - Fixed Interest	Level 2	(17,571)	(13,546)	(17,572)	(13,172)
Service Concessions	Level 2	(17,442)		(11,173)	
Leases	Level 2	(55,164)		(69,873)	
Financial Liabilities		**(141,696)**	**(38,733)**	**(150,136)**	**(37,838)**

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 2024/25).

Financial Asset Class	31 March 2025 £'000	31 March 2026 £'000
Long-term Investments		
Pooled investment funds with financial institutions	53,651	54,670
Short-term investments		
Pooled investment funds with financial institutions	20,103	59
Cash Equivalents		
Fixed-term/call account deposits with financial institutions	1,000	1,000
MMFs with financial institutions	99,079	15,910
TOTAL	**173,833**	**71,639**

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.

	31 March 2025		31 March 2026	
	Gross debtors £'000	Loss allowance £'000	Gross debtors £'000	Loss allowance £'000
Long-term trade debtors	750	-	710	-
NHS	8,374	-	4,108	-
Tower Hamlets Homes Ltd	6,081	-	-	-
Leaseholders	35,427	(4,381)	39,383	(4,348)
Tenants (HRA and temporary accommodation)	26,837	(23,523)	25,863	(23,480)
Other	44,977	(9,202)	90,809	(51,122)
TOTAL	**122,446**	**(37,106)**	**160,873**	**(78,950)**

Movements in loss allowance are summarised

	31 March 2025 Gross debtors £'000	Write offs £'000	Increase £'000	31 March 2026 Loss allowance £'000
Leaseholders	(4,381)	-	33	(4,348)
Tenants (HRA and temporary accommodation)	(23,523)	600	(557)	(23,480)
Other - As originally stated	(9,202)			
Gross up of net elements	(26,499)			
Other Loss Allowance restated*	(35,701)	-	(15,421)	(51,122)
TOTAL	**(63,605)**	**600**	**(15,945)**	**(78,950)**

*The loss allowance as originally stated has been revised for some debtors originally shown net

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. This includes an estimate of the impact of future macro-economic factors on the 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, including an estimate of future macro-economic factors on the amounts received. In 2025/26, £0.600m was written off (£0.354m in 2024/25).

For others, the loss allowance is calculated by means of mostly reviewing outstanding debts and assessing on an individual basis (including an estimate of the impact of future macro-economic factors on collection), but using collective assessment in the segment of adult social care customers; no component element of the loss allowance is significant. In the year, £Nil was written off (£0.029m in 2024/25).

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 meets 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 2025 £'000	31 March 2026 £'000
Public Works Loans Board	107,570	106,263
Market debt	57,366	56,607
PFI / Finance Leases	155,274	158,818
Total	**320,210**	**321,688**
Less than 1 year	19,045	26,002
Between 1 and 2 years	21,724	21,503
Between 2 and 5 years	30,098	26,795
Between 5 and 10 years	33,455	33,263
More than 10 years	215,888	214,125
Total	**320,210**	**321,688**

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

- 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.

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 2026, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as follows:

Interest Rate Risk	2024/25 £'000	2025/26 £'000
Increase in interest receivable on variable rate investments (1%)	(10)	(10)
Impact on Income and Expenditure Account	**(10)**	**(10)**

Fair Value Movements	2024/25 £'000	2025/26 £'000
Decrease in fair value of fixed rate borrowing liabilities (1%)	8,041	7,661
Increase in fair value of fixed rate borrowing liabilities (1%)	(5,938)	(5,694)
Impact on Income and Expenditure Account	**2,103**	**1,967**

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 2026	Total £'000	0-1 year old £'000	1-2 years old £'000	2+ years old £'000
Council Tax and Court Costs	17,517	7,357	2,978	7,182
National Non Domestic Rates	6,029	2,894	2,110	1,025
Housing Benefits Overpayments	6,547	1,510	1,611	3,426
Community Infrastructure Levy	13,830	13,830	-	-
Parking	2,727	2,727	-	-
Total	**46,650**	**28,318**	**6,699**	**11,633**

Balances at 31 March 2025	Total £'000	0-1 year old £'000	1-2 years old £'000	2+ years old £'000
Council Tax and Court Costs	18,635	10,940	3,616	4,079
National Non Domestic Rates	2,224	2,158	66	-
Housing Benefits Overpayments	8,329	1,966	2,097	4,266
Community Infrastructure Levy	19,033	19,033	-	-
Parking	1,713	1,713	-	-
Total	**49,934**	**35,810**	**5,779**	**8,345**

18 Short Term Debtors

	31 March 2025 £'000	31 March 2026 £'000
Trade & Other	65,069	56,685
Housing Benefit	22,954	19,919
Housing Rents & Service Charge	64,821	65,246
Parking	28,212	39,003
HM Revenue & Customs	19,792	21,242
Service Accruals	25,180	22,832
Payments in Advance	10,132	9,577
Relating to Collection Fund		
Due From Precepting Bodies	6,514	1,079
Council Tax	35,480	43,739
Non Domestic Rates	8,640	12,833
Bad Debt Provision		
Trade	(12,399)	(14,847)
Housing Benefit	(14,624)	(13,373)
Housing Rents & Service Charge	(27,904)	(27,828)
Parking	(26,499)	(36,276)
Council Tax	(20,816)	(26,222)
Non-Domestic Rates	(5,593)	(6,802)
Total	**178,959**	**166,806**

19 Cash and Cash Equivalents

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

	31 March 2025 £'000	31 March 2026 £'000
Shown in Current assets		
Cash held by the Council	109,887	91,296
Short-term deposits with banks, building societies and lo	1,000	1,000
Money market funds	99,079	15,910
Cash and cash equivalents	**209,966**	**108,206**
Shown in Current Liabilities		
Cash and cash equivalents - Bank overdraft	(64,297)	(28,951)
Total Cash and Cash Equivalents	**145,669**	**79,255**

20 Short-term Creditors

	31 March 2025 £'000	31 March 2026 £'000
Trade & Other	(45,572)	(51,124)
Housing Benefit	(11,573)	(4,264)
Housing Rents & Service Charge	(6,904)	(7,257)
HM Revenue & Customs	(6,955)	(9,672)
Service Accruals	(65,051)	(57,065)
Receipts in Advance	(26,854)	(14,106)
Mayoral Community Infrastructure Levy	(1,705)	(5,646)
PFI and Finance Leases	(9,803)	(11,704)
Relating to Collection Fund		
Due to Precepting Bodies	(13,631)	(20,476)
Council Tax	(13,370)	(14,089)
Non Domestic Rates	(10,168)	(8,327)
Total	**(211,586)**	**(203,730)**

21 Provisions

Short-term Provisions*	Balance at 31 March 2024 £'000	Amounts used or written back £'000	Contributions or transfers £'000	Balance at 31 March 2025 £'000	Amounts used or written back £'000	Contributions or transfers £'000	Balance at 31 March 2026 £'000
(a) Business rates appeals	(10,708)	5,989	(7,382)	(12,101)	3,310	(5,491)	(14,282)
(b) Insurance Fund	(1,070)	966	(1,053)	(1,157)	567	(835)	(1,425)
(c) Water Charges	(1,457)	1,457	-	-	-	-	-
(d) Restructuring costs	(1,483)	1,483	-	-	-	-	-
(e) Litigation Damages	(500)	500	(390)	(390)	390	-	-
(f) Contract uplifts	-	-	(306)	(306)	306	-	-
Total	**(15,218)**	**10,395**	**(9,131)**	**(13,954)**	**4,573**	**(6,326)**	**(15,707)**

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

Long-term Provisions	Balance at 31 March 2024 £'000	Amounts used or written back £'000	Contributions or transfers £'000	Balance at 31 March 2025 £'000	Amounts used or written back £'000	Contributions or transfers £'000	Balance at 31 March 2026 £'000
(b) Insurance Fund	(2,310)	-	(361)	(2,671)	-	(100)	(2,771)
(g) Disrepairs	(1,170)	1,170	(1,518)	(1,518)	1,346	(1,922)	(2,094)
(h) Employment Disputes	(400)	250	(180)	(330)	-	(399)	(729)
Total	**(3,880)**	**1,420**	**(2,059)**	**(4,519)**	**1,346**	**(2,421)**	**(5,594)**

(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 approved a number of requests for voluntary redundancy and early retirement in 2024-25 that become effective in 2025-26. A provision was made for the redundancy costs arising from the decisions made in 2024/25. There was no similar programme in 2025-26 and so no provision is required.

(e) A claim was made for costs and damages relating to a licencing issue in 2023-24 for which a prudent provision was made based on the best information available at the time. An agreement was reached on some aspects of the claim in 2024-25 with a final conclusion reached in 2025-26. No provision is required after this period.

(f) A provision was made in 2024-25 for expected additional costs arising on adult social care contracts arising from contract price negotiations that were in progress. The provision is no longer required.

(g) Provision for legal costs relating to the disrepair of Council properties.

(h) Provision for settlements or costs incurred in employment and other legal disputes.

22 Usable Reserves

31 March 2025 £'000		31 March 2026 £'000
(21,234)	General Fund	(25,034)
(34,080)	Housing Revenue Account	(21,527)
(161,362)	Earmarked Reserves	(116,087)
(149,425)	Capital Receipts Reserve	(131,831)
(244,552)	Capital Grants Unapplied	(236,529)
(9,816)	Major Repairs Reserve	-
(620,469)	**Total Usable Reserves**	**(531,007)**

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

2024/25 £'000		2025/26 £'000
(160,468)	Balance at 1 April	(149,425)
(17,423)	Capital Receipts in year	(24,951)
28,466	Capital Receipts used for financing	42,545
(149,425)	**Balance at 31 March**	**(131,831)**

Capital Grants Unapplied

2024/25 £'000		2025/26 £'000
(236,974)	Balance at 1 April	(244,552)
(9,156)	Community Infrastructure Levy (CIL) recognised in year	-
(34,608)	Other Capital grants recognised in year	(48,444)
4,420	CIL applied	9,675
30,961	Other Capital grants and contributions applied	43,092
805	Transfer to Earmarked Reserves	3,700
(244,552)	**Balance at 31 March**	**(236,529)**

Of the Capital Grants Reserve balance above, CIL balances as at 31 March 2025 and 2026 are £97.073m and £84.158m respectively.

Major Repairs Reserve

2024/25 £'000		2025/26 £'000
(7,711)	Balance at 1 April	(9,816)
(17,027)	Transfer from Capital Adjustment Account - depreciation	(19,712)
14,922	Financing of capital expenditure	29,528
(9,816)	**Balance at 31 March**	**-**

23 Unusable Reserves

31 March 2025 £'000		31 March 2026 £'000
(966,781)	Revaluation Reserve	(1,124,893)
(1,553,226)	Capital Adjustment Account	(1,568,749)
15,240	Financial Instruments Adjustment Account	14,805
185,516	Pensions Reserve	38,009
24,916	Collection Fund Adjustment Account	13,545
3,514	Accumulated Absences Account	4,062
2,246	Pooled Investment Fund Adjustment Account	1,330
20,116	Dedicated Schools Grant Adjustment Account	35,228
(2,268,459)	**Total Unusable Reserves**	**(2,586,664)**

Revaluation Reserve

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

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

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

2024/25 £'000			2025/26 £'000
(983,034)	**Balance at 1 April**		**(966,781)**
(169,565)	Upward revaluation of assets	(473,297)	
162,484	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	297,417	
(7,081)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**(175,880)**
7,516	Difference between current value depreciation and historical cost depreciation	8,517	
15,818	Accumulated gains on assets sold or scrapped	9,251	
23,334	**Amount written off to the Capital Adjustment Account**		**17,768**
(966,781)	**Balance at 31 March**		**(1,124,893)**

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.

2024/25 £'000			2025/26 £'000
(1,559,677)	**Balance at 1 April**		**(1,553,226)**
(4,521)	Adjustment for transition to IFRS16		-
(1,564,198)	**Adjusted Balance at 1 April**		**(1,553,226)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
53,934	Charges for depreciation and impairment of non-current assets	59,868	
1,218	Charges for amortisation of intangible non-current assets	1,039	
(36,518)	Revaluation losses and reversals on Property, Plant and Equipment	84,094	
11,497	Revenue expenditure funded from capital under statute	18,152	
120,718	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	23,860	
-	Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure	(2,673)	
150,849			**184,340**
(23,334)	Adjusting amounts written out of the Revaluation Reserve		(17,768)
127,515	**Net written out amount of the cost of non-current assets consumed in the year**		**166,572**
	Capital financing applied in the year:		
(28,466)	Use of the Capital Receipts Reserve to finance new capital expenditure	(42,545)	
(14,922)	Use of the Major Repairs Reserve to finance new capital expenditure	(29,527)	
(59,105)	Application of grants and contributions to capital financing from the Capital Grants Unapplied Account	(80,514)	
(11,233)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(14,732)	
(2,817)	Capital expenditure charged against the General Fund and HRA balances	(14,778)	
(116,543)			**(182,095)**
(1,553,226)	**Balance at 31 March**		**(1,568,749)**

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 original loan which was to 31 March 2060.

2024/25 £'000		2025/26 £'000
15,677	**Balance at 1 April**	**15,240**
(437)	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	(435)
15,240	**Balance at 31 March**	**14,805**

Pensions Reserve

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

2024/25 £'000		2025/26 £'000
180,515	**Balance at 1 April**	**185,516**
30,922	Actuarial (gains) or losses on pensions assets and liabilities, including the effect of the asset ceiling	(134,434)
29,396	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	45,352
(55,317)	Employer's pensions contributions and direct payments to pensioners payable in the year	(58,425)
185,516	**Balance at 31 March**	**38,009**

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.

2024/25 £'000		2025/26 £'000
23,827	**Balance at 1 April**	**24,916**
1,089	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	(11,371)
24,916	**Balance at 31 March**	**13,545**

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.

2024/25 £'000			2025/26 £'000
5,342	**Balance at 1 April**		**3,514**
(5,342)	Settlement or cancellation of accrual made at the end of the preceding year	(3,514)	
3,514	Amounts accrued at the end of the current year	4,062	
(1,828)	**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**		548
3,514	**Balance at 31 March**		**4,062**

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.

2024/25 £'000			2025/26 £'000
2,439	**Balance at 1 April**		**2,246**
(274)	Upward revaluation of investments	(1,624)	
81	Downward revaluation of investments	708	
			(916)
2,246	**Balance at 31 March**		**1,330**

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 years currently up to 2027/28. 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.

2024/25 £'000		2025/26 £'000
15,828	**Balance at 1 April**	**20,116**
4,288	In year Dedicated Schools Grant deficit	15,112
20,116	**Balance at 31 March**	**35,228**

24 Notes to the Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2024/25 £'000		2025/26 £'000
861	Interest received	742
(11,434)	Interest paid	(7,491)
(10,573)		**(6,749)**

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

2024/25 £'000		2025/26 £'000
53,934	Depreciation	59,868
1,218	Amortisation	1,039
(36,518)	Revaluation of Non - Current Assets	84,094
27,854	Increase/(Decrease) in Creditors	(20,475)
(8,482)	(Increase)/Decrease in Debtors	19,946
(25,921)	Movement in Pension Liability	(13,073)
120,717	Carrying amount of non-current assets sold (property, plant and equipment and intangible assets)	23,860
(715)	Other non-cash items charged to the net surplus or deficit on the provision of services	1,832
132,087		**157,091**

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

2024/25 £'000		2025/26 £'000
-	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	19,942
(17,423)	Proceeds from the sale of property plant and equipment and intangible assets	(24,951)
(67,485)	Any other items (including grants) for which the cash effects are investing or financing cash flows	(78,863)
(84,908)		**(83,872)**

25 Notes to the Cash Flow Statement - Investment Activities

2024/25 £'000		2025/26 £'000
(123,589)	Purchase of Property, Plant and Equipment and Intangible Assets	(171,612)
17,423	Proceeds from the sale of Property, Plant and Equipment and Intangible Assets	24,951
(106,166)	**Net cash flows from investing activities**	**(146,661)**

26 Notes to the Cash Flow Statement - Financing Activities

2024/25 £'000		2025/26 £'000
71,580	Other receipts from financing activities	87,512
(7,838)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(10,462)
8,616	Other payments for financing activities	11,549
72,358	**Net cash flows from financing activities**	**88,599**

27 Reconciliation of Financial Liabilities from Financial Activities

2025/26	Balance at 1 April 2025 £'000	Cash Flows £'000	Non-Cash Changes £'000	Balance at 31 March 2026 £'000
Long-term Borrowings	**(68,709)**	-	-	**(68,709)**
Short-term Borrowings	**(332)**	-	-	**(332)**
Lease Liabilities	**(55,164)**	4,426	(19,135)	**(69,873)**
PFI Liabilities	**(17,442)**	6,214	55	**(11,173)**
Total	**(141,647)**	**10,640**	**(19,080)**	**(150,087)**

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)**	-	-	**(332)**
Lease Liabilities	**(26,413)**	2,726	(31,477)	**(55,164)**
PFI Liabilities	**(19,607)**	5,113	(2,948)	**(17,442)**
Total	**(115,061)**	**7,839**	**(34,425)**	**(141,647)**

* All Non-Cash Changes in 2024-25 arose from the remeasurement of Leases under IFRS16.

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 £11,578k in 2025/26 (£11,115k in 2024/25) from the Minimum and Additional NHS Contribution to Adult Social Care.

	2024/25 £'000	2025/26 £'000
Income		
The Council	(35,160)	(36,174)
NHS North East London Integrated Commissioning Board	(31,182)	(31,182)
	(66,342)	**(67,356)**
Expenditure		
The Council	32,662	32,540
NHS Providers	28,853	28,862
Charity and Private Sector Providers	4,827	5,954
	66,342	**67,356**
Surplus/(Deficit) for the year	**-**	**-**

29 Members' Allowances

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

	2024/25 £'000	2025/26 £'000
Allowances	990	993
Total	**990**	**993**

30 OFFICERS' REMUNERATION

Senior Employees

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

2025/26	Salary, Fees and Allowances (Permanent)* £	Salary, Fees and Allowances (Agency)* £	Compensation for Loss of Office £	Pension Contribution £	Other £	Total £
Mr S Halsey - Chief Executive	243,114			43,388		**286,502**
Corporate Directors						
Mr S Reddy - Children's Services	189,151			35,160		**224,311**
Ms G Chimbani - Health & Adult Social Care	187,132			34,765		**221,897**
Mr S Baxter - Communities [1]	139,999			25,244		**165,243**
Ms G Marston - Communities [2]		28,631				**28,631**
Mr A Kassim - Resources [3]	173,731			32,089		**205,820**
Miss J Lorraine - Resources [4]	39,543		106,770	7,355		**153,668**
Mr R Ennis - Resources [5]		36,265				**36,265**
Mr D Joyce - Housing & Regeneration	187,177			34,815		**221,992**
Other Directors						
Legal	130,213			24,186		**154,399**
Public Health	126,420			23,514		**149,934**
Mr R Beattie - Strategy, Improvement & Transformation and Corporate Development Leadership Consultant [6,7]		175,572				**175,572**
P Shakespeare - Interim Head of Corporate Human Resources [8]		209,617				**209,617**
Communications & Marketing	120,944			22,496		**143,440**
Head of Mayors Office [9]	74,290			13,818		**88,108**
Mr J Lloyd - Strategic Director Change & Improvement [10]	126,461			23,584		**150,045**
Tackling Inequality & Engagement [11]	95,650			22,433		**118,083**
Workforce OD & Business Support [12]	40,632			7,558		**48,190**
Other						
Mr K Bromley- Derry - Ministerial Envoy	136,982					**136,982**
Mr D Lye - Headteacher	150,680			43,315		**193,995**

[1] *Ended 04/01/2026*

[2] *Started 18/02/2026. Individuals gross payments was £17,965 after agency fees and other employer on costs were deducted*

[3] *Covered Corporate Director for Resources role 12/06/2025 to 02/03/2026. Currently showing full years cost*

[4] *Left 11/06/2025*

[5] *Started 03/03/2026. Individuals gross payments was £22,727 after agency fees and other employer on costs were deducted*

[6] *Strategy Improvement and Transformation role ended 01/06/2025. Individuals gross payments was £27,550 after agency fees and other employer on costs were deducted*

[7] *Started as Corporate Development Leadership Consultant on 02/06/2025. Individuals gross payments was £95,950 after agency fees and other employer on costs were deducted*

[8] *Ended 10/01/2026. Individuals gross payments was £137,771 after agency fees and other other employer on costs were deducted*

[9] *From 01/04/2025 to 21/07/2025. Currently showing full years costs*

[10] *Started 03/07/2025*

[11] *Returnred from Maternity 21/07/2025. Started 22/09/2025 as Tackling Inequality & Engagement Director*

[12] *Started 15/12/2025*

**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:

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[4]	244,952			35,420		**280,372**
Mr P Patterson - Housing & Regeneration[5]		151,149				**151,149**
Mr D Joyce - Housing & Regeneration[6]	90,000			16,740		**106,740**
Other Directors						
Ms L Walker - Legal & Monitoring Officer[7]		205,941				**205,941**
Legal[8]	49,661			7,749		**57,410**
Public Health[9]	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[10]	90,460			17,983		**108,443**
Head of Mayors Office[11]	24,650			4,585		**29,235**

[1] Left 21/04/24
[2] From 22/04/2024 to 30/09/2024
[3] From 29/08/2024
[4] £18,548 of this relates to expenses and their related tax liabilities paid in 2023/24
[5] Left 15/10/2024
[6] From 01/10/2024
[7] Director of Legal and Monitoring Officer until 1/12/2024. Continued as Monitoring Officer for the remainder of the year.
[8] From 02/12/2024
[9] From 01/04/2024 to 21/04/2024 and 01/10/2024 to 31/03/2025
[10] Maternity Leave from 04/12/2024
[11] From 26/11/2024
**inclusive of oncosts and agency fees where applicable*

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; only officers whose full remuneration is reflected in the preceding Senior Employees note have been excluded from this note. 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 (£)	2024/25 Number of employees	2025/26 Number of employees
50,000 - 54,999	674	703
55,000 - 59,999	632	624
60,000 - 64,999	469	520
65,000 - 69,999	242	328
70,000 - 74,999	149	174
75,000 - 79,999	86	140
80,000 - 84,999	55	46
85,000 - 89,999	52	57
90,000 - 94,999	35	57
95,000 - 99,999	22	19
100,000 - 104,999	11	17
105,000 - 109,999	13	7
110,000 - 114,999	9	12
115,000 - 119,999	8	7
120,000 - 124,999	5	7
125,000 - 129,999	4	8
130,000 - 134,999	7	4
135,000 - 139,999	2	5
140,000 - 144,999	-	5
145,000 - 149,999	1	-
150,000 - 154,999	-	1
	2,476	**2,741**

Exit Payments

The number of exit packages with total cost per band, including the total cost of the compulsory and other redundancies, are set out in the table below. The numbers and costs include packages agreed at the end of the year but not paid. Costs include the costs of pension fund strain where applicable.

Exit Package cost band (£)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£'000)	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
0 - 20,000	6	2	35	45	41	47	313	360
20,001 - 40,000	-	-	16	25	16	25	441	651
40,001 - 60,000	-	1	2	10	2	11	113	513
60,001 - 80,000	-	1	-	5	-	6	-	427
80,001 - 100,000	-	-	1	5	1	5	88	469
100,001 - 150,000	-	-	2	2	2	2	238	217
150,001 - 200,000	-	1	1	1	1	2	168	338
200,001 - 250,000	-	-	-	-	-	-	-	-
250,001 - 300,000	-	-	-	-	-	-	-	-
300,001 - 350,000	-	-	-	-	-	-	-	-
Total	**6**	**5**	**57**	**93**	**63**	**98**	**1,361**	**2,975**

31 Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the amounts recognised under IFRS 16 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.

	2024/25 £'000	2025/26 £'000
Expenditure		
Property, Plant and Equipment	106,504	170,948
Adjustment to Property, Plant and Equipment - IFRS16 remeasurements	10,698	22,544
Heritage Assets	20	7
Intangible Assets	-	-
Revenue Expenditure Funded from Capital Under Statute	11,497	18,152
TOTAL	**128,719**	**211,651**
Sources of Finance		
Borrowing	12,714	21,743
In year adjustment to Borrowing from IFRS16 remeasurements	10,698	22,544
Capital Grants and Contributions	59,102	80,514
Capital Receipts	28,466	42,545
Major Repairs Reserve	14,922	29,527
Direct Revenue Funding	2,817	14,778
TOTAL	**128,719**	**211,651**

	2024/25 £'000	2025/26 £'000
Opening Capital Financing Requirement	**593,367**	**629,270**
Adjustment for transition to IFRS16	**23,724**	-
Adjusted Opening Capital Financing Requirement	**617,091**	**629,270**
Capital investment		
Property, Plant and Equipment	106,504	170,948
Property, Plant and Equipment - IFRS16 remeasurements	10,698	22,544
Heritage Assets	20	7
Intangible Assets	-	-
Revenue Expenditure Funded from Capital under Statute	11,497	18,152
Sources of finance		
Capital Grants and Contributions	(59,102)	(80,514)
Capital Receipts	(28,466)	(42,545)
Major Repairs Reserve	(14,922)	(29,527)
Sums set aside from revenue:		
· Direct Revenue Funding	(2,817)	(14,778)
· Minimum Revenue Provision	(11,042)	(14,515)
· HRA Revenue Provision for Debt Repayment on Finance Lease Principal	(191)	(217)
Closing Capital Financing Requirement	**629,270**	**658,825**
Explanation of movements in year		
Adjustment for transition to IFRS16	23,724	-
Increase in underlying need for borrowing (unsupported by government financial assistance)	12,714	21,743
New leases/lease remeasurements	10,698	22,544
Statutory provision for repayment of debt (Minimum Revenue Provision)	(3,395)	(3,964)
Statutory provision for PFI and Finance Lease debt (Minimum Revenue Provision)	(7,838)	(10,768)
Increase/(decrease) in Capital Financing Requirement	**35,903**	**29,555**

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.

	2024/25 £'000	2025/26 £'000
Fees payable to appointed external auditor with regard to external audit services	539	555
Total	**539**	**555**

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 2025/26	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
A	Final DSG for 2025/26 before academy and high needs recoupment			(464,472)
B	Academy and high needs figure recouped for 2025/26			117,096
C	Total DSG after academy and high needs recoupment for 2025/26			(347,376)
D	Plus: Brought forward from 2024/25			-
E	Less: Carry-forward to 2025/26 agreed in advance			-
F	Agreed initial budgeted distribution in 2025/26	(86,406)	(260,970)	(347,376)
G	In-year adjustments	-	-	-
H	Final budget distribution for 2025/26	(86,406)	(260,970)	(347,376)
I	Less: Actual central expenditure	102,823	-	102,823
J	Less: Actual ISB deployed to schools	-	259,665	259,665
K	Plus: Local authority contribution for 2025/26	-	-	-
L	In-year carry-forward to 2026/27	16,417	(1,305)	15,112
	Plus: Carry-forward to 2026/27 agreed in advance			-
	Carry-forward to 2026/27			-
	DSG unusable reserve at the end of 2024/25			20,116
	Addition to DSG unusable reserve at the end of 2025/26			15,112
	Total of DSG unusable reserve at the end of 2025/26			35,228
	Net DSG position at the end of 2025/26			**35,228**

A Final DSG figure before any amount has been recouped from the authority excluding the January 2026 early years block adjustment.

B Figure recouped from the authority in 2025/26 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 2025/26.

D Figure brought forward from 2024/25, positive or negative.

E Any amount which the authority decided after consultation with the schools forum to carry forward to 2026/27 rather than distribute in 2025/26 – this may be the difference between estimated and final DSG for 2025/26, or a figure (positive or negative) brought forward from 2024/25 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 2025/26 – 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 2025/26 which will have the effect of substituting for DSG in funding the schools budget.

L Carry-forward to 2026/27, 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

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)	(249,198)	(330,694)
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	-	-	-
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).

34 Grants Income

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

Grants Income in Comprehensive Income and Expenditure Account	31 March 2025 £'000	31 March 2026 £'000
Grants Credited to Services		
Capital Grants funding REFCUS	(3,783)	(9,218)
Developers' Contributions (capital) funding REFCUS	(860)	(927)
Developers' Contributions (revenue)	(5,199)	(5,372)
Dedicated Schools Grant	(327,131)	(342,340)
Family Hubs & Start for Life Programme	(1,394)	(1,490)
PFI Credits	(9,380)	(9,380)
National Tutoring Programme	(320)	-
Recovery Premium Grant	(720)	-
School Sixth Form Grant	(14,505)	(14,384)
Pupil Premium Grant	(16,761)	(16,830)
Public Health Grant	(39,507)	(41,943)
Housing Benefit Subsidy	(161,975)	(127,063)
Improved Better Care Fund	(16,810)	-
NHS Contributions	(18,808)	(18,994)
Community Infrastructure Levy (revenue)	(780)	(25,183)
Universal Infant Free School Meals	(2,197)	(2,001)
Community Learning	(2,659)	(2,739)
Social Care Grant	(34,012)	(40,347)
Teachers' Pay Grant	(3,864)	(55)
Unaccompanied Asylum Seeker Grant	(2,549)	(710)
Physical Education and Sport	(1,041)	(902)
Tackling Troubled Families	(1,795)	-
Rough Sleeping Initiative Grant	(1,623)	(2,307)
Homelessness Prevention Grant	(7,606)	(11,857)
Adult Social Care (ASC) Discharge Fund	(3,928)	-
Leaving Care Unaccompanied Asylum Seeker Grant	(3,702)	(3,095)
Household Support Fund	(5,993)	(5,281)
Market Sustainability & Fair Cost of Care	(6,409)	(6,409)
Holiday Activities and Food Programme	(1,695)	(1,634)
Supp Substance Misuse Treatment & Rec Fund	(3,145)	(4,082)
MSIF Workforce Grant	(140)	-
London Mayor UFSM Programme	(3,435)	(3,481)
London Crime Prevention Fund (LCPF)	(1,074)	(967)
Teachers´ Pension Grant	(5,708)	(845)
Homes For Ukraine	(1,589)	(982)
TH-NIHR project	(1,090)	(1,126)
Core Schools Budget Grant	(5,565)	(4,500)
Asylum Dispersal Grant	-	(1,045)
Wraparound care (EYS)	-	(1,313)
Local Authority Better Care Grant	-	(20,738)
Extended Producer Responsibility for Packaging (pEPR)	-	(5,137)
Social Care Prevention Grant Children's Social Care (CSC)	-	(2,196)
Children and Family Grant	-	(2,684)
National Insurance contributions (NICs) Schools grant	-	(3,862)
Schools Budget Support Grant (SBSG)	-	(2,081)
Other Revenue Grants	(13,681)	(11,755)
Total Grants Credited to Services	**(732,433)**	**(757,257)**

34 Grants Income (continued)

Grants Income in Comprehensive Income and Expenditure Account	31 March 2025 £'000	31 March 2026 £'000
Total Grants Credited to Services (brought forward)	**(732,433)**	**(757,257)**
Credited to Taxation and Non-Specific Grants Income		
Non-Ringfenced Government Grants		
Business Rate Related Grants	(41,670)	(36,249)
Revenue Support Grant (Formula Grant)	(41,954)	(42,719)
Service Grant	(779)	-
New Homes Bonus	(2,171)	(4,411)
Employer National Insurance Contribution Grant	-	(3,294)
Recovery Grant	-	(5,130)
Other Non-ringfenced grants	(1,014)	(79)
Total Non-Ringfenced Government Grants	**(87,588)**	**(91,881)**
Capital Grants and Contributions		
Schools-funded Capital Programme	(698)	(462)
Major Works Contributions (cash received)	(2,913)	334
Capital Maintenance Grant	(4,767)	(4,500)
Community Infrastructure Levy (CIL)	(9,156)	3,240
GLA Building Council Homes for Londoners	-	-
High Needs Provision Capital	(1,053)	(3,362)
Developers' Contributions (capital)	(17,534)	(6,844)
Mulberry London Dock School	(6,523)	-
GLA Right to Buy Ringfence	(6,100)	-
Basic Need/New Pupil Places	(1,615)	(4,331)
Levelling Up Fund - Whitechapel Improvement	(1,323)	(2,400)
Council House Acquisition Prog	(2,340)	(19,459)
Local Authority Housing Fund (R3)	(3,323)	(5,001)
UKSPF Capital	(1,012)	-
Peppercorn Leases	(4,100)	(2,673)
Jade Wharf (London Dock,Wapping)	-	(5,100)
Local Electric Vehicle Infrastructure	-	(1,225)
Heron Wharf (Poplar Riverside)	-	(9,223)
TFL Funded Schemes		(1,079)
Other Capital Grants	(4,487)	(2,935)
Total Capital Grants and Contributions	**(66,944)**	**(65,019)**
Total Grants Income in Comprehensive Income and Expenditure Account	**(886,965)**	**(914,157)**

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 2025 £'000	31 March 2026 £'000
Capital Grants Receipts in Advance		
Developers' Contributions (capital)	(97,180)	(81,526)
South Dock Bridge	(1,164)	(1,164)
GLA Right to Buy Ringfence	(1,605)	(1,605)
Heron Wharf (Poplar Riverside)	-	(29,587)
Other conditional capital grants and contributions	(1,476)	(1,005)
Total Capital Grants Receipts in Advance	**(101,425)**	**(114,887)**
Revenue Grants Receipts in Advance		
Developers' Contributions (revenue)	(8,729)	(14,122)
Homes for Ukraine	(2,638)	(2,438)
Total Revenue Grants Receipts in Advance	**(11,367)**	**(16,560)**
Total Grants Receipt in Advance Balances	**(112,792)**	**(131,447)**

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. At the 31 March 2026 £8.6m was due from Cantral Government Departments and £30.5m was due to them.

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 was £4.1m, and £2.4m was due to them in total.

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. At the end of the year £1.2m was due from Local Authorities and £13.7m was due to them.

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. It is in the process of being wound up with this process expected to be completed in 2026/27.

During the year, the Council received £1.6m relating to the remaining reserves held by the Company. At 31 March 2026 £nil (2024/25 £6.1m) 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 £0.253m (24/25 £0.256m) from the Council, and paid £0.761m (24/25 £0.773m) for services provided. At the 31 March 2026 £0.070m cash was held by the Council on behalf of the Charity (24/25 £0.048m 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 is going through the process of being dissolved. At the year end, there were no balances due to or from the organisation.

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

Norton Folgate Almshouse

Norton Folgate Almshouse is a charity which has the aim of providing affordable housing in Spitalfields. There were no transactions with the charity and at the year end, there were no balances due to or from it.

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 there was nothing due to or from the organisation and dissolved November 2025.

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 £0.040m (2024/25 £0.168m) from the organisation and charged £0.030m (2024/25 £0.039m). At the year end £0.019m (2024/25 £0.023m) was due from the organisation.

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 £0.410m (2024/25 £0.237m) was due from the Trust.

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. There were no transactions with the charity and at the year end, there were no balances due to or from it.

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.

There were no transactions with the organisation and at the year end, there were no balances due to or from it.

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 0.200m in 2025/26 (2024/25 £0.387m) in pursuit of these aims and charged the Charity nil amount (2024/25 £0.017m) for the provision of services and premises. The Council also recovered the cost of staff seconded to the Charity during the year, amounting to £0.444m (2024/25 £0.467m). At the end of 31 March 2026 the Charity owed £0.219m (2024/25 £0.457m) 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 has voting rights of 26% to amend certain specific clauses of the memorandum and articles of association at meetings of the Charity.

35 Related Parties (continued)

Bromley by Bow Centre

Bromley by Bow Centre is a registered charity that supports vulnerable individuals and families.

The Council has appointed one Trustee to this organisation.

During the year the charity received £0.200m (2024/25: £0.500m) in funding from the Council which represented approximately 65% of its total income.

Wapping Bangladesh Association

Wapping Bangladesh Association is a registered charity that provides education and training, health and wellbeing support.

The Council has appointed one Trustee to this organisation.

During the year the charity received £0.120m (2024/25: £0.120m) in funding from the Council which represented 82% of its total income.

Westferry Community Organisation

Westferry Community Organisation is a registered charity and company limited by guarantee that provides community activities, education and training, and religious programmes.

The Council has appointed one Trustee to this organisation.

During the year the charity received £0.020m (2024/25: £0.020m) in funding which represents 18% of its total income.

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 2025/26 is shown in the Members Allowances Note and Senior Officers remuneration in the Officers Remuneration Note.

During the year, there were thirteen external organisations (2024/25: ten) 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 £0.200m (2024/25: £0.682m) was incurred with these organisations for goods and services, and £0.100m (2024/25: £0.081m) income was recorded from them for goods and services provided.

In addition a payroll service was provided for an organisation with payroll costs of £6.719m (2024/25 £6.562m) being recovered from them. At the end of the year, £0.020m (2024/25 £0.004m) was due from this organisation and £nil (2024/25 £0.043m) 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.

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.

The main addition in 2025/26 relates to new 10 year Temporary Accommodation leases entered.
This table shows the change in the carrying amount of right-of-use assets held under leases by the Council.

	COUNCIL DWELLINGS £'000	OTHER LAND AND BUILDINGS £'000	VEHICLES, PLANT, FURNITURE & EQUIPMENT £'000	TOTAL PROPERTY, PLANT AND EQUIPMENT £'000
At 31 March 2025	**9,397**	**33,887**	**6,312**	**49,596**
Additions	-	213	-	**213**
Additions Lease Remeasurement	1,222	21,875	268	**23,365**
Revaluations	(1,997)	9,533	-	**7,536**
Depreciation charge	(174)	(2,333)	(2,325)	**(4,832)**
Disposal/Derecognition	-	(3,687)	(707)	**(4,394)**
At 31 March 2026	**8,448**	**59,488**	**3,548**	**71,484**
Lease Liabilities as at 31 March 2025	**(21,270)**	**(28,579)**	**(5,316)**	**(55,165)**
Additions/ Remeasurement of lease	(1,220)	(18,435)	(145)	**(19,800)**
Repayments	216	2,294	1,916	**4,426**
Disposal/Derecognition	-	27	638	**665**
Lease Liabilities as at 31 March 2026	**(22,274)**	**(44,693)**	**(2,907)**	**(69,874)**

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 37.

	31 March 2025 £'000	31 March 2026 £'000
Less than one year	8,138	10,346
One to five years	24,464	31,157
More than five years	94,736	104,764
Total undiscounted liabilities	**127,338**	**146,267**

Lease transactions under leases

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

	2024/25 £'000	2025/26 £'000
Comprehensive Income and Expenditure Statement		
Interest expense on lease liabilities	8,894	4,551
Expense relating to short-term leases	175	360
Expense relating to leases of low-value items (excluding short-term leases)	73	19
Cash Flow Statement		
Total cash outflow for leases	9,142	4,930

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.

	31 March 2025 £'000	31 March 2026 £'000
Total Lease Income	(7,925)	(8,021)

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

	31 March 2025 £'000	31 March 2026 £'000
Less than one year	(5,683)	(5,596)
One to two years	(5,301)	(4,916)
Two to three years	(4,621)	(4,587)
Three to four years	(4,302)	(4,330)
Four to five years	(4,044)	(3,248)
More than five years	(19,279)	(16,942)
Total	**(43,230)**	**(39,619)**

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 , Old Ford and Virginia 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 2026 (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	(299)	(6,203)	(198)	(6,700)
Within 2 - 5 years	(597)	(3,876)	-	(4,473)
	(896)	**(10,079)**	**(198)**	**(11,173)**
Interest				
Within 1 year	101	1,167	-	1,268
Within 2 - 5 years	91	205	-	296
	192	**1,372**	**-**	**1,564**
Service Charges				
Within 1 year	673	2,638	-	3,311
Within 2 - 5 years	1,347	1,104	-	2,451
	2,020	**3,742**	**-**	**5,762**

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, as at 31 March 2026	Mulberry School £'000	Grouped Schools £'000	Barkantine Energy £'000	Total £'000
Liabilities at 31 March 2025	**(2,260)**	**(14,788)**	**(394)**	**(17,442)**
Repayments/Amortisation of deferred liability	424	5,593	197	6,214
Remeasurement of Lease Liability	940	(885)	-	55
Liabilities at 31 March 2026	**(896)**	**(10,080)**	**(197)**	**(11,173)**
Consisting of:				
Long-term liability	(597)	(3,876)	-	(4,473)
Short-term liability	(299)	(6,203)	(198)	(6,700)
Liability value at 31 March 2026	**(896)**	**(10,079)**	**(198)**	**(11,173)**

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 2024	**260,296**	**2,208**	**262,504**
Adjustment for transition to IFRS16	3,261	-	3,261
Asset value at 1 April 2024	**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**
Depreciation	(2,385)	(203)	(2,588)
Revaluations	83,046	842	83,888
Enhancements	800	-	800
Disposal	(7,529)	-	(7,529)
Lease Liability remeasurement	885	-	885
Asset value at 31 March 2026	**329,999**	**2,645**	**332,644**

Comparatives for the 2024/25 year are presented below.

Payments due under PFI schemes, as at 31 March 2025	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**

Movement on PFI Liabilities, as at 31 March 2025	Mulberry School £'000	Grouped Schools £'000	Barkantine Energy £'000	Total £'000
Liabilities at 31 March 2024	**(3,310)**	**(15,704)**	**(592)**	**(19,606)**
Adjustment for transition to IFRS16	420	(3,261)	-	(2,841)
Liabilities at 1 April 2024 on transition to IFRS 16	**(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)**

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	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement						
Cost of Services						
Current service costs	37,874	33,449	137	128	38,011	33,577
Past service costs	3,356	2,003	-	-	3,356	2,003
Impact of settlements	-	-	-	-	-	-
Finance and Investment Income and Expenditure						
Interest cost on defined benefit obligation	85,704	128,879	2,222	4,502	87,926	133,381
Interest income on plan assets	(96,051)	(119,271)	(3,846)	(4,338)	(99,897)	(123,609)
Net charge to the Surplus or Deficit on Provision of Services	***30,883***	***45,060***	***(1,487)***	***292***	***29,396***	***45,352***
Other Comprehensive Income and Expenditure						
Changes in demographic assumptions	(3,136)	(38,336)	(122)	598	(3,258)	(37,738)
Changes in financial assumptions	(278,117)	(48,537)	(3,657)	(1,029)	(281,774)	(49,566)
Other experience	(17,657)	55,259	(2)	1,066	(17,659)	56,325
Return on plan assets excluding amounts included in net interest	41,701	(57,201)	2,590	1,151	44,291	(56,050)
Effect of the asset ceiling actuarial gains / losses	286,555	(17,926)	2,767	(3,883)	289,322	(21,809)
Actuarial (gains) / losses	-	(27,549)	-	1,953	-	(25,596)
Total charge in Comprehensive Income and Expenditure Statement	***60,229***	***(89,230)***	***89***	***148***	***60,318***	***(89,082)***
Movement In Reserves Statement						
Reversal of net charges made for retirement benefits	(30,883)	(45,060)	1,487	(292)	(29,396)	(45,352)
Actual amount charged against the General Fund/HRA	55,009	58,121	308	304	55,317	58,425

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 2025/26 there were such payments of £0.775m (£0.796m in 2024/25).

Assets, Liabilities and Asset Ceiling in Relation to Retirement Benefits

Reconciliation of Present Value of Scheme Liabilities	The Council		LPFA		Total	
	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000
Opening balance at 1 April	(1,804,009)	(1,571,239)	(47,337)	(42,841)	(1,851,346)	(1,614,080)
Current service cost	(37,874)	(33,449)	(137)	(128)	(38,011)	(33,577)
Past service costs	(3,356)	(2,003)	-	-	(3,356)	(2,003)
Effect of settlements	-	-	-	-	-	-
Interest cost	(85,704)	(90,254)	(2,222)	(2,323)	(87,926)	(92,577)
Contributions	(14,177)	(15,556)	(43)	(42)	(14,220)	(15,598)
Benefits paid	74,971	68,600	3,117	3,534	78,088	72,134
Remeasurement gains / (losses):						
Changes in demographic assumptions	3,136	38,336	122	(598)	3,258	37,738
Changes in financial assumptions	278,117	48,537	3,657	1,029	281,774	49,566
Other experience	17,657	(55,259)	2	(1,066)	17,659	(56,325)
31 March	**(1,571,239)**	**(1,612,287)**	**(42,841)**	**(42,435)**	**(1,614,080)**	**(1,654,722)**

Reconciliation of Fair Value of Scheme Assets	The Council		LPFA		Total	
	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000
Opening fair value of scheme assets	2,005,329	2,053,894	81,163	79,653	2,086,492	2,133,547
Interest income	96,051	119,271	3,846	4,338	99,897	123,609
Effect of settlements	-	-	-	-	-	-
Contributions					-	-
Employees into the scheme	14,177	15,556	43	42	14,220	15,598
Employer	55,009	58,121	308	304	55,317	58,425
Benefits paid	(74,971)	(68,600)	(3,117)	(3,534)	(78,088)	(72,134)
Remeasurement gains / (losses):						
Return on plan assets	(41,701)	57,201	(2,590)	(1,151)	(44,291)	56,050
Actuarial gains/(losses)	-	27,549	-	(1,953)	-	25,596
31 March	**2,053,894**	**2,262,992**	**79,653**	**77,699**	**2,133,547**	**2,340,691**

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	
	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000
Opening asset ceiling	(379,869)	(666,424)	(35,792)	(38,559)	(415,661)	(704,983)
Interest impact on asset ceiling	-	(38,625)	-	(2,179)	-	(40,804)
Actuarial Losses / Gains	(286,555)	17,926	(2,767)	3,883	(289,322)	21,809
Closing Value of Asset Ceiling	**(666,424)**	**(687,123)**	**(38,559)**	**(36,855)**	**(704,983)**	**(723,978)**

Assets, Liabilities and Asset Ceiling Recognised in Balance Sheet	The Council		LPFA		Total	
	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000
Present value of scheme liabilities	(1,571,239)	(1,612,287)	(42,841)	(42,435)	(1,614,080)	(1,654,722)
Fair value of plan assets	2,053,894	2,262,992	79,653	77,699	2,133,547	2,340,691
Additional liability from asset ceiling	(666,424)	(687,123)	(38,559)	(36,855)	(704,983)	(723,978)
Total Asset/(Deficit) in the Schemes	**(183,769)**	**(36,418)**	**(1,747)**	**(1,591)**	**(185,516)**	**(38,009)**

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 2026.

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 27.0m in the year to 31 March 2027.

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	
	2024/25	2025/26	2024/25	2025/26
Long-term expected rate of return on assets in the scheme [1]				
Mortality assumptions:				
Longevity at 65 for current pensioners (years):				
Men	21.2	21.7	20.0	20.9
Women	23.8	24.2	23.1	23.9
Longevity at 65 for future pensioners (years):				
Men	22.2	22.5	21.2	21.8
Women	25.3	25.4	25.1	25.8
Rate of inflation	2.8%	3.0%	3.0%	2.9%
Rate of increase in salaries	2.8%	3.0%	2.8%	3.0%
Rate of increase in pensions	2.8%	3.0%	3.0%	2.9%
Rate for discounting scheme liabilities [1]	5.8%	6.2%	5.7%	5.9%

[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 2025.

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 2025, the weighted average duration of the defined benefit obligation for scheme members is 14 years.

38 Pension Schemes - Defined Benefit (continued)

Major categories of assets as a proportion of total assets

	The Council		LPFA	
	2024/25	2025/26	2024/25	2025/26
Equities	0%	0%	54%	40%
Private Equity	0%	0%	6%	5%
Bonds	11%	11%	4%	4%
Property	12%	12%	9%	10%
Investment/Hedge Funds and Unit Trusts*:			0%	0%
Equity-based	57%	57%		
Bond-based	17%	17%		
Hedge Funds	0%	0%		
Other	0%	0%		
Credit - unquoted	0%	0%	14%	17%
Infrastructure - unquoted	0%	0%	11%	12%
Cash	3%	3%	2%	3%

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

Impact of Potential Litigation

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.

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 council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes so for the purposes of this statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2025/26 the council paid £27.7m to Teachers’ Pensions in respect of teachers’ retirement benefits, representing 28.7% of pensionable pay. The figures for 2024/25 were £27.7m and 28.7%. 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 £28.5m (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 Council is unable to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes, so it is therefore accounted for on the same basis as a defined contribution scheme.

£0.04m million was payable into the scheme in 2025/26 by the Council (2024/25: £0.06m). This represents 23.7% of pensionable pay. The contributions due to be paid in the next financial year are estimated to be £0.05m. These amounts represent 23.7% of pensionable pay.

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

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:

2024/25 £'000		2025/26 £'000
(1,350)	Income	(1,416)
1,350	Expenditure	1,254
(2)	Net unrealised (gains)/losses on Investments	38
(2)	**(Surplus)/Deficit for the Year**	**(124)**
15,214	Fixed assets	23,614
234	Current assets	255
(335)	Creditors - amounts falling due within one year	(237)
15,113	**Net Current Assets**	**23,632**
15,160	Endowment funds	23,516
(47)	Unrestricted reserves	115
15,113	**Total Charity Funds**	**23,631**

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:

	2024/25 £'000	2025/26 £'000
Children's Services	(19,982)	(21,231)
Health and Adult Social Care	(9,588)	(6,395)
Housing and Regeneration	(53,321)	(57,766)
Chief Executive's	(38)	(2,587)
Local Authority Housing (Housing Revenue Account)	(113,180)	(118,136)
Resources	(2,213)	(2,715)
Corporate Cost and Central Items	-	(10,675)
Communities	(37,745)	(41,536)
Total included in Comprehensive Income and Expenditure Statement	**(236,067)**	**(261,041)**

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

	31 March 2025 £'000	31 March 2026 £'000
Receivables, which are included in debtors (Note 18)		
Housing and Tenant Rents	38,822	63,503
Other Entities and Individuals	19,575	15,492
Contract Liabilities	(9,234)	(8,367)
Total included in Net Assets	**49,163**	**70,627**

42 Contingent Liabilities

The Council is appealing to the Supreme Court against a succesful challenge in the lower courts on its decision to remove Low Traffic Neighbourhoods. The Council believes It wil be succesful in this appeal, but should it fail it will potentially be responsible for the costs of both sides. This is likely to be in the region of £0.5m but cannot be quantified at this stage with any degree of accuracy.

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).

	2024/25 £'000	2025/26 £'000
EXPENDITURE		
Repairs and maintenance	35,701	36,632
Supervision and management	48,720	47,705
Rents, rates, taxes and other charges	16,029	16,566
Depreciation of non-current assets		
On dwellings	15,560	17,636
On other assets	1,467	2,075
Revaluation losses (and reversals)	(42,780)	154,581
Debt management costs	109	117
Movement in the allowance for bad debts	2,047	246
Sums directed by the Secretary of State that are expenditure in accordance with the Code (REFCUS)	3,744	2,427
TOTAL EXPENDITURE	**80,597**	**277,986**
INCOME		
Gross rental income		
Dwelling rents	(81,899)	(83,346)
Non-dwelling rents	(4,765)	(4,200)
Charges for services and facilities	(38,037)	(40,822)
Contributions towards expenditure	(183)	(166)
TOTAL INCOME	**(124,884)**	**(128,535)**
NET COST OF HRA SERVICES AS INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT	(44,287)	149,451
HRA services share of Corporate and Democratic Core	143	143
NET COST OF HRA SERVICES	**(44,144)**	**149,594**
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	4,086	(11,794)
Interest payable and similar charges*	2,406	2,810
Interest and investment income*	-	(32)
Capital grants and contributions receivable	(16,713)	(19,125)
DEFICIT/(SURPLUS) FOR THE YEAR ON HRA SERVICES	**(54,365)**	**121,453**

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.

	2024/25		2025/26	
	£'000	£'000	£'000	£'000
Balance on the Statutory HRA Brought Forward		**(33,373)**		**(34,080)**
Deficit/(Surplus) for the year on the HRA Income and Expenditure Account	(54,365)		121,453	
Net additional amount required by statute to be debited to the HRA balance for the year	56,058		(108,900)	
Net (Increase) / Decrease before Transfers to Earmarked Reserves		**1,693**		**12,553**
Transfer to/(from) Earmarked Reserves		**(2,400)**		
Balance on the Statutory HRA Carried Forward		**(34,080)**		**(21,527)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Note to the Statement of Movement on the HRA Balance

	2024/25 £'000	£'000	2025/26 £'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	(3,744)		(2,427)	
Capital grants and contributions	16,713		19,125	
Gain or loss on sale of HRA non-current assets	(4,086)		11,794	
Depreciation of non-current assets	(17,027)		(19,712)	
Reversal of revaluation (losses) / gains on non-current assets	42,780		(154,581)	
Net charges made for retirement benefits in accordance with IAS19	3,769		4,353	
Total		**38,405**		**(141,448)**
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	-		12,184	
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	
Statutory provision for the financing of capital investment	191		217	
Transfer to Major Repairs Reserve	17,027		19,712	
Total		**17,653**		**32,548**
Adjustments Between Accounting Basis and Funding Basis to be Debited to the HRA Balance		**56,058**		**(108,900)**

2 Housing Stock

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

	2024/25 £'000	2025/26 £'000
Low-rise flats (1-2 storeys)	247	245
Medium-rise flats (3-5 storeys)	6,733	6,762
High-rise flats (6 or more storeys)	3,744	3,763
Houses and bungalows	785	782
Total at 31 March	**11,509**	**11,552**

3 Non-Current Assets

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

	2024/25 £'000	2025/26 £'000
Dwellings	1,206,514	1,093,128
Other Land and Buildings	164,708	139,972
Surplus Assets Not Held for Sale	17,392	22,983
Assets Under Construction	45,634	73,030
Investment Property	-	55,581
Total	**1,434,248**	**1,384,694**

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	Investment Property £'000	TOTAL £'000
Total value at 31 March 2024	1,189,267	97,315	16,901	45,792	-	**1,349,275**
Adjustment for transition to IFRS16	7,746	(151)	151	-	-	**7,746**
Adjusted Value at 1 April 2024	**1,197,013**	**97,164**	**17,052**	**45,792**	**-**	**1,357,021**
Additions, disposals, transfers and revaluations	9,501	67,544	340	(158)	-	**77,227**
Total value at 31 March 2025	**1,206,514**	**164,708**	**17,392**	**45,634**	**-**	**1,434,248**
Additions, disposals, transfers and revaluations	(113,386)	(24,736)	5,591	27,396	55,581	**(49,554)**
Total Value at 31 March 2026	**1,093,128**	**139,972**	**22,983**	**73,030**	**55,581**	**1,384,694**

The vacant possession value of dwellings within the Council's HRA was £4.373m in 2025/26 (24/25 £4.826m). 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

	2024/25 £'000	2025/26 £'000
Balance at 1 April	(7,711)	(9,816)
Transfer from Capital Adjustment Account - depreciation	(17,027)	(19,712)
Financing of capital expenditure	14,922	29,528
Balance at 31 March	**(9,816)**	**-**

5 Capital Transactions

(i) Capital expenditure and financing

	2024/25 £'000	2025/26 £'000
Expenditure	65,691	132,066
Sources of finance		
Borrowing	2,193	8,989
Capital Receipts	26,307	41,299
Capital Grants and Contributions	22,269	40,067
Major Repairs Reserve	14,922	29,527
Direct Revenue Funding	-	12,184
Total Capital Financing	**65,691**	**132,066**

(ii) Capital Receipts

Capital receipts (gross) in 2025/26 from the disposal of non-current assets within the HRA amounted to £24.970m (24/25 £17.438m) as follows:

	2024/25 £'000	2025/26 £'000
Dwellings	17,438	23,351
Other land and buildings	-	1,619
Total Capital Receipts	**17,438**	**24,970**

6 Depreciation

	2024/25 £'000	2025/26 £'000
Dwellings	15,560	17,636
Other Land and Buildings	1,283	1,889
Surplus Assets Not Held for Sale	184	187
Total Depreciation	**17,027**	**19,712**

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.

	2024/25 £'000	2025/26 £'000
HRA INCOME AND EXPENDITURE STATEMENT		
Cost of Services		
Current service costs	4,131	3,334
Net charge to the HRA Surplus or Deficit on Provision of Services	**4,131**	**3,334**
STATEMENT OF MOVEMENT IN HRA RESERVES		
Reversal of net charges made for retirement benefits	(4,131)	(3,334)
Employer's pensions contributions and direct pension costs	7,899	7,687

8 Rent Arrears

	2024/25 £'000	2025/26 £'000
Gross rent arrears at 31 March	6,257	6,256
Arrears as % of rent receivable	7.3%	7.0%
Provision made for bad debts	3,866	4,122

COLLECTION FUND

The Collection Fund Account is a statutory statement that records the billing authority's responsibility to maintain a separate Collection Fund. It details the Council's transactions as the billing authority, including the collection of Council Tax and Non-Domestic Rates from taxpayers and the subsequent distribution of these funds to precepting bodies and central government.

2024/25				2025/26		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
			INCOME			
-	(187,332)	**(187,332)**	Council Tax receivable	-	(206,846)	**(206,846)**
-	(331)	**(331)**	Council Tax discounts funded from billing authority General Fund	-	(303)	**(303)**
(428,405)	-	**(428,405)**	Business Rates receivable	(434,597)	-	**(434,597)**
-	-	**-**	Adjustments to Collection Fund Income	(390)	562	**172**
(3,745)	-	**(3,745)**	Transitional protection payments receivable	(1,422)	-	**(1,422)**
(12,206)	-	**(12,206)**	Business Rates Supplements (BRS) receivable	(13,450)	-	**(13,450)**
(444,356)	(187,663)	**(632,019)**	**Total Amounts to be credited**	(449,859)	(206,587)	**(656,446)**
			EXPENDITURE			
			Apportionment of previous year surplus/(deficit)			
(10,697)	-	**(10,697)**	Central Government	(13,973)	-	**(13,973)**
(9,724)	(1,367)	**(11,092)**	Tower Hamlets	(12,703)	(9,382)	**(22,085)**
(11,993)	(518)	**(12,511)**	Greater London Authority	(15,667)	(3,673)	**(19,340)**
			Precepts, demands and shares			
142,955	-	**142,955**	Central Government	144,657	-	**144,657**
129,959	138,168	**268,127**	Tower Hamlets	131,507	148,077	**279,584**
160,283	54,091	**214,374**	Greater London Authority	162,192	57,439	**219,631**
			Business Rate Supplement			
12,190	-	**12,190**	Payment to levying authority BRS revenue account	13,392	-	**13,392**
17	-	**17**	Administrative & Other Allowable costs	58	-	**58**
			Charges to the Collection Fund			
8,546	5,975	**14,521**	Current Year Write Offs	440	44	**484**
-	-	**-**	Increase/(decrease) in allowance for impairment	8,161	8,054	**16,215**
4,642	-	**4,642**	Increase/(decrease) in allowance for appeals	7,269	-	**7,269**
1,021	-	**1,021**	Charge to General Fund for Cost of Collection Allowance	1,020	-	**1,020**
427,200	196,349	**623,549**	**Total amounts to be debited**	426,352	200,559	**626,912**
(17,156)	8,686	**(8,470)**	**(Surplus)/deficit arising during the year**	(23,506)	(6,028)	**(29,534)**
60,982	7,680	**68,662**	**(Surplus)/deficit b/f at 1 April**	43,826	16,366	**60,192**
43,826	**16,366**	**60,192**	**(Surplus)/deficit c/f at 31 March**	**20,320**	**10,338**	**30,658**

(Surplus)/deficit on the Collection Fund

2024/25				2025/26		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
14,015	-	**14,015**	Central Government	6,259	-	**6,259**
13,148	11,768	**24,916**	Tower Hamlets	6,096	7,449	**13,545**
16,663	4,598	**21,261**	Greater London Authority	7,965	2,889	**10,854**
43,826	**16,366**	**60,192**	**(Surplus)/deficit c/f at 31 March**	**20,320**	**10,338**	**30,658**

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 2026 and is summarised in the table below:

Band	Valuation Bands	Ratio to Band D	2024-25 Number of chargeable dwellings	2024-25 Equivalent number of band D dwellings	2025-26 Number of chargeable dwellings	2025-26 Equivalent number of band D dwellings
A	Up to £40,000	6/9	1,460	973	1,199	799
B	£40,001 and up to £52,000	7/9	21,240	16,520	15,042	11,699
C	£52,001 and up to £68,000	8/9	36,197	32,175	29,773	26,465
D	£68,001 and up to £88,000	9/9	28,554	28,554	25,903	25,903
E	£88,001 and up to £120,000	11/9	23,220	28,380	21,176	25,882
F	£120,001 and up to £160,000	13/9	12,030	17,377	11,282	16,296
G	£160,001 and up to £320,000	15/9	4,826	8,044	4,556	7,593
H	Over £320,001	18/9	715	1,430	697	1,394
			128,242	133,453	109,628	116,031
	Estimated Adjustment in Base			(20,217)		4,104
						120,135
	Net Council Tax Base After Collection Rate Adjustments			**113,236**		**117,132**

2. NATIONAL NON-DOMESTIC RATES (NNDR)

The Council is responsible for collecting business rates within its local area. The amount payable by each business is calculated by applying the national uniform business rate, set annually by the Government, to the property’s rateable value. Rateable values are determined by the Valuation Office Agency, an executive agency of the Government.

For 2025/26, the national non-domestic rating multiplier was 55.5p (compared with 54.6p in 2024/25), while the small business multiplier remained frozen at 49.9p (unchanged from 2024/25). The total rateable value of properties in the borough as at 31 March 2026 was £1,038 million (£1,030 million as at 31 March 2025).

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 2025/26 is 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 ACCOUNTS

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. The notes considered materially different are certain notes relating to property, plant and equipment and investment property. All other disclosures are not materially different to those disclosed in the single entity accounts of the council.

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 rights.

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.

		USABLE RESERVES							UNUSABLE RESERVES											
	NOTES	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 UNUSEABLE RESERVES £'000	COUNCIL SHARE OF SUBSIDIARY AND ASSOCIATE RESERVES* £'000	TOTAL GROUP RESERVES £'000
Balance as at 1 April 2024		(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)**
Movement in reserves during 2024/25																				
IFRS 16 Adjustment 1 April 2024		4,521		-				**4,521**	-	(4,521)	-						**(4,521)**	**-**	-	
Surplus or (Deficit) on the Provision of Services		118,065	-	(54,365)	-	-	-	**63,700**	-	-	-	-	-	-	-	-	**-**	**63,700**	-	63,700
Other comprehensive expenditure and income		-	-	-	-	-	-	**-**	(7,081)	-	30,922	-	-	-	-	-	**23,841**	**23,841**	**(2,253)**	21,588
Total Comprehensive Expenditure and Income		**122,586**	**-**	**(54,365)**	**-**	**-**	**-**	**68,221**	**(7,081)**	**(4,521)**	**30,922**	**-**	**-**	**-**	**-**	**-**	**19,320**	**87,541**	**(2,253)**	**85,288**
Consolidation adjustments between Group and Council Accounts		(9,347)	-		-	-	-	**(9,347)**	-	-	-	-	-	-	-	-	**-**	**(9,347)**	**9,347**	**-**
Total Comprehensive Expenditure and Income		**113,239**	**-**	**(54,365)**	**-**	**-**	**-**	**58,874**	**(7,081)**	**(4,521)**	**30,922**	**-**	**-**	**-**	**-**	**-**	**19,320**	**78,194**	**7,094**	**85,288**
IFRS 16 Transitional adjustments		(4,521)						**(4,521)**	-	4,521	-	-	-	-	-	-	**4,521**	**-**	**-**	**-**
Adjustments between accounting basis and funding basis under regulations		(63,396)	-	56,058	(2,105)	11,043	(8,383)	**(6,783)**	23,334	6,451	(25,921)	1,089	(437)	(193)	(1,828)	4,288	**6,783**	**-**	**-**	**-**
Net Increase or Decrease before Transfers to Earmarked Reserves		**45,322**	**-**	**1,693**	**(2,105)**	**11,043**	**(8,383)**	**47,570**	**16,253**	**6,451**	**5,001**	**1,089**	**(437)**	**(193)**	**(1,828)**	**4,288**	**30,624**	**78,194**	**7,094**	**85,288**
Transfers to or from earmarked reserves		(42,935)	44,530	(2,400)	-	-	805	**-**	-	-	-	-	-	-	-	-	**-**	**-**	**-**	-
Transfers to or from school reserves		(2,387)	2,387	-	-	-	-	**-**	-	-	-	-	-	-	-	-	**-**	**-**	**-**	-
(Increase) or Decrease in Year		**-**	**46,917**	**(707)**	**(2,105)**	**11,043**	**(7,578)**	**47,570**	**16,253**	**6,451**	**5,001**	**1,089**	**(437)**	**(193)**	**(1,828)**	**4,288**	**30,624**	**78,194**	**7,094**	**85,288**
Balance as at 31 March 2025		**(21,234)**	**(161,362)**	**(34,080)**	**(9,816)**	**(149,425)**	**(244,552)**	**(620,469)**	**(966,781)**	**(1,553,226)**	**185,516**	**24,916**	**15,240**	**2,246**	**3,514**	**20,116**	**(2,268,459)**	**(2,888,928)**	**(23,316)**	**(2,912,244)**
Movement in reserves during 2025/26																				
Surplus or (Deficit) on the Provision of Services		(39,881)	-	121,452	-	-	-	**81,571**	-	-	-	-	-	-	-	-	**-**	**81,571**	**(345)**	**81,226**
Other comprehensive expenditure and income		-	-	-	-	-	-	**-**	(175,880)	-	(134,434)	-	-	-	-	-	**(310,314)**	**(310,314)**	**-**	**(310,314)**
Total Comprehensive Expenditure and Income		**(39,881)**	**-**	**121,452**	**-**	**-**	**-**	**81,571**	**(175,880)**	**-**	**(134,434)**	**-**	**-**	**-**	**-**	**-**	**(310,314)**	**(228,743)**	**(345)**	**(229,088)**
Consolidation adjustments between Group and Council Accounts			-		-	-	-	**-**	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
Total Comprehensive Expenditure and Income		**(39,881)**	**-**	**121,452**	**-**	**-**	**-**	**81,571**	**(175,880)**	**-**	**(134,434)**	**-**	**-**	**-**	**-**	**-**	**(310,314)**	**(228,743)**	**(345)**	**(229,088)**
Adjustments between accounting basis and funding basis under regulations		81,357	-	(108,899)	9,816	17,594	8,023	**7,891**	17,768	(15,523)	(13,073)	(11,371)	(435)	(916)	548	15,112	**(7,891)**	**-**	**-**	**-**
Net Increase or Decrease before Transfers to Earmarked Reserves		**41,475**	**-**	**12,553**	**9,816**	**17,594**	**8,023**	**89,462**	**(158,112)**	**(15,523)**	**(147,507)**	**(11,371)**	**(435)**	**(916)**	**548**	**15,112**	**(318,205)**	**(228,743)**	**(345)**	**(229,088)**
Transfers to or from earmarked reserves		(42,941)	42,941	-	-	-	-	**-**	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
Transfers to or from school reserves		(2,334)	2,334	-	-	-	-	**-**	-	-	-	-	-	-	-	-	**-**	**-**	**-**	**-**
(Increase) or Decrease in Year		**(3,800)**	**45,275**	**12,553**	**9,816**	**17,594**	**8,023**	**89,462**	**(158,112)**	**(15,523)**	**(147,507)**	**(11,371)**	**(435)**	**(916)**	**548**	**15,112**	**(318,205)**	**(228,743)**	**(345)**	**(229,088)**
Balance as at 31 March 2026		**(25,034)**	**(116,087)**	**(21,527)**	**-**	**(131,831)**	**(236,529)**	**(531,007)**	**(1,124,893)**	**(1,568,749)**	**38,009**	**13,545**	**14,805**	**1,330**	**4,062**	**35,228**	**(2,586,664)**	**(3,117,671)**	**(23,661)**	**(3,141,332)**

*The usable amount of these reserves are immaterial and not disclosed seperately. In 2024/25 immaterial balances relating to associates were removed from the consolidated set of accounts. There were no other significant consolidation adjustments in 2024/25 or 2025/26

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.

	2024/25					2025/26	
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Continuing Operations				
545,099	(437,295)	107,804	Children's Services		570,457	(455,758)	114,698
236,978	(137,124)	99,854	Health and Adult Social Care		253,541	(144,971)	108,570
168,940	(105,159)	63,781	Housing and Regeneration		129,162	(126,117)	3,046
16,210	(2,427)	13,783	Chief Executive's		19,283	(7,738)	11,545
84,247	(124,917)	(40,670)	Local Authority Housing (Housing Revenue Account)		278,106	(128,512)	149,594
195,944	(149,086)	46,858	Resources		156,174	(106,820)	49,353
12,069	(3,230)	8,839	Corporate Cost and Central Items		13,233	(10,496)	2,737
152,167	(70,705)	81,462	Communities		154,021	(92,536)	61,485
1,411,654	**(1,029,943)**	**381,711**	**NET COST OF SERVICES**		**1,573,977**	**(1,072,949)**	**501,028**
		105,049	Other Operating Expenditure				1,032
		(11,866)	Financing and Investment Income and Expenditure				9,518
		(416,449)	Taxation and Non-Specific Grants Income				(430,351)
		58,445	**(SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES**				**81,226**
		5,255	Share of the (surplus)/deficit on the Provision of Services of Associates				-
		63,700	**Group (Surplus)/Deficit**				**81,226**
		(9,334)	(Surplus)/Deficit on revaluation of non-current assets				(175,880)
		30,922	Remeasurement of the net defined benefit pensions liability				(134,434)
		21,588	**OTHER COMPREHENSIVE INCOME AND EXPENDITURE**				**(310,314)**
		85,288	**TOTAL COMPREHENSIVE INCOME AND EXPENDITURE**				**(229,088)**

GROUP BALANCE SHEET

31 March 2025 £'000		Notes	31 March 2026 £'000
	Long-term Assets		
3,151,464	Property, plant and equipment	2	3,267,083
19,173	Heritage assets		23,179
2,057	Intangible assets		1,018
-	Investment properties	3	83,101
53,651	Long-term investments		54,670
750	Long-term debtors		711
3,227,095	**Total Long-term Assets**		**3,429,762**
	Current Assets		
20,881	Short-term investments		301
176,109	Short-term debtors		167,093
209,966	Cash and cash equivalents		108,206
406,956	**Total Current Assets**		**275,600**
	Current Liabilities		
(64,297)	Cash and cash equivalents		(28,951)
(381)	Short-term borrowing		(381)
(208,837)	Short-term creditors		(203,901)
(11,367)	Revenue grants receipts in advance		(16,560)
(13,954)	Provisions		(15,707)
(298,836)	**Total Current Liabilities**		**(265,500)**
	Long-term Liabilities		
(4,519)	Provisions		(5,694)
(68,709)	Long-term borrowing		(68,709)
(185,516)	Liability related to defined benefit pension schemes		(38,009)
(101,425)	Capital grants receipts in advance		(114,887)
(62,802)	Deferred liabilities		(71,231)
(422,971)	**Total Long-term Liabilities**		**(298,530)**
2,912,244	**NET ASSETS**		**3,141,332**
	Reserves		
(620,469)	Usable Reserves		(531,007)
(2,268,459)	Unusable Reserves		(2,586,664)
(23,316)	Subsidiary Usable and Unusable Reserves*		(23,661)
(2,912,244)	**TOTAL RESERVES**		**(3,141,332)**

*The usable amount of these reserves are immaterial and so not disclosed seperately

I certify that the statement of accounts presents a true and fair view of the financial position of the Council as at 31 March 2026 and its income and expenditure for the year then ended.

R Ennis

Date 30 June 2026

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Richard Ennis - Interim Corporate Director of Resources

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.

2024/25 £'m		Notes	2025/26 £'m
(63,700)	Net surplus or (deficit) on the provision of services		(81,226)
128,931	Adjustments to net surplus or deficit on the provision of services for non cash movements		156,662
(84,908)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(83,872)
(19,677)	**Net cash flows from Operating Activities**		**(8,436)**
(29,359)	Investing Activities		(146,661)
778	Financing Activities		88,683
(48,258)	**Net increase or decrease in total cash and cash equivalents**		**(66,414)**
193,927	Total cash and cash equivalents at the beginning of the reporting period		145,669
145,669	**Total cash and cash equivalents at the end of the reporting period**		**79,255**

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 2025/26, 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:

King George's Fields, Mile End Charity controlls investment fixed assets with a net book value of £6.646m (£6.266m in 2024/25). In 2024/25 these were categorised to other land and buildings under property, plant and equipment (PPE) with a net book value of £6.266m as part of te group accounts consolidation using the same accounting policies as the council's policy for that year. In 2025/26 these assets with a net book value of £6.646m are included as investment

In 2025/26 King George's Fields, Mile End Charity also controlled tangible fixed assets with a valuation of £5.203m (£3.379m in 2024/25) which were categorised to community assets under property, plant and equipment (PPE). In 2024/25 these were accounted for at cost, totalling £11.581m but in 2025/26 have been included at valuatione to be

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.

2024/25 £'000	Total PPE	2025/26 £'000
146,143	Infrastructure assets (net book value) - 31 March	149,311
3,005,322	Other PPE - 31 March	3,117,772
3,151,465	**Total PPE - 31 March**	**3,267,083**

2024/25 £'000	Infrastructure Assets	2025/26 £'000
144,948	Infrastructure assets (net book value) - 1 April	146,143
13,303	Additions in-year	15,802
(12,108)	Depreciation charge in-year	(12,634)
146,143	**Infrastructure Assets (Net Book Value) - 31 March**	**149,311**

2 Group Property, Plant and Equipment (continued)

MOVEMENTS IN 2025/26	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 2025	**1,206,513**	**1,632,733**	**58,539**	**52,885**	**33,781**	**58,220**	**3,042,671**
Additions	90,892	18,817	9,096	476	79	37,482	**156,842**
Additions - Lease Remeasurements	1,222	21,054	268	-	-	-	**22,544**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(60,381)	186,891	-	(6,378)	14,284	-	**134,416**
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the provision of services	(150,602)	70,368	-	-	(3,859)	-	**(84,093)**
Derecognition - Disposals*	(10,692)	(11,293)	(1,356)	-	-	-	**(23,341)**
Derecognition - Other		(991)	(13,286)	-	(1,116)		**(15,393)**
Other Reclassification of Assets	16,176	(89,105)	-	52	(2,002)	(8,221)	**(83,100)**
At 31 March 2026	**1,093,128**	**1,828,474**	**53,261**	**47,035**	**41,167**	**87,481**	**3,150,546**
Accumulated Depreciation and Impairment							
At 1 April 2025	**-**	**4,668**	**32,652**	**-**	**19**	**10**	**37,349**
Depreciation charge	17,636	20,074	8,734	-	276	-	**46,720**
Depreciation written out to the Revaluation Reserve	(17,524)	(19,970)	-	-	(243)	-	**(37,737)**
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	-	-	-	-	-	650	**650**
Derecognition - Disposals	(156)	(77)	(649)	-	-	-	**(882)**
Derecognition - Other		(26)	(13,286)	-	(14)	-	**(13,326)**
Other Reclassification of Assets	44	(12)	-	1	(33)	-	**-**
At 31 March 2026	**-**	**4,657**	**27,451**	**1**	**5**	**660**	**32,774**
Net Book Value							
At 31 March 2026	**1,093,128**	**1,823,817**	**25,810**	**47,034**	**41,162**	**86,821**	**3,117,772**
At 31 March 2025	**1,206,513**	**1,637,401**	**91,191**	**52,885**	**33,800**	**58,230**	**3,005,322**

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**
Adjustment to opening balance IFRS16	7,746	19,735	613	-	151	-	**28,245**
Adjusted 1 April 2024	**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	54,904	**93,229**
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	6,450	(20,435)	1,546	(2,744)	(39,430)	**(20,435)**
At 31 March 2025	**1,206,513**	**1,632,733**	**58,539**	**52,885**	**33,781**	**58,220**	**3,042,671**
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**	**1,628,065**	**25,887**	**52,885**	**33,762**	**58,210**	**3,005,322**
At 31 March 2024	**1,189,267**	**1,575,240**	**20,700**	**50,560**	**34,041**	**120,186**	**2,989,994**

3 Group Investment Properties

	2024/25 £'000	2025/26 £'000
Balance as at 1 April	**-**	**-**
Additions	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	-	-
Transfers (to)/from property, plant and equipment (PPE)	-	83,101
Balance as at 31 March	**-**	**83,101**

PENSION FUND ACCOUNTS

PENSION FUND ACCOUNT	Note	31 March 2025 £'000	31 March 2026 £'000
DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE SCHEME			
Contributions	7	(84,903)	(88,529)
Transfers in from other pension funds	8	(5,717)	(12,611)
Benefits	9	82,609	87,045
Payments to and on account of leavers	10	14,659	15,207
NET (ADDITIONS)/WITHDRAWALS FROM DEALINGS WITH MEMBERS		**6,648**	**1,112**
Management expenses	11	15,208	17,170
NET (ADDITIONS)/WITHDRAWALS INCLUDING FUND MANAGEMENT EXPENSES		**21,856**	**18,282**
RETURN ON INVESTMENTS			
Investment Income	12	(24,525)	(30,182)
Taxes on Income		61	57
Change in market value of investments	14a	(44,244)	(179,753)
NET RETURN ON INVESTMENTS		**(68,708)**	**(209,878)**
Net (increase)/decrease in the Fund during the year		(46,852)	(191,596)
Add: Opening net assets of the scheme		(2,145,069)	(2,191,921)
CLOSING NET ASSETS OF THE SCHEME		**(2,191,921)**	**(2,383,517)**

NET ASSETS STATEMENT AS AT		31 March 2025 £'000	31 March 2026 £'000
Investment Assets	14	2,181,229	2,374,536
Investment Liabilities	14	(256)	(44,000)
TOTAL NET INVESTMENTS		**2,180,973**	**2,330,536**
Current Assets	21	16,056	56,138
Current Liabilities	22	(5,108)	(3,157)
TOTAL CURRENT ASSETS		**10,948**	**52,981**
CLOSING NET ASSETS OF THE SCHEME		**2,191,921**	**2,383,517**

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 the 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 to provide pensions and other benefits for pensionable employees of the Council and a range of other organisations. Teachers, police 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 2026.

	31 March 2025	31 March 2026
Number of active employees		
LBTH	7,190	7,634
Other employers	944	1,088
	8,134	**8,722**
Number of pensioners		
LBTH	7,016	7,208
Other employers	592	641
	7,608	**7,849**
Number of deferred pensioners		
LBTH	7,751	7,768
Other employers	695	726
	8,446	**8,494**
Total number of members in pension scheme	**24,188**	**25,065**

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 2026. Employer contributions are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2025 which covers the three financial years to 31 March 2029 and these rates have been applied from 1 April 2026.

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.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 2: BASIS OF PREPARATION

The statement of accounts summarises the Fund's transactions for the 2025/26 financial year and its financial position at 31 March 2026. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (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 this information in Note 20.

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.

NOTE 2A: GOING CONCERN

The accounts are prepared on a going concern basis. In carrying out its assessment that this basis is appropriate, made to 31 March 2026, 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 statutory valuation at 31 March 2022 showed the Fund to have a funding level of 123% and the improved funding level resulted in many employers paying lower contribution rates from 1 April 2023 for the next three years. The latest statutory valuation at 31 March 2025 showed a funding level of 129% demonstrating further improvements which will reduce the income from contributions over the next 3 years starting from 1 April 2026. 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 2026/27 financial year to date and is not expected to utilise any borrowing within the foreseeable future.

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.

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 relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund Actuary in the rates and adjustment certificate issued to the relevant employing body.

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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 directly to the Fund. Associated management and other overheads are apportioned to this activity and recharged as expenses to the Fund.

(ii) Oversight and governance

All costs associated with governance and oversight are recharged directly 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. Estimates were required at 31 March 2025, however, no estimates were required at 31 March 2026.

Fees of the external investment managers and custodian are agreed in the respective mandates 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.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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 which concluded in 2026 allowing the financial exposure to be quantified. Remedial action is currently underway to rectify the under and over payments of benefits and the project has transitioned from an operational risk to standard governance oversight.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 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.

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 (see Notes 5a and 19).

No critical judgements, apart from those involving estimations, have been made in the process of applying the Pension Fund's accounting policies.

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 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 £378.1 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 16 provides details of the key assumptions for the level 3 sensitivity analysis.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 6: EVENTS AFTER THE REPORTING DATE

The total market value of the Pension Fund was £2,384 million as at 31 March 2026 (£2,192 million 31 March 2025). 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 the Future' 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.

There have been no events occurring after the reporting date that would have a material impact on the financial statements.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 7: CONTRIBUTIONS RECEIVABLE

	2024/25 £'000	2025/26 £'000
Employees		
Council Employees' Normal Contributions	(15,772)	(16,909)
Admitted Bodies Employees' Normal Contributions	(91)	(61)
Scheduled Bodies Employees' Normal Contributions	(1,125)	(1,312)
Total	**(16,988)**	**(18,282)**
Employers		
Council Employers' Normal Contributions	(46,091)	(49,134)
Admitted Bodies Employers' Normal Contributions	(601)	(402)
Scheduled Bodies Employers' Normal Contributions	(3,889)	(4,573)
Total	**(50,581)**	**(54,109)**
Employers' Special Contributions*	(2,144)	(1,043)
Deficit Funding	(15,190)	(15,095)
Total	**(17,334)**	**(16,138)**
Grand Total	**(84,903)**	**(88,529)**

* Employers' Special Contributions represent lump sum payments made by employers to offset the financial shortfall created when a member retires early or is made redundant without an actuarial reduction to their pension.

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

	2024/25 £'000	2025/26 £'000
Transfer Values		
Transfer Values Received - Individual	(5,717)	(12,611)
Total	**(5,717)**	**(12,611)**

NOTE 9: BENEFITS PAYABLE

	2024/25 £'000	2025/26 £'000
Pensions	65,243	69,939
Lump Sum Retirement Benefits	15,647	14,440
Lump Sum Death Benefits	1,719	2,666
Total	**82,609**	**87,045**
By type of employer:		
Administering Authority	76,802	73,907
Scheduled Bodies	2,712	9,574
Admitted Bodies	3,095	3,564
Total	**82,609**	**87,045**

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024/25 £'000	2025/26 £'000
Transfer Values Paid	14,427	14,832
Refunds to Members Leaving Service	232	375
Total	**14,659**	**15,207**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 11: MANAGEMENT EXPENSES

	2024/25 £'000	2025/26 £'000
Administration	2,170	2,238
Investment Management Expenses	12,443	14,060
Oversight & Governance	595	872
Total	**15,208**	**17,170**

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

	Management Fees £'000	Transaction Costs £'000	2025/26 £'000
Pooled Investments	7,373	2,583	9,956
Pooled Property Investments	3,930	100	4,030
	11,303	**2,683**	**13,986**
Custody Fees			74
			14,060

	Management Fees £'000	Transaction Costs £'000	2024/25 £'000
Pooled Investments	6,654	2,831	9,485
Pooled Property Investments	2,577	307	2,884
	9,231	**3,138**	**12,369**
Custody Fees			74
			12,443

NOTE 12: INVESTMENT INCOME

	2024/25 £'000	2025/26 £'000
Pooled Property Investments	(6,848)	(7,997)
Pooled Investments -unit trusts and other managed funds	(17,411)	(21,820)
Interest on Cash Deposits	(266)	(365)
	(24,525)	**(30,182)**

NOTE 13: EXTERNAL AUDIT COSTS

	2024/25 £'000	2025/26 £'000
Audit Fees Payable in respect of external audit	120	174
Total	**120**	**174**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 14: INVESTMENTS

	2024/25 £'000	2025/26 £'000
Long Term Investments		
London CIV Ltd	150	220
Total Long Term Investments	**150**	**220**
Investment assets		
Pooled Funds		
Fixed Income	437,131	670,763
Global Equity	1,092,827	1,047,261
Diversified Growth	286,910	250,256
Property	271,327	283,641
Infrastructure / Private Equity	83,960	94,500
Cash held for investments	8,519	23,785
Investment Income Due	209	3,914
Investment Income Other	196	196
Total Investment Assets	**2,181,079**	**2,374,316**
Investment Liabilities		
Amounts Payable for Purchases of Investments	(256)	(44,000)
Total Investment Liabilities	**(256)**	**(44,000)**
Net Investment Assets	**2,180,973**	**2,330,536**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market Value 31 Mar 2025 £'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 2026 £'000
Long Term Investments	150	70	0	0	220
Investment Assets					
Pooled Investments					
Fixed Income	437,131	245,920	(25,102)	12,814	670,763
Global Equity	1,092,827	4,116	(190,243)	140,561	1,047,261
Diversified Growth	286,910	2,701	(61,929)	22,574	250,256
Property	271,327	18,371	(8,044)	1,987	283,641
Infrastructure	83,960	11,218	(2,053)	1,375	94,500
	2,172,305	282,396	(287,371)	179,311	2,346,641
Other Investment Balances					
Cash held for investments	8,519			442	23,785
Amounts Payable for Purchases of Investments	(256)				(44,000)
Investment Income Due	209				3,914
Other	196				196
Net Investment Assets	2,180,973			179,753	2,330,536

	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
Long Term Investments	150	0	0	0	150
Investment Assets					
Pooled Investments					
Fixed Income	216,338	260,486	(32,204)	(7,489)	437,131
Global Equity	1,352,609	3,821	(302,603)	39,000	1,092,827
Diversified Growth	261,173	45,681	(30,558)	10,614	286,910
Property	206,332	69,126	(9,549)	5,418	271,327
Infrastructure	67,974	21,193	(1,101)	(4,106)	83,960
	2,104,576	400,307	(376,015)	43,437	2,172,305
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	2,144,269			44,244	2,180,973

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 Bank acts 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 2025 £'000	% total of investment assets	Market value as at 31 March 2026 £'000	% total of investment assets
Investments managed by regional asset pool (London CIV)				
London LGPS CIV Global Alpha Growth Paris Aligned fund	399,824	18.3%	392,726	16.9%
London LGPS CIV Absolute Return fund	232,291	10.7%	250,258	10.7%
London LGPS CIV Sustainable Equity fund	198,484	9.1%	223,935	9.6%
London LGPS CIV Multi-Asset Credit fund	138,019	6.3%	146,185	6.3%
London LGPS CIV Renewable Infrastructure fund	83,967	3.9%	94,508	4.1%
London LGPS CIV UK Housing fund	43,152	2.0%	67,215	2.9%
London LGPS CIV Short Duration Buy and Maintain Credit fund	-	0.0%	49,784	2.1%
London LGPS CIV Diversified Growth fund	54,621	2.5%	0	0.0%
London CIV Ltd	150	0.0%	220	0.0%
	1,150,508	52.8%	**1,224,831**	52.6%
Investments managed outside of regional asset pool				
Legal & General	494,537	22.7%	431,657	18.5%
BlackRock	244,343	11.2%	395,042	17.0%
Schroders	236,474	10.8%	241,658	10.4%
Insight Investment	54,849	2.5%	80,333	3.4%
Legacy	196	0.0%	329	0.0%
Goldman Sachs	66	0.0%	0	0.0%
	1,030,465	47.2%	**1,149,019**	49.3%
	2,180,973	100.0%	**2,373,850**	101.9%
Interportfolio Amounts Payable for Trades	0	0.0%	(44,000)	(1.9)%
	2,180,973	100.0%	**2,329,850**	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 2025 £'000	% total of net assets	Market value as at 31 March 2026 £'000	% total of net assets
BlackRock Aquilla Over 5 Years Index Linked fund	244,343	11.1%	395,040	16.6%
London LGPS CIV Global Alpha Growth Paris Aligned fund	399,824	18.2%	392,059	16.4%
Legal & General MSCI World Low Carbon Target Index Fund Hedged	379,696	17.3%	335,402	14.1%
London LGPS CIV Absolute Return fund	232,289	10.6%	250,256	10.5%
London LGPS CIV Sustainable Equity fund	198,484	9.1%	223,556	9.4%
London LGPS CIV Multi-Asset Credit fund	138,019	6.3%	146,185	6.1%
	1,592,655	72.6%	**1,742,498**	73.1%

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 14C: STOCK LENDING

The Fund does not directly participate in stock lending arrangements and this also applies to investments held in pooled mandates where units are held in the total investment fund.

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 (2025: nil).

NOTE 16: FAIR VALUE – BASIS OF VALUATION

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - where the fair values are derived from unadjusted quoted process in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level 2 - where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3 - where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.
The valuation basis for each category of investment asset is set out below.

Description of asset	Valuation hierarchy 2024/25	Valuation hierarchy 2025/26	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Level 1					
Cash and cash equivalents	Level 1	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Amounts payable from investment payable	Level 1	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.
Level 2					
Pooled Investments - Fixed Income Bonds (including Multi Asset Credit)	Level 2	Level 2	The NAV for the fund is calculated based on evaluated prices provided by independent pricing services.	Evaluated price feeds.	Not required.
Pooled Investments - Equities	Level 2	Level 2	The NAV for the fund is calculated based on evaluated prices provided by independent pricing services.	Evaluated price feeds.	Not required.
Pooled Investments - Diversified Growth / Absolute Return	Level 2	Level 2	The NAV for the fund is calculated based on evaluated prices provided by independent pricing services.	Evaluated price feeds.	Not required.
Level 3					
Pooled Investments - Property Funds	Level 3	Level 3	Valued by independent valuer's assessment of the property fund assets using PRAG guidance.	NAV-based pricing set on a forward pricing basis.	Valuations could be affected by changes to the value of the financial instrument.
Pooled Investments - Private Funds (Infrastructure and UK Property)	Level 3	Level 3	The valuations of the underlying funds are based on valuations prepared by the underlying funds which are reviewed by the investment manger.	Assessments of business and operational matters considered in the valuation process.	Valuations could be affected by changes to expected cashflows and other operational matters as the time lag between the valuation process and the analysis of the valuations.

NOTE 16: FAIR VALUE – BASIS OF VALUATION cont.

Sensitivity of Assets Valued at Level 3

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2026 and 31 March 2025.

Asset type	Potential variation in fair value	Value at 31 March 2026	Potential value on increase £000	Potential value on decrease £000
Pooled Investments - Property	+/- 11%	283,641	314,842	252,440
Pooled Investments - Infrastructure	+/- 15%	94,500	108,675	80,325
Total investment assets		**378,141**	**423,517**	**332,765**

Asset type	Potential variation in fair value	Value at 31 March 2025	Potential value on increase £000	Potential value on decrease £000
Pooled Investments - Property	+/- 11%	271,327	301,173	241,481
Pooled Investments - Infrastructure	+/- 15%	83,960	96,554	71,366
Total investment assets		**355,287**	**397,727**	**312,847**

The potential variation in fair value for the property pooled investments is derived from the change in value of the financial instrument.

The potential variation in fair value for the infrastructure private markets pooled investments is derived from business factors (market value +/- 5% and currency fluctuations +/- 10%).

NOTE 16A: FAIR VALUE HIERARCHY

The following table provides an analysis of the assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2026	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Equities		220		220
Pooled Investments - Fixed Income Bonds		670,763		670,763
Pooled Investments - Equities		1,047,261		1,047,261
Pooled Investments - Diversified Growth		250,256		250,256
Pooled Investments - Property			283,641	283,641
Pooled Investments - Infrastructure			94,500	94,500
	-	**1,968,500**	**378,141**	**2,346,641**

Values at 31 March 2025	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Equities		150		150
Pooled Investments - Fixed Income		437,131		437,131
Pooled Investments - Global Equities		1,092,827		1,092,827
Pooled Investments - Diversified Growth		286,910		286,910
Pooled Investments - Property			271,327	271,327
Pooled Investments - Infrastructure			83,960	83,960
	-	**1,817,018**	**355,287**	**2,172,305**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 16B : TRANSFERS BETWEEN LEVELS 1 AND 2

There were no transfers in the year.

NOTE 16C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Pooled Investments		Total
	Property	Infrastructure	
	£'000	£'000	£'000
Value at 31 March 2025	271,327	83,960	355,287
Transfers in	0	0	0
Transfers out	0	0	0
Purchases	18,371	11,218	29,589
Sales	(8,044)	(2,053)	(10,097)
Unrealised gains and losses*	1,833	1,375	3,208
Realised gains and losses*	154	0	154
Value at 31 March 2026	**283,641**	**94,500**	**378,141**

* Unrealised and realised gains and losses are recognised in the changes in value of investments line of the fund account.

	Pooled Investments		Total
	Property	Infrastructure	
	£'000	£'000	£'000
Value at 31 March 2024	206,332	67,974	274,306
Transfers in	482	0	482
Transfers out	0	0	0
Purchases	68,644	21,193	89,837
Sales	(9,549)	(1,101)	(10,650)
Unrealised gains and losses	4,057	(4,106)	(49)
Realised gains and losses	1,361	0	1,361
Value at 31 March 2025	**271,327**	**83,960**	**355,287**

NOTE 17A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Market Value as at 31 Mar 2025			Market Value as at 31 Mar 2026		
	Designated as fair value through profit and loss £'000	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Designated as fair value through profit and loss £'000	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial assets						
Equities	150	-	-	220	-	-
Pooled investments		-	-		-	-
Fixed Income	437,131	-	-	670,763	-	-
Global Equity	1,092,827	-	-	1,047,261	-	-
Diversified Growth	286,910	-	-	250,256	-	-
Property	271,327	-	-	283,641	-	-
Infrastructure	83,960	-	-	94,500	-	-
Cash held for investments	-	8,519	-	-	23,785	-
Cash at bank	-	11,478	-	-	50,730	-
Debtors	-	329	-	-	111	-
	2,172,305	**20,326**	**-**	**2,346,641**	**74,626**	**-**
Financial liabilities						
Creditors	-	-	(5,108)	-	-	(3,157)
Other investment balances	-	(256)	-	-	(44,000)	-
	-	**(256)**	**(5,108)**	**-**	**(44,000)**	**(3,157)**
Total	**2,172,305**	**20,070**	**(5,108)**	**2,346,641**	**30,626**	**(3,157)**
Grand Total		**2,187,267**			**2,374,110**	

NOTE 17B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

Financial Assets	2024/25 £'000	2025/26 £'000
Fair value through profit or loss	(43,437)	(179,311)
Amortised cost – realised gains on derecognition of assets	-	-
Amortised cost – unrealised gains	(807)	(442)
Total Financial Assets	**(44,244)**	**(179,753)**

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.

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 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 2026, liquid assets were £2,005 million representing 84.1% of total assets of the Fund assets (£1,836 million as at 31 March 2025). 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.

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.

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

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.

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 2026 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	23,785	0.6%	23,928	23,642
Pooled Investments:				
Fixed Income	670,763	8.7%	729,119	612,407
Global Equity	1,047,261	14.1%	1,194,925	899,597
Diversified Growth	250,256	6.2%	265,772	234,740
Property	283,641	8.0%	306,332	260,950
Infrastructure	94,500	10.7%	104,612	84,389
Other Investment income due	4,110	0.6%	4,135	4,085
Amounts receivable for sales	0	0.6%	0	0
Amounts payable for purchases	(44,000)	0.6%	(44,264)	(43,736)
Total investment assets	**2,330,316**		**2,584,559**	**2,076,074**

Asset type	Market Value as at 31 Mar 2025 £'000	Percentage change %	Value on increase £'000	Value on decrease £'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	1,092,827	14.1%	1,246,916	938,738
Diversified Growth	286,910	6.2%	304,699	269,122
Property	271,327	8.0%	293,033	249,621
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 payable for purchases	(256)	0.6%	(257)	(254)
Total investment assets	**2,180,823**		**2,421,472**	**1,940,173**

Currency Exposure - asset type

Asset type	Market Value as at 31 Mar 2026 £'000	Change in year in the net assets available to pay benefits 5.6%	(5.6%)
Overseas Assets			
Overseas Fixed Income Funds	49,235	51,992	46,478
Overseas Equity Funds	431,645	455,817	407,473
Overseas Property Funds	47,533	50,195	44,871
Total change in assets available	**528,413**	**558,004**	**498,822**

Asset type	Market Value as at 31 Mar 2025 £'000	Change in year in the net assets available to pay benefits 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	47,588	42,540
Total change in assets available	**539,583**	**569,800**	**509,366**

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

Interest Rate Risk

Asset type	Market Value as at 31 Mar 2026	Market Value as at 31 Mar 2025
	£'000	£'000
Cash and cash equivalents		
Cash	23,785	8,519
Total	**23,785**	**8,519**

Interest rate risk sensitivity analysis

Asset type	Market Value as at 31 Mar 2026	Change in year in the net assets available to pay benefits	
		+100 bps	-100 bps
	£'000	£'000	£'000
Cash and cash equivalents			
Cash	23,785	238	(238)
Total change in assets available	**23,785**	**238**	**-238**

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

Credit Risk

Summary	Rating	Market Value as at 31 Mar 2026	Market Value as at 31 Mar 2025
		£'000	**£'000**
Money Market Funds			
Schroder Special Situations Fund Sterling Liquidity Plus A Accumulation	A	14,599	8,009
Insight GBP Liquidity Fund Class 7	A	80,303	54,768
Bank current accounts			
Northern Trust custody cash account	A	9,186	510
National Westminster Bank Plc	A	50,730	11,478
Total		**154,818**	**74,765**

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. A valuation was carried out at 31 March 2026 which will cover the three years beginning 1 April 2026.

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.

NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

Actuarial Value of Promised Retirement Benefits

CIPFA's code of practice on Local Authority Accounting 2025/26 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 2026 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2025 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 £1,681 million (£1,620 million in 2024/25). 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.

Actuarial present value of promised retirement benefits	31 Mar 2025 £m	31 Mar 2026 £m
Active members	581	528
Deferred members	316	301
Pensioners	723	852
	1,620	1,681

Assumptions
The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2026 and 31 March 2025. The impact of the change in financial assumptions to 31 March 2026 is to decrease the actuarial present value by £51 million. The impact of the change in demographic assumptions is to decrease the actuarial present value by £44 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 2025 model, with core parameterisation, 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	Males	Females
Current pensioners	21.7	24.2
Future pensioners	22.5	25.4

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

Change in assumption at 31 March 2026	Approximate % increase to promised retired benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2.0%	25
1 year increase in member life expectancy	4.0%	67
0.1% p.a. increase in the Salary Increase Rate	0.0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI) Inflation	2.0%	24

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

Year ended	31-Mar-25	31-Mar-26
Pension increase rate (CPI)	2.80%	3.00%
Salary increase rate	2.80%	3.04%
Discount rate	5.80%	6.20%

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 in July 2024. The Local Government Pension Scheme is a contracted out defined benefit scheme, and amendments were made during the period 1997 to 2016 which could affect member benefits.

Whilst 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, the Government has introduced legislation via the Pension Schemes Bill (2025) to allow for remediation provisions. The Bill introduces a statutory process enabling historic amendments to be validated retrospectively by way of a written actuarial confirmation stating that the historic benefit changes met the necessary standards. Once the Bill is fully introduced, a full assessment can be undertaken, but at the time of writing it cannot be concluded at this stage 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, the 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

	2024/25 £'000	2025/26 £'000
Cash at bank	11,478	50,730
Contributions due	4,241	5,050
Sundry debtors	329	111
Prepayments	8	247
Total	**16,056**	**56,138**

NOTE 22: CURRENT LIABILITIES

	2024/25 £'000	2025/26 £'000
Sundry creditors	(5,108)	(3,157)
Transfer values payable (leavers)	-	-
Benefits payable	-	-
Total	**(5,108)**	**(3,157)**

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.

	2024/25		2025/26	
	Market Value £'000	Contributions Paid £'000	Market Value £'000	Contributions Paid £'000
Aviva	1,514	130	1,691	193
Equitable Life / Utmost Life	512	2	437	2
	2,026	**132**	**2,128**	**195**

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

The market value is as at 31 March 2026 for Aviva and is at 5 April 2026 for Utmost.

NOTE 24: AGENCY SERVICES

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

NOTE 25: RELATED PARTY TRANSACTIONS

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

The Council incurred costs of £1.590 million (£1.601 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.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE 25A: KEY MANAGEMENT

Key management for the Pension Fund include the Fund's management personnel, 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 2024/25 and 2025/26.

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

	2024/25	2025/26
	£'000	£'000
Short-term benefits	0	0
Post-employment benefits	104	55
	104	**55**

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 2026 being £30.354 million and £39.576 million respectively.

The Fund had no contingent liabilities as at 31 March 2026.

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

2025/2026

Our Annual Governance Statement

Executive Summary

The Council, like all local authorities, is accountable to the public for ensuring that it has a sound system of governance. It is required to prepare and publish an Annual Governance Statement each year, alongside its Statement of Accounts, in accordance with the Accounts and Audit Regulations 2015. This statement sets out the extent of the Council's governance arrangements, the results of a review of their effectiveness, and an honest assessment of where those arrangements are not yet working as effectively as the Council is determined they will.

This statement has been drafted by the Corporate Strategy, Partnerships and Improvement Team and will be presented to the Audit Committee. Its format follows the new CIPFA framework Delivering Good Governance in Local Government: Framework, published in May 2025, with continuing reference to the 2016 CIPFA/SOLACE guidance where relevant. To avoid duplication, the Council's Code of Corporate Governance is not reproduced in full, it is published on the Council's website and is referred to where relevant.

This year the Council is reporting within the context of longstanding and broad governance challenges, and the statement is detailed about them. During 2025/26 the Council's external auditor (Ernst & Young) confirmed continuing significant weaknesses across multiple aspects of the Council's governance framework, including governance arrangements, financial management, internal control, procurement and wider value for money arrangements. These findings also extend to the effectiveness of internal audit, the Audit Committee, aspects of internal investigations, and the quality and balance of governance reporting itself. These findings are reflected throughout this statement, with a detailed summary of the external audit position and the Council's response set out later.

Taking account of the review described in this statement, the Council has concluded that its governance arrangements were not fully fit for purpose during 2025/26. A framework of governance was in place, but it did not operate consistently or effectively in a number of significant respects. On this basis the Council does not consider that it can give an assurance that its governance arrangements operated effectively for the entirety of 2025/26. A framework of governance arrangements is in place and is set out in the Code of Corporate Governance, and there has been measurable progress in a number of areas. However, weaknesses remain, particularly in some internal controls, reporting and audit, and in the consistency of decision-making. The pace and depth of improvement, as of March 2025, had not yet met the expectations of the external auditor or the Secretary of State. Strengthening governance and assurance is the Council's foremost corporate improvement priority. Whilst pace is needed in decision making to help the residents of the borough in these challenging times, the Council will also reprioritise as part of its Strategic Plan to ensure decision making is thorough and timely and resourced on an ongoing and improved focussed basis to deliver the Council and Mayors priorities.

The areas the Council recognises as needing attention are:

- *Managing risks and performance through robust internal control and strong public financial management (Code Principle F),* including the internal control environment, risk management, financial reporting and the timely closure of accounts,
- *Implementing good practices in transparency, reporting and audit to deliver effective accountability (Code Principle G)*, including the effectiveness of internal audit, the Audit Committee, and the Council's internal investigations, and the timeliness and balance of the Annual Governance Statement itself,
- *Behaving with integrity and improving the culture of decision-making (Code Principle A)*, including political behaviours and member-officer relations. Additionally long-established perceptions have hampered efforts to build trust in the council's services. Such specific matters are now subject to an Envoy led review, delivered in full partnership with the Council (recruitment and promotion practices, the allocation of community assets and grants, housing allocations, licensing and planning decisions, and the role of the Mayor's Office), and
- The capacity and stability of the statutory officer core (the “Golden Triangle”) and of the internal audit function.

Every Corporate Director has completed an individual assurance statement, itself one of the improvements the external auditor called for. Many of the challenges set out in this statement are longstanding and complex in nature, reflecting issues that have developed over time rather than arising from a single cause or event. Addressing them therefore requires a sustained and coordinated effort across the organisation, rather than isolated actions or short-term fixes. In particular, strengthening governance, assurance and decision making will depend not only on improving processes and controls, but on embedding more fundamental changes in the Council’s culture, behaviours and ways of working. This includes addressing perceptions around lack of transparency, consistency, and accountability at all levels, alongside rebuilding trust internally. The Council is particularly mindful of the political ‘toxicity’ that has for prevailed many years. The Council recognises that meaningful and lasting improvement will take time, discipline and collective leadership, but this work is essential to delivering a step change in organisational effectiveness and public confidence. That process has identified potential control failures that are reported openly in this statement and are being addressed in partnership with the Ministerial Envoys, and the Councils External Auditor through our Continuous Improvement Plan (CIP) programme.

Alongside these issues, the statement also records genuine progress. In 2024/25 and 2025/26 the Council achieved an 'Outstanding' judgement from Ofsted for Children's Services, the Care Quality Commission rated the Council's Adult Social Care 'Good' (with the Shared Lives service also rated 'Good' at its first inspection), the SEND local area inspection and a Joint Targeted Area Inspection provided reassurance about the direction of travel, the Local Government Association's October 2025 corporate peer challenge revisit found progress against 17 of the 18 areas identified in 2023 including significant items such as the Strategic Vision, closing accounts and addressing senior churn. Resident satisfaction in the Annual Resident Survey continued to compare favourably with national benchmarks, the Council moved to a three-year Medium Term Financial Strategy, an experienced interim Section 151 Officer has been appointed, and the Continuous Improvement Plan programme has matured.

The Council has considered the findings of the external auditor and other external reviews and has initiated a programme of improvement during 2025/26. A detailed assessment of progress and remaining gaps is set out later in this statement.

Scope of responsibility and purpose of this statement

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively, and that it secures continuous improvement in how its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (its Best Value Duty). In discharging this responsibility, the Council puts in place arrangements for the governance of its affairs and for the management of risk. The Annual Governance Statement explains how the Council has complied with its Code of Corporate Governance, reports on the effectiveness of its system of internal control, and identifies where improvement is needed and how it is being managed.

Signatures

This Annual Governance Statement has been reviewed through the Council's corporate governance clearance process, drawing on assurance from Corporate Directors, statutory officers, the Internal Assurance Board and the Corporate Management Team. It was considered by the Audit Committee on 23rd July 2026, acting on behalf of the Council. In accordance with the Accounts and Audit

Regulations 2015, the Council approves this Annual Governance Statement in advance of approving the Statement of Accounts. The Statement is published alongside the Statement of Accounts and forms part of the Council's overall assurance to stakeholders on its governance arrangements. It will also be made available on the Council's website. As Mayor and Chief Executive, we have significant accountabilities in respect of the Council's governance arrangements, including the system of internal control. Having considered the review and the evidence set out in this statement, we have approved it and are committed to delivering the improvements it identifies.

Signed on behalf of the London Borough of Tower Hamlets:

Stephen Halsey, Chief Executive (Head of Paid Service) Date: 30th June 2026

Lutfur Rahman

Lutfur Rahman, Executive Mayor Date: 30th June 2026

The following section sets out the Council's formal, strategic assessment of the effectiveness of its governance arrangements for 2025/26. This assessment draws together internal assurance, external audit findings, inspection outcomes, and other sources of evidence.

Methodology and sources of assurance

The Council has undertaken a structured review of the effectiveness of its governance framework, risk management arrangements and system of internal control for 2025/26, in accordance with the Accounts and Audit Regulations 2015 and the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2025 addendum).

The review has been co-ordinated by the Corporate Strategy function under the direction of the Chief Executive, drawing on a range of internal and external sources of assurance. These include (but not limited to):

- Assurance statements from all Corporate Directors, covering governance, risk and control arrangements within their service areas,
- The Head of Internal Audit's Annual Opinion for 2025/26, included at Appendix A, which provides Limited Assurance over the adequacy and effectiveness of the Council's governance, risk management and control arrangements.
- Reports and findings from the external auditor, including statutory recommendations and value for money assessments.
- The findings of external inspections and reviews (including Ofsted, CQC, etc),
- Reports to, and oversight from, the Audit Committee and Corporate Management Team,
- The Ministerial Envoys' reports and the requirements of the statutory Directions, and other relevant internal reviews, investigations and performance reports.
- Commentary from the External Auditor (EY), and input from the Council procured external assurance (Grant Thornton)

The review has considered both the design and the operating effectiveness of governance arrangements. The sources have been considered using a three line of defence approach, with management and operational the first line, corporate oversight functions such as risk, finance, compliance as the second line, and independent assurance from internal and external audit, and inspections findings as the third line. Where evidence from different assurance sources has been inconsistent, this has been reviewed and challenged through senior officer governance, with particular weight given to independent external audit and inspection findings.

The outcome of this review is reflected in the Council's overall assessment set out in this statement, including a clear judgement on the effectiveness of governance arrangements and the identification of significant governance issues requiring action.

Our Assessment of Effectiveness

Each year the Council reviews its Code of Corporate Governance. The current Code is dated March 2026 and, reflecting the Council's Best Value intervention, has been reviewed against the Government's Best Value 'Standards and Intervention' guidance (May 2024) as well as the CIPFA/SOLACE framework. The Code sets out, in one place, the arrangements the Council has in place to ensure sound governance across the complex range of services it provides and is intended to enable the Council to manage its affairs lawfully, accountably and efficiently. The annual review keeps the Code up to date and tests whether it remains comprehensive. All directorates contribute to the review, with changes considered by each Corporate Director, the process is co-ordinated by the Chief Executive's directorate and the Code is reported to the Audit Committee and published on the Council's website.

The Code is built on the seven principles of good governance recommended by CIPFA and SOLACE in Delivering Good Governance in Local Government, which themselves build on the seven Principles of 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 optimise 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.

Assessment against the seven principles

Drawing together the directorate assurance returns and the external evidence, the Council has assessed each principle on a red, amber or green basis. Two principles, F (risk, internal control and financial management) and G (transparency, reporting and audit), are rated red, the remaining principles are rated amber, reflecting arrangements that exist as of March 2026 and are improving but are not yet operating consistently or fully evidenced.

Principle	Assessment	Summary
A) Integrity, ethics and the rule of law	**Amber**	A framework of codes of conduct, standards, whistleblowing, counter-fraud and governance arrangements is in place though there are gaps in our counter fraud policies which we are mitigating. Risks relating to fraud, ethical conduct and decision-making remain important and require continued mitigation and transparency, but the underlying framework is established and the Council has strengthened oversight. The key test now

Principle	Assessment	Summary
		is consistent application, openness in handling concerns, and evidence that issues are identified and addressed promptly.
B) Openness and stakeholder engagement	**Amber**	The Council is operating under heightened external scrutiny and must continue to demonstrate openness through balanced reporting, visible engagement with the Improvement Board, Audit Committee, Full Council and the Ministerial Envoys, and a willingness to evidence progress candidly. Arrangements for engagement and challenge are in place, but credibility depends on sustained transparency and a realistic organisational narrative. Governance in the Council extends beyond internal systems and controls to how it engages with, listens to and remains accountable to residents and communities. The Executive Mayor and Chief Executive support this through visible locality-based engagement, including with communities holding differing views. This is reinforced through robust member-led oversight and partnership forums, including the Council's Overview and Scrutiny function (with cross-party representation, including a Green councillor), the independent Chair of the Audit Committee, the Housing Scrutiny Sub-Committee, the Health and Wellbeing Board, and the Partnership Executive Group (PEG).
C) Sustainable economic, social and environmental benefits	**Amber**	The Council has a clearly articulated strategic direction, a strong record of service delivery in a number of key areas, and a financial position that provides capacity to invest in improvement and transformation. While there are continuing demand and affordability pressures, the Council is able to demonstrate that it is pursuing outcomes for residents and

Principle	Assessment	Summary
		sustaining service performance, with social housing remaining the principal area requiring significant improvement.
D) Determining interventions (decision-making)	**Amber**	Decision-making arrangements are in place through the Constitution, scheme of delegation and governance processes, but they need to operate more consistently and with stronger audit trails. The temporary accommodation rents decision shows the importance of ensuring that decisions follow the correct constitutional route and are supported by clear documentation, challenge and assurance. The framework exists; the priority is strengthening compliance and consistency of application.
E) Capacity and capability	**Amber**	Capacity and capability remains a governance issue, particularly in relation to the stability of the statutory officers, internal audit leadership and the need to reduce reliance on external support over time. At the same time, the Council has strengthened capacity in several key areas, including finance leadership, and has demonstrated the ability to improve services. The Council is strengthening its statutory officer arrangements in line with the CIPFA guidance on the role and effectiveness of the "Golden Triangle" and the Code of Practice on Good Governance for Local Authority Statutory Officers, with a focus on stability, and capacity to manage complex governance challenges. The issue is therefore one of resilience, stability and embedding capacity.
F) Risk, internal control and financial management	**Red**	This remains the Council's most significant area of governance weakness. External audit has identified serious weaknesses in internal control, risk management, internal audit and aspects of financial reporting. However, the narrative should distinguish these weaknesses from the Council's underlying financial position and financial management capability: the Council has strengthened the accounts preparation process, has a relatively strong balance sheet and reserves position, and has taken steps

Principle	Assessment	Summary
		to improve financial grip. The issue is less one of financial fragility and more one of demonstrating that controls, assurance and risk management are operating effectively and consistently in practice.
G) Transparency, reporting and audit	**Red**	As of March 2025, External audit has identified significant weaknesses in the effectiveness of internal audit, the Audit Committee, aspects of investigations, and the AGS itself. This area remains red because the Council is determined to ensure that the solutions it applies are sustainable, robust and, subject to annual review, remain relevant because it is determined to ensure that assurance, reporting and oversight become more consistently robust, transparent and evidence-based. The Council has begun to strengthen these arrangements, but this is the area where external assurance remains most cautious and where sustained evidence of improvement is still required.

The ratings assigned to each principle reflect the combined weight of internal assurance and external evidence, including statutory audit findings, and are intended to provide a candid and evidence-based assessment. Improvements in individual areas will be reflected in future assessments only where supported by demonstrable and sustained operating effectiveness.

Overall assessment

Arrangements exist to support each of the seven principles, and for several principles those arrangements are operating reasonably well. However, while significant steps have been taken to address significant weaknesses the early stage of implementation means that the Council does not yet consider that its governance arrangements as a whole operated effectively throughout 2025/26. This judgement reflects the weight of external evidence summarised in this statement, and in particular:

- disclaimed audit opinions on the Council's Statement of Accounts for each of the years 2020/21 to 2024/25,

- four statutory recommendations issued by the external auditor under the Local Audit and Accountability Act 2014 (on the preparation of the accounts, the internal control environment, procurement and contract management, and internal investigations),
- ten significant weaknesses in total in the Council's arrangements to secure value for money, four of which were also the subject of the statutory recommendations above; the remaining areas span risk management, internal audit, the Audit Committee, the use of resources, social housing, and the Annual Governance Statement itself,
- the Secretary of State's decision of 17 March 2026 to strengthen the statutory intervention, on the basis that the Council continues to fail its Best Value Duty, with an additional failure identified in relation to its use of resources, and
- the Ministerial Envoys' assessment that the pace of change and the grip of leadership remain insufficient, and that the Council has at times prioritised its image over candid engagement with its problems.

The principles where external audit has identified the most significant weakness are F (risk, internal control and financial management) and G (transparency, reporting, audit and accountability), together with aspects of A (integrity and the culture of decision-making) now being examined through the Envoy led review. The Council's arrangements for openness and stakeholder engagement (B), for defining outcomes (C) and for determining interventions (D) are more developed.

This view was formed through the collective review of relevant matters by the Executive Mayor, the Chief Executive, the Monitoring Officer and the Section 151 Officer (Corporate Director of Resources), drawing on external reviews, inspection and audit findings, and management assurance.

This overall assessment is also consistent with the Head of Internal Audit's 2025/26 annual opinion, which gives Limited Assurance and highlights continuing weaknesses in the control environment and in the timely implementation of agreed actions.

2025/26 Head of Internal Audit Annual Opinion

The Head of Internal Audit's Annual Opinion for 2025/26, set out in full at Appendix A, provides a Limited Assurance opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements.

This opinion is based primarily on the work completed through the Council's internal audit plan during the year, together with follow-up work, other available assurance sources, and consideration of the wider governance environment.

The opinion reflects the fact that, while governance arrangements and key controls are in place, significant weaknesses remain in aspects of the control environment and in the timely implementation of agreed management actions to internal audit recommendations, meaning that improvement is still required for arrangements to operate consistently and effectively across the organisation.

The Annual Governance Statement has taken this opinion into account alongside external audit findings, directorate assurance statements and other internal and external sources of assurance in forming its overall assessment.

Response to external audit findings and progress during 2025/26

The Council has given full consideration to the findings of the external auditor and has prioritised a programme of improvement to address the statutory recommendations and significant weaknesses identified. The focus during 2025/26 has been on strengthening the design of key controls and beginning to embed improved arrangements across the organisation.

The Council recognises that these findings are not isolated to a single year, but reflect systemic weaknesses over a number of decades, including:

- disclaimed audit opinions due to insufficient and poor-quality audit evidence,
- pervasive weaknesses in the internal control environment,
- significant weaknesses in procurement and contract management, and
- limitations in the effectiveness of governance, audit committee oversight and internal investigations processes.

During 2025/26, the external auditor's findings from the 2024/25 audit continued to apply: ten significant weaknesses in value for money arrangements, four of which were also the subject of statutory recommendations (the most recent, on internal investigations, issued in December 2025). These confirm that many of the weaknesses identified in 2023/24 remain unresolved and continue to impact the Council’s governance framework.

Progress during 2025/26

In response, the Council has undertaken a programme of improvement throughout 2025/26 aimed at addressing the external auditor's statutory recommendations and wider governance concerns. This has included:

- improvements to financial reporting processes, working papers and audit readiness,
- the development of a more structured approach to tracking and responding to audit recommendations,
- initial steps to strengthen procurement and contract management, although consistent compliance with controls and reduction in waiver usage is not yet evidenced across all directorates,
- work to refresh the risk management framework and strengthen and communicate governance structures, and
- strengthened oversight through corporate governance forums and the Continuous Improvement Plan.

The Council has also begun to respond to wider external findings, including those arising from the Best Value inspection and Ministerial Directions, and has aligned its improvement activity with these requirements.

Assessment of progress

The Council made progress in establishing the foundations for improvement during 2025/26; however, the external auditor has concluded that these arrangements are not yet sufficiently embedded to demonstrate sustained improvement. As of March 2025 the external auditor is concerned that material gaps remain in the evidence base and in the operating effectiveness of key controls, and the Council has not yet been able to demonstrate that these controls are operating consistently across all service areas. The continuation through 2025/26 of disclaimed audit opinions (with a disclaimer also expected for the 2024/25 accounts), significant weaknesses in governance and internal control, and outstanding statutory recommendations first raised in 2023/24 indicates that, while the overall direction of travel is positive, further work is required to strengthen the control environment and ensure that improvement is delivered at the necessary pace, depth and consistency.

Conclusion and forward look

The Council accepts that the key test has progressed beyond the development of improvement plans, towards the demonstrable and sustained delivery of improved governance outcomes, supported by clear evidence.

The Council has therefore reflected the external auditor's 2025 findings as ongoing significant governance issues within this statement. The actions set out in the action plan are explicitly aligned to:

- the Council's own assessment of its areas of improvement,
- the statutory recommendations issued by the external auditor,
- the significant weaknesses identified in value for money arrangements, and
- the requirements of Ministerial Directions and external oversight.

These actions focus on embedding effective arrangements, strengthening assurance, and demonstrating measurable progress during 2026/27.

External Audit & Inspections

External Audit

The Council has invited, and been subject to, significant external review in this period. This section summarises the most significant external evidence on the Council's governance, beginning with the external auditor and the statutory intervention, both of which are central to this year's assessment. This can be found outlined in appendix B

Where Our Governance Needs to improve

Significant Governance Issues

In addition to the matters set out above, Corporate Directors are required to consider whether there have been any significant governance issues. This can be found outlined in appendix C.

Governance improvement action plan

This consolidated action plan addresses the external auditor's statutory recommendations and significant weaknesses, and the requirements of the strengthened Ministerial Directions, directly. It is a summary, detailed delivery is managed through the Continuous Improvement Plan, individual action plans and the recommendations tracker, and is assured through the Audit Committee, the Internal Assurance Board, the Improvement Board and the Ministerial Envoys. This can be found in appendix D

Conclusion for 2025/26 and a forward look

This statement sets out the Council's assessment of the key governance weaknesses identified during 2025/26. The Council's assessment is supported by both external audit reporting and the Head of Internal Audit's 2025/26 Limited Assurance opinion. External audit findings; including disclaimed opinions on the Statement of Accounts, statutory recommendations, and significant weaknesses in value for money arrangements, demonstrate that the Council's governance framework has not yet reached the level of maturity, consistency and effectiveness required.

Since the opinion of the external auditor for 20204/25, the Council has taken important steps to respond. A structured and comprehensive programme of improvement is now in place, bringing together the statutory recommendations, Ministerial Directions and also internal assurance findings into a single, coherent set of actions. This includes strengthening arrangements for financial reporting, internal control, audit and investigations, as well as establishing more robust oversight through the Audit Committee, Improvement Board and wider assurance framework. As we embed the Member Pledge and Member Protocol we recognise the need for continued challenge and transparency, matched with professional delivery as important drivers of improvement.

Progress during the year has focused on establishing the foundations for improvement. There is clearer alignment between governance, risk and performance, strengthened leadership capacity in key areas, and early evidence of improved processes and oversight. At the same time, external assessments and internal audit evidence are consistent in highlighting that these changes are not yet fully embedded and are not yet operating with the consistency required across the organisation.

The Council recognises that many of the challenges described in this statement are longstanding and systemic, and will not be resolved through short-term or isolated interventions. Addressing them requires sustained focus, disciplined delivery and more fundamental change in organisational culture, behaviours and ways of working. In particular, this includes strengthening accountability, improving the quality of decision-making and evidence, and ensuring that governance arrangements are applied consistently in practice.

The central test for the next phase is therefore not simply the quality of plans, but the delivery of demonstrable, sustained improvement. This will require the Council to maintain pace, strengthen grip, and continue to evidence progress transparently to residents, auditors and government.

The Council is committed to this next phase. While there remains a significant amount to do, the direction of travel is clearer, the improvement framework is more cohesive, and the organisation is better positioned to deliver the changes required. The focus for 2026/27 will be on embedding these arrangements, demonstrating their effectiveness in practice, and enhancing confidence in the Council's governance

The Council also recognises the principal governance risks for the year ahead. These include maintaining stability and capacity in the statutory officer core and other key leadership roles; reducing the Council's reliance on interim and consultant resource while rebuilding permanent capability; delivering the findings of the Envoy-led deep-dive reviews; sustaining the pace, depth and consistency of improvement expected by the external auditor and the Ministerial Envoys; and the time required to rebuild assurance over the Council's accounts, which is expected to span several audit cycles.

The Council is also developing a comprehensive assurance map to underpin future reviews of governance effectiveness (action AP13). This is not yet complete, and the Council recognises that, until it is finished, the evidence base supporting the conclusions in this statement is not as strong as it will be in future years. The assurance map is expected to be in place during 2026/27.

Appendix A: Head of Internal Audit Annual Opinion 2025/26

1. Introduction

1.1 The statutory basis for Internal Audit in local government is the Accounts and Audit (England) Regulations 2015.

1.2 The Global Internal Audit Standards (GIAS) note that the primary function of internal auditing is to strengthen governance, risk management and control processes. Internal auditing contributes to an organisation's overall stability and sustainability by providing assurance on its operational efficiency, reliability of reporting, compliance with laws and regulations, safeguarding of assets and ethical culture.

1.3 The Accounts and Audit Regulations 2015 require the council to review its governance arrangements. The results of the review must be reported within the council, in Tower Hamlets' case to the Audit Committee, and externally with the published accounts. The Annual Governance Statement (AGS) is an annual review of the systems of internal control and gathers assurance from various sources to support it. Internal Audit is a key contributor to the AGS. The GIAS in the UK Public Sector requires the 'Chief Audit Executive', in the council's case the Head of Internal Audit, Anti-Fraud and Risk, to deliver an annual internal audit opinion and report that the organisation can use to inform its AGS.

2. Internal Audit Opinion 2025-26

2.1 The Interim Head of Internal Audit, Anti-Fraud and Risk's opinion on the framework of governance, risk management and control operating in the council is that **Limited Assurance** can be given. The Limited Assurance opinion reflects the continued weaknesses identified through internal audit work, especially the pace of implementation of agreed actions and recommendations. The opinion is also consistent with the wider external evidence on internal control, governance, risk management and assurance set out in the council's External Auditors, Ernst and Young's (EY), reporting in 2025/26 which identified four statutory recommendations and ten significant weaknesses in the council's arrangements to secure value for money.

3. Basis of the Opinion

3.1 The assurance opinion provided in this report is largely based upon the work performed by the council's internal audit and anti-fraud teams, delivered through a risk-based plan of work agreed with the Senior Management Team and approved by the Audit Committee. However, the assurance opinion also draws on other sources of available assurance.

3.2 The 2025/26 assurance opinion was produced from an assessment of the level of assurance given by the following:

- Reviews undertaken and reports included within the Internal Audit Annual Plan.
- Advice / consultancy work undertaken by the Internal Audit team.

- The implementation of agreed management actions by Directorates.
- Internal audit assessment of risk management.
- Internal audit assessment of corporate governance.
- Other sources of assurance where appropriate.
- The quality and performance of the Internal Audit service and the extent to which it complies with the Global Internal Audit Standards.

3.3 It should be noted that an assurance opinion cannot be absolute as it is based on only those elements of governance and controls reviewed or considered as a result of any of the above activity. It is also important to note that, when considering the 'Chief Audit Executive' opinion, the following limitations should be recognised:

- the Internal Audit Annual Plan does not purport to address all risks facing the council and instead represents a deployment of finite audit resource. These limitations are acknowledged when the plan is approved.
- Assurance can never be absolute. Similarly, the work of internal audit cannot be designed to identify or address all weaknesses that might exist.
- The responsibility for maintaining adequate and appropriate systems of internal control, including the implementation of internal audit recommendations, resides with management, and not internal audit.

4. Scope and Objectives of Internal Audit

4.1 The scope and objectives of internal audit are set out in the Internal Audit Charter which was last reviewed and approved by the Audit Committee in March 2026.

5. Audit Activity 2025/26

5.1 The opinion is based primarily on the work carried out by the council's Internal Audit service during 2025/26, as well as a number of other assurance providers.

5.2 Whilst not appointed as Interim Head of Internal Audit, Anti-Fraud and Risk until 18 May 2026, I am satisfied that sufficient assurance work has been carried out to provide an annual opinion on the overall adequacy and effectiveness of the council's governance, risk management and control processes. I am also satisfied that the work of internal audit was of sufficient quality. This opinion was informed by:

- the Ministry of Housing, Communities & Local Government's Best Value Inspection of the London Borough of Tower Hamlets report published on 12 November 2024. The report states that the inspection, 'found good practice in terms of Internal Audit'.
- the opinion of the External Quality Assessment completed by Validera, prior to their appointment as the council's co-sourced internal audit provider, published in July 2024 which found that the internal audit function of the Council, 'Generally Conforms' with the mandatory aspects of the Standards. 'Generally Conforms' is the highest grade of conformity. This positive assessment of standards conformance should, however, be read alongside EY's separate finding that the effectiveness

of the internal audit function remains a significant weakness in the Council's wider governance arrangements.
- my review of a sample of internal audit reports issued in 2025/26 and associated working papers.

5.3 Each engagement undertaken by Internal Audit is awarded an assurance opinion derived from the findings and based upon the following definitions:

Substantial Assurance	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management, and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses, or non-compliance were identified. Improvement is required to the system of governance, risk management, and/or control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

5.4 Internal audit issued twenty-five final internal audit reports during 2025/26. Of the twenty-five final reports issued:
- Thirteen audit reports provided Reasonable assurance
- Twelve audit reports provided Limited assurance.

5.5 The audits, relevant directorate and assurance ratings awarded are set out in the table below.

AUDIT TITLE	DIRECTORATE	ASSURANCE OPINION
Mayors Community Grants – Governance & Monitoring	Chief Executive's	Reasonable
Management of Commercial Waste	Communities	Reasonable
CCTV Control Room Operation	Communities	Reasonable
Management of Efficiency Savings/Income Generation	Corporate	Reasonable
Housing Rents	Housing & Regeneration	Reasonable
Licensing of Private Landlords	Housing & Regeneration	Reasonable
S20 Leaseholder Consultation	Housing & Regeneration	Reasonable
Business Rates (NNDR)	Resources	Reasonable
Council Tax Support Scheme/Cost of Living Relief Fund	Resources	Reasonable

AUDIT TITLE	DIRECTORATE	ASSURANCE OPINION
Pension Fund Administration	Resources	Reasonable
Waste Service – Operational Management	Communities	Reasonable
Service Charges – Calculations, Allocations and Billing	Housing & Regeneration	Reasonable
Residents Hubs	Resources	Reasonable
No Recourse to Public Funds - Children's	Children's Services	Limited
Penalty Charge Notices – Debt Recovery and Write Offs	Communities	Limited
Purchase and use of Fuel	Communities	Limited
Transport/Fleet Management	Communities	Limited
Information Governance / GDPR Compliance	Corporate/Resources	Limited
No Recourse to Public Funds - Adults	Health & Adult Social Care	Limited
Capital Delivery Team – Payment and Budgetary Control	Housing & Regeneration	Limited
Homeless Families Visiting, Inspections and Investigation	Housing & Regeneration	Limited
Management of Voids	Housing & Regeneration	Limited
IR35 Off Payroll Working	Resources	Limited
Staff Recruitment, Pre-employment Checks and Vetting	Resources	Limited
VAT Management	Resources	Limited

5.6 During 2025/26 the internal audit team also delivered 24 follow up audits designed to test the implementation of internal audit recommendations and ten school audits as shown in the table below with the assurance opinion.

SCHOOL NAME	ASSURANCE OPINION
Harry Gosling Primary School;	Substantial
Our Lady & St Joseph RC	Substantial
Kobi Nazrul Primary School	Substantial
Columbia Market Nursery	Reasonable
Elizabeth Selby Primary School;	Reasonable
St Saviours Primary School	Reasonable
George Green's Secondary School	Reasonable
Bowden House Special School	Reasonable
London East Alternative Provision (LEAP)	Limited
Osmani Primary School	Limited

5.7 The Audit Committee has received summaries of the key findings arising from Internal Audit reports throughout the year.

5.8 The Head of Internal Audit, Anti-Fraud and Risk considered the significant issues associated with internal audit work undertaken in 2025/26 when forming the assurance opinion, the most significant of which is associated with the number of internal audit recommendations/management actions arising from internal audit reports that remained outstanding. Although as of 31 March 2026 a significant amount of limited assurance recommendations remained outstanding, the internal audit team have been working with management to close the recommendations at the earliest opportunity. This has been considered a key priority for the Council.

5.9 This delay in implementing internal audit recommendations and the resulting delay in strengthening the council's systems of internal control, governance and risk management were identified as a significant weakness by the external auditors, EY. Their Annual Report and Value for Money Commentary for year ended 31 March 2025 noted that the significant weakness regarding the implementation of internal audit recommendations and Statutory Recommendation identified and reported in February 2025 in relation to the 2023/24 audit remain for 2024/25.

5.10 The opinion is limited not because governance arrangements are absent, but because significant weaknesses remain in the operating effectiveness of key controls, in the consistency of implementation across the organisation, and in the pace with which audit findings are translated into embedded improvement

6. Anti-Fraud summary

6.1 The council has a framework of anti-fraud and corruption policies. The Corporate Anti-Fraud and Corruption Strategy dated 25 March 2024 is aligned with CIPFA's Code of practice on managing the risk of fraud and corruption.

6.2 Anti-fraud arrangements are crucial to the council with the aim of protecting public funds and accountability. The responsibility for managing the risk of fraud lies with management; however, internal audit is involved in evaluating the risk of fraud and the manner in which it is managed by the council.

6.3 The anti-fraud team is a dedicated council resource for the investigation of fraud, bribery, and corruption. Other departments also carry out investigations, of which Blue Badge misuse is an example.

6.4 A summary of the work undertaken by the anti-fraud team during 2025/26 is provided below.

Cases opened 1st April 2025 – 31st March 2026	270
Cases Closed 1st April 2025 – 31st March 2026	157
Cases closed with Intel (not passed for investigation)	95
Cases passed for investigation	175

6.5 The 270 fraud cases opened during 2025/26 comprised:

Tenancy Fraud	118

Tenancy fraud– THH	112
Fraud Hub THH	22
Corporate	18
Whistleblowing	5
Whistleblowing (as category)	3
Fraud Hub (non-THH)	2
TOTAL	270

7. NFI Outcomes 2025/2026

7.1 The National Fraud Initiative (NFI) is a national data matching exercise led by the Cabinet Office. It compares data held by public bodies to help identify fraud, error, overpayments, duplicate records, and inaccurate records.

7.2 Tower Hamlets Council has achieved positive results through its participation in the NFI, helping to identify potential fraud, error and records requiring correction. Through the latest NFI review, the council has identified over £1.05 million in potential fraud, error, and loss prevention outcomes. Key outcomes include:

- Council Tax Single Person Discount and Electoral Register recheck, £831,456.63 in potential fraud and error prevented, with 1,921 Single Person Discounts removed
- Blue Badge matches, 317 potential fraudulent Blue Badge cancellations
- Housing Benefit claimants to Student Loans, £42,935.05
- Pensions gratuity to DWP deceased records, £13,664.59
- Housing tenants to DWP deceased records, £78,300.00
- Council Tax Reduction Scheme to pension records, £2,940.89
- Council Tax Reduction Scheme to HMRC earnings and capital, £16,490.45
- Duplicate creditor records by amount and creditor reference, £68,387.20.

8. Risk Management

8.1 Risk management has been operational in the council for a significant number of years, with established risk registers at corporate, directorate and departmental levels.

8.2 The efficacy of the council's risk management is considered by the external auditors, EY, as part of their annual review of the financial statements and their Value for Money reviews. EY made the following recommendations to address their findings regarding the inadequacy of the council's management of risk.

- The council should update the risk management strategy and take action to ensure that risk management processes are embedded throughout the council.
- An action plan to address the recommendations arising from the external review of risk management should be implemented, regularly reviewed, and reported to the Audit Committee.
- The Audit Committee should consider annually whether the risk management strategy remains fit for purpose and ensure appropriate

arrangements by officers to embed risk management appropriately across the council.

8.3 The Head of Internal Audit, Anti-Fraud and Risk revised the Risk Management Strategy to strengthen the council's risk management processes. The strategy was ratified by the Audit Committee in December 2025 and a plan to improve risk management further has been developed and being delivered.

9. Governance

9.1 The Head of Internal Audit, Anti-Fraud and Risk is also required to consider the effectiveness of the council's Code of Governance when developing the Annual Assurance Opinion. Assurance on the council's Code of Governance was obtained from the report presented to the Audit Committee on 12 March 2026 and the Code of Governance dated March 2026. The Code of Governance contains narrative describing how the council complies with the seven core principals 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. The Code of Governance also lists of documentation and evidence of compliance.

9.2 The Code of Governance dated March 2026 contains information regarding significant governance failures and states, "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 within the purely political realm to improve political cultures and the way in which local parties behave. On 19 January 2026 we received new draft directions, responding to feedback from the Ministerial Envoys and the statutory recommendations and significant weaknesses raised by our External Auditors. We will work EY, the Ministerial Envoys and MHCLG to ensure that we address and learn from these issues and deliver our commitments. The council recognises that the need to make further improvements in these areas must be a priority. We have a robust and well tested Continuous Improvement Plan in place, but the Draft Directions are clear that we need to strengthen oversight, accountability for change and corporate capacity to deliver sustainable improvement."

9.3 On the 17 March 2026, the Secretary of State announced the council was continuing to fail to comply with its Best Value Duty, identifying its use of resources alongside continuous improvement, governance, leadership, culture and Partnership as areas for intervention. The Secretary of State decided to streamline the governance for the intervention (putting in place a new Envoy-led improvement board) issue Envoys with Powers (in reserve) and create a new Finance Envoy role as part of the Envoy team. The directions also require the council to progress a series of deep dives into a range of areas where there are negative perceptions of the council. The council is working in partnership with the Envoys to integrate the new requirements into its plans and governance.

9.4 Governance arrangements are considered during the planning and testing of internal audit reviews, with consideration given to the governance structure in place, comprising roles, responsibilities, and reporting arrangements, and relevant policies and procedures to ensure that they meet requirements, are regularly reviewed, approved, and appropriately publicised and accessible to officers and staff.

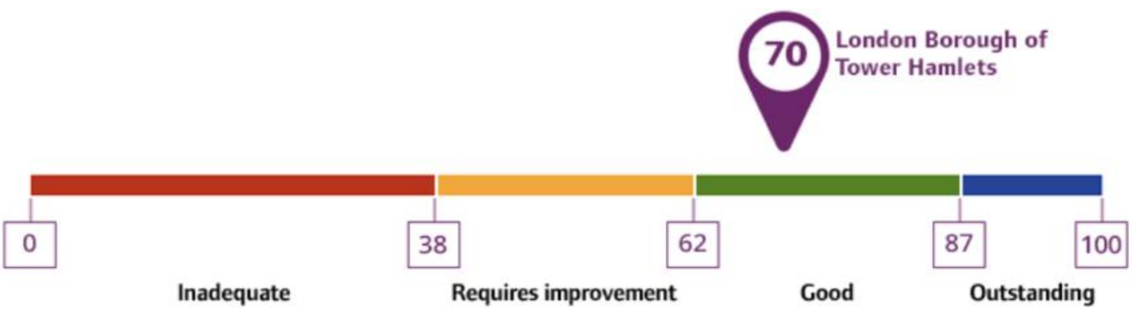
10. Cyber Security

10.1 I have obtained assurance from the proactive cyber security posture maintained by the council which is in line with best practice and industry standard requirements. This is evidenced by the implementation of Zscaler to enable a Zero Trust architecture, alongside ongoing vulnerability management and annual IT Health Checks. This is further strengthened through structured supply chain risk assessments obliging proportional compliance with cloud assessments, Cyber Essentials and ISO27001. The Council benefits from a managed Security Operations Centre delivering 24/7 monitoring and incident response. There is progression towards formal assessment against NCSC's Cyber Assessment Framework.

11. Other Sources of Assurance: External

11.1 Internal audit remained cognisant of other sources of assurance from which the council benefits. Due to legal and regularity nature of some public sector regulators and assurance providers, internal audit does not have engagement with or insight into the scope and timing of their work.

11.2 The Care Quality Commission Local Authority Adult Social Care inspection report was issued on 18 March 2026. The report found that the Adult Social Care in the borough is Good.



Quality statement scores	
Assessing needs	Score: 3
Supporting people to lead healthier lives	Score: 3
Equity in experience and outcomes	Score: 3
Care provision, integration and continuity	Score: 2
Partnerships and communities	Score: 3
Safe pathways, systems and transitions	Score: 2

Safeguarding	Score: 3
Governance, management and sustainability	Score: 3
Learning, improvement and innovation	Score: 3
KEY: 3, Evidence shows a good standard. 2, Evidence shows some shortfalls	

11.3 The report stated, “The CQC assessment found there was scope for scrutiny processes to be stronger, although elected members had good oversight of adult social care data. Within adult social care, there were clear and effective governance arrangements, with the local authority having prioritised data insights and audit processes to inform their oversight of service functioning and people’s experiences.”

11.4 “The local authority proactively monitored the quality of care services to ensure they continued to meet people’s needs in a safe and effective way. This included where people were placed outside the local authority area, which was important given over 50% people accessing residential or nursing care were doing so out of area.”

11.5 “Partnership working was an identified strength of the local authority, with integrated teams supporting people to provide better outcomes through a formal Section 75 agreement. The local authority and partners monitored data to ensure strategic goals were being achieved.”

11.6 “Safeguarding processes worked well to ensure people were protected from abuse or neglect. A safeguarding improvement plan had been developed and was aligned to the strategic priorities of the Safeguarding Adults Board.”

11.7 “There was room for improvement in the local authority’s support offer to young people transitioning from child to adult services. People were added to the transitions waiting list at age 14, however assessments took place when people were 17.5 which people told us was too late to support robust planning. However, other support ensured people’s continued safety, such as dedicated transitional safeguarding social workers to ensure risks present continued to be addressed as people moved into adulthood.”

11.8 The Care Quality Commission also inspected the Tower Hamlets Shared Lives Scheme. The inspection report issued on 21 August 2025 rated the service as Good, with all elements of the service i.e. Safe, Effective, Caring, Responsive and Well-led judged to be Good.

11.9 A Joint Targeted Area Inspection of Tower Hamlets Local Safeguarding Partnership was undertaken between 9 and 13 March 2026 by inspectors from Ofsted, the Care Quality Commission, His Majesty’s Inspectorate of Constabulary and Fire & Rescue Service and His Majesty’s Inspectorate of Probation. The joint inspection of the multi-agency response to children who are at risk or victims of child sexual abuse in the family environment was undertaken to highlight areas of practice and strategic leadership that need to improve as well as strengths.

11.10 The report issued on 14 May 2026 found that agencies across the partnership have good awareness of the significant proportion of families who speak

English as an additional language and are disproportionately affected by poverty, overcrowding and inequality and it is typically addressed in their practice. Across the partnership, joint working and communication are strong, resulting in effective, collaborative, child-centred practice for most children in the borough. This shared approach underpins typically timely identification of risk, coherent planning and consistent support for children. Strong communication between practitioners across the partnership and specialist child sexual abuse services enhances risk analysis and planning.
Agencies demonstrate commitment to reflective practice and shared learning. Children who are at risk or are victims of child sexual abuse in the family environment benefit from additional insight into their needs, such as via child sexual abuse consultants in social care, child and adolescent mental health services (CAMHS) and the sexual assault referral centre (SARC), and this is improving practice for this very vulnerable cohort of children. While practice across the partnership is generally strong for most children, this is not consistently experienced by all children and their families.

11.11 The report identified six areas for improvement:

- The professional curiosity of staff across agencies, especially in circumstances where children are not consistently believed by some families or there are multiple vulnerabilities present, such as domestic abuse, coercion, and control and neglect.
- The consistent quality and effectiveness of safety plans and assessments.
- The consistency and timely distribution of the minutes and agreed actions from child protection strategy meetings to relevant partner agencies.
- The extent, quality and how well data is used by the local safeguarding partnership about children who are at risk or are victims of child sexual abuse in the family environment.
- The understanding by professionals of the universal health offer provided by both health visitors and school nurses for this cohort of children.
- The effectiveness of oversight and quality assurance of multi-agency public protection arrangements (MAPPA) decisions about thresholds of risk and the review of those decisions.

11.12 Ofsted and CQC issued a report on the Area SEND inspection of Tower Hamlets Local Area Partnership on 23 June 2025. The inspection of the planning and commissioning of services for children and young people with SEND in Tower Hamlets by the London Borough of Tower Hamlets and Northeast London Integrated Care Board (ICB) found that whilst there have been many improvements since the local area’s last inspection. However, the overall experiences of children and young people with SEND in Tower Hamlets are inconsistent. The report made recommendations that:

- Leaders across the partnership should further improve important aspects of their work that relates to EHC planning.
- Leaders across the partnership should improve their PfA support for young people.
- Leaders across the partnership should (i) strengthen their oversight of the quality of provision for children and young people who are educated other than at school (ii) further develop the knowledge and expertise of

staff so that they can support families more effectively, including improving the accessibility and signposting of sources of help from within the local offer.

- Leaders across the partnership should accelerate their work to: (i) reduce children and young people's waiting times for neurodevelopmental assessment (ii) ensure that the commissioning arrangements of speech and language therapy for children of compulsory school age enables their needs to be met in a consistent and timely way.

11.13 The Regulator of Social Housing (RSH) issued a Regulatory Judgement on 30 April 2025 following an inspection of the council's compliance with RSH's Consumer Standards, completed that month. The council was issued with a C3 grade indicating that that there are serious failings in the landlord delivering the outcomes of the consumer standards and significant improvement is needed.

11.14 Significant improvements are needed in relation to outcomes in the Safety and Quality Standard. Weaknesses were also apparent, and improvement is needed in relation to some elements of the Transparency, Influence and Accountability Standard and the Neighbourhood and Community Standard.

11.15 The Housing Ombudsman Service's Landlord Performance Report 2024-25, produced using refreshed data from May 2025 found:

Category	# Landlord Findings	% Landlord Maladministration	% National Maladministration
Property Condition	33	85%	73%
Complaints Handling	28	96%	77%
Estate Management	6	67%	64%

11.16 The Housing Ombudsman Service issues Orders when a case investigation has resulted in a category finding of some level of maladministration or mediation. The Orders are intended to put things right for the resident. The number of Orders recorded for Tower Hamlets Council is 146, these orders are across 63 category findings.

12. Impairments or Restriction of Scope

12.1 There were no impairments or restrictions of scope during the course of the year.

12.2 The Head of Internal Audit, Anti-Fraud and Risk is also operationally responsible for Insurance, anti-fraud services and risk management. It is considered prudent that any internal audit engagement covering the above operational areas and the risk management framework, especially for the formation of the annual opinion on the effectiveness of the control environment, would be overseen by the Internal Audit Manager. I can confirm that the internal audit service is independent as no reviews have been undertaken during 2025/26 which impact upon the independence of either the internal audit service or the Head of Audit and Risk.

13. Global Sector Internal Audit Standards (GIAS)

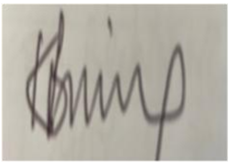
13.1 The most recent External Quality Assessment of internal audit was undertaken during July 2024 and assessed conformance with the Public Sector Internal

Audit Standards. A self-assessment of conformance completed by the head of Internal Audit, Anti-Fraud and Risk was reviewed by Validera and their report concluded that the internal audit service ‘generally conforms’ with the standards, which is the highest grade of conformity that can be awarded.

13.2 The Global Internal Audit Standards (GIAS) together with the GIAS in the UK Public Sector define the nature and set out basic principles for internal auditing in the UK Public Sector. The new standards include essential conditions for the governance of internal audit. These conditions are needed to allow effective internal audit practice and for internal auditors to conform with the GIAS in the UK Public Sector.

13.3 The Head of Internal Audit, Anti-Fraud and Risk did not complete a review of the internal audit service’s conformance with the new GIAS during 2025/26 and an opinion on conformance cannot be given at this time. A conformance self-assessment will be completed prior to the July 2026 Audit Committee meeting and a quality assurance and improvement programme (QAIP) which covers all aspects of the internal audit activity will be produced. The outcome of the self-assessment and QAIP will be reported to Audit Committee in July 2026 to support this Head of Internal Audit Annual Opinion 2025/26.

Signed



Kathleen Brunning, Interim Head of Internal Audit, Anti-Fraud and Risk

Date: 18 June 2026

Appendix B: External Audit & Inspections

External Audit

The Council has invited, and been subject to, significant external review in this period. This section summarises the most significant external evidence on the Council's governance, beginning with the external auditor and the statutory intervention, both of which are central to this year's assessment.

External Audit (Ernst & Young LLP)

From September 2018 Deloitte LLP was the Council's external auditor, having been appointed by Public Sector Audit Appointments Limited (PSAA) for the years 2018/19 to 2022/23. Deloitte completed the audits of the 2018/19 and 2019/20 financial statements in November 2023 (qualified opinions) and of the 2020/21, 2021/22 and 2022/23 financial statements in December 2024 (disclaimer opinions). The disclaimers reflected insufficient time to complete the necessary work before the statutory backstop date and other reported matters, including the failure to prepare group accounts, entries relating to the pension scheme, and errors in the disclosure of officer remuneration.

Ernst & Young LLP (EY) was appointed by PSAA as the Council's external auditor for five years from 2023/24. In February 2025 EY completed the audit of the 2023/24 Statement of Accounts under the backstop arrangements, issuing a disclaimer opinion. At the conclusion of that audit, EY issued three statutory recommendations under section 24 of, and Schedule 7 to, the Local Audit and Accountability Act 2014, relating to:

- the preparation and timely closure of the annual accounts (re-assessing roles, responsibilities and resourcing for financial reporting, retaining sufficient and appropriate audit evidence, and responding to audit findings and implementing corrective actions promptly),
- the internal control environment (a CMT owned action plan to address internal and external audit recommendations within a reasonable timeframe, regularly monitored before being reported to the Audit Committee, with the Committee applying appropriate oversight), and
- procurement and contract management (a detailed review and improvement plan, stronger controls over payments, including segregation of duties and identification of conflicts of interest, and embedded training and compliance).

The Audit Committee accepted these recommendations within the required period and agreed action plans (in March and April 2025), which are being monitored by the Committee.

The position has since deepened. In the 2024/25 Audit Planning Report (Audit Committee, July 2025), EY identified seven risks of significant weakness, of which five were confirmed and two required further work. Following continued value for money procedures, in September 2025 EY identified further weaknesses and a draft statutory recommendation relating to the effectiveness of internal investigations. That recommendation was subsequently issued (December 2025), bringing the total to four statutory recommendations. EY's Interim Value for Money Report for the year ended 31 March 2025 was published on 16 November 2025 and considered by the Audit Committee on 3 December 2025. The draft Auditor's Annual Report was published on 17 November 2025 and considered on 10 December 2025, and progress on the Council's mobilisation action plan in response to the external recommendations was considered on 29 January 2026.

Taken together, the Council is currently subject to:

- four statutory recommendations on 'the preparation and timely closure of the accounts', 'the internal control environment', 'procurement and contract management', and 'the effectiveness of internal investigations', and
- ten significant weaknesses in the Council's arrangements to secure value for money.

The areas of significant weakness identified by EY span the following themes:

- Financial management and accountability: arrangements for reliable and timely statutory financial reporting, the verification of balances transferred from the London Legacy Development Corporation (LLDC) following the transfer of planning powers, medium-term financial planning and pressures, and the Annual Governance Statement itself,
- Audit, investigations and assurance: arrangements to manage risk and maintain a sound system of internal control, the effectiveness of the internal audit function, the effectiveness of the Audit Committee, and the effectiveness of the Council's process for conducting internal investigations,
- Procurement and contract management: contract management and procurement, and
- Best Value, core services and capability: the matters identified by the Best Value Inspection, housing, and the capacity of the statutory officer core (the "Golden Triangle") to respond to the scale and complexity of the challenges facing the Council.

EY has confirmed that the 2024/25 Statement of Accounts will receive a disclaimer opinion, owing both to the inability to complete all planned procedures in year and to the need to rebuild assurance over opening balances following the successive disclaimers from 2020/21 to 2023/24. EY's overarching concern, echoed by the Secretary of State, is that the Council's financial management and governance appear to be deteriorating, that there is a continuing absence of an effective internal control environment to safeguard public money, and that the Council has not responded to recommendations with sufficient urgency.

The Council accepts these findings without qualification. It also acknowledges that the Annual Governance Statement is itself one of the areas EY has identified as weak, statements were not published for several years, and the 2024/25 statement was challenged for an over optimistic tone. This 2025/26 statement, and the assurance map and timetable that sit behind it, form part of the Council's response. Progress against the statutory recommendations and significant weaknesses is reported regularly to the Audit Committee and is reflected in the action plan in this statement. It will also be considered by EY as part of its value for money work covering 2025/26.

Best Value Inspection, Ministerial Directions and the Ministerial Envoys

In February 2024 the then Secretary of State commissioned a Best Value Inspection of the Council. The inspection concluded in July 2024 and its report was published on 12 November 2024, expressing concerns about leadership, culture, partnerships and governance.

On 22 January 2025 the Government published Ministerial Directions placing the Council in statutory intervention until 31 March 2028, on the basis that it was failing its Best Value Duty across continuous improvement, governance, leadership, culture and partnerships. The intervention took the form of a partnership based statutory support package, with Ministerial Envoys (Kim Bromley-Derry, Pam Parkes and Shokat Lal, first appointed in November 2024) acting as advisors, mentors and monitors. Under that model the Council retained all of its executive decision-making powers. A Transformation and Assurance Board (TAB), chaired by the Mayor and evolving from the Council's existing Transformation Advisory Board, was established to provide external expertise and challenge, its first meeting on 14 April 2025 agreed three programmes, the Continuous Improvement Plan (CIP), the Political Mentoring Programme, and the Programme of Cultural Change to rebuild trust between officers and members. The Envoys' first report was published on 9 July 2025.

During 2025/26 the intervention was strengthened. On 19 January 2026 the Secretary of State, Steve Reed MP, set out in a written ministerial statement that he was “minded to” expand the Envoys' role. After considering representations and the Envoys' second progress report (received on 30 January 2026), on 17 March 2026 the Secretary of State made revised Directions under sections 15(5) and 15(6) of the Local Government Act 1999, strengthening the statutory intervention, which remains in place until 31 March 2028. The Secretary of State was satisfied that the Council continues to fail its Best Value Duty, identifying an additional failure in relation to its use of resources.

The strengthened Directions, in summary, require the Council to:

- disband the Transformation and Assurance Board and establish a new Improvement Board to oversee delivery against the Directions and provide challenge and assurance, with its agenda, workplan and reports developed to the satisfaction of the Envoys,
- continue to implement the Continuous Improvement Plan in a timely manner and to the Envoys' satisfaction, including action to address the auditor's statutory recommendations and significant weaknesses (internal control, financial reporting, procurement and internal investigations), scrutiny improvements, recruitment processes and record keeping, openness and transparency in decision-making, procurement and contract management, and a strengthened officer structure, scheme of delegation and statutory officer support, together with the fully costed cultural change and political mentoring programmes,
- co-operate fully with a major Envoy led review into long standing allegations and perceptions, examining recruitment and promotion practices (“patronage”), the allocation of community assets and grants, housing allocations, licensing and planning decisions, and the structure and functions of the Mayor's Office and Advisory Team,
- provide the Envoys with full and unrestricted access to documents, premises, officers and members, take any action the Envoys reasonably require to prevent poor governance or financial failure, fund the costs of the intervention, and provide six monthly progress reports (or more frequently if directed).

To safeguard the improvement process, the Envoys have been granted powers, to be treated as held in reserve while the Council retains executive decision-making, to exercise functions associated with the governance, scrutiny and transparency of decision-making, strategic financial management, financial governance and the scrutiny of financial decisions, the operating model and redesign of local services, and the recruitment, appointment, structure, performance management and dismissal of senior and statutory officers. An additional Assistant Envoy with finance expertise is being appointed, and the Envoys' working days have been increased.

The Envoys' second report is directly relevant to this statement. While it acknowledged progress in some areas, including the delivery of a staff survey, a more mature Continuous Improvement Plan, and an improvement in the Council's tone and engagement following the Secretary of State's warning, it concluded that the overall pace of change and the grip of officer and member leadership to drive improvement remained insufficient. The Envoys described the Council's leadership as unnecessarily defensive and too focused on the Council's image, and recommended that the Council adopt a more balanced narrative, which they considered essential to building trust and an open, transparent culture. The Council has publicly accepted the Secretary of

State's decision and acknowledged that it needs to go further and faster, and to change how it leads, organises and prioritises. This statement is written in that spirit.

Local Government Association Corporate Peer Challenge

At the Council's invitation, the Local Government Association (LGA) carried out a Corporate Peer Challenge in 2023, identifying work needed across 18 areas, including a longer term strategic vision for the borough, relationships with partners and the voluntary and community sector, a sustainable funding model for the Council's priorities, the signing off of the AGS and Annual Accounts (which had not been signed off since 2018/19), a workforce strategy, and resolving the "two council" culture between senior management and the Mayor's Office. The LGA peer team revisited in October 2025 and found progress against 17 of the 18 areas, noting the Council's financial management, the quality of its services and its commitment to continuous improvement. The one area where the expected progress had not yet been made was the development of a workforce strategy. A new Director of HR has been appointed to take this forward. The peer team's report is published on the Council's website.

Ofsted inspection of Children's Services

Ofsted's report, published in January 2025, judged Tower Hamlets' Children's Services to be Outstanding, the highest available rating, finding that children receive timely and effective help and that staff are ambitious for them. The judgement followed a sustained improvement journey, from Inadequate in 2017 to Good and then to Outstanding, placing the service among the top fifth of local authorities nationally.

Good Governance Institute review

As part of its openness to external challenge, the Council invited the Good Governance Institute (GGI) to give an independent view of its governance and improvement arrangements. The work took place in June and July 2025. GGI considered that the Council had moved in the right direction over the previous two years, and that the challenge ahead would be to consolidate and embed that progress in everyday practice, with success depending on consistency, openness and a continued willingness to learn and adapt.

Review of Internal Audit

Professional internal audit standards require an External Quality Assessment (EQA) at least every five years. An independent assessment, reported to the Audit Committee in October 2024, concluded that the internal audit service "generally conforms" with the standards, the highest grade of conformity, while identifying six areas for improvement (audit management software, stakeholder engagement, time recording, use of resources, strategic audit planning and communication), for which actions were developed. The Council recognises, however, that this positive assessment of conformity sits alongside the external auditor's separate concern about the effectiveness of the internal audit function, and that the current vacancy in the Head of Internal Audit post is a material limitation that must be resolved.

SEND local area inspection

Following an inspection in June 2025, the local area partnership of the Council and the North East London Integrated Care Board received the middle of the three possible outcomes (category 2), meaning that arrangements lead to inconsistent experiences and outcomes for children and young people with special educational needs and disabilities, and that the partnership must work jointly to improve. Inspectors found many improvements since the 2021 inspection and noted that children and young people with SEND are noticed and valued and that their views are heard, while identifying the need to improve delays and quality in education, health and care plans, the process for diagnosing learning disabilities, support for transition into adulthood, and information sharing across the partnership. Taken together with the findings of a Joint Targeted Area Inspection during the period, the Children's Services leadership regards this inspection evidence as providing reassurance about the direction of travel, while recognising the areas that still require improvement.

Regulator of Social Housing

In the spirit of openness, the Council self referred to the Regulator of Social Housing (RSH) in October 2024. The service was inspected against the Consumer Standards and received a C3 judgement in April 2025, a grading shared with a number of London boroughs with comparable stock. The Council is engaged with the RSH through monthly Registered Provider improvement meetings and is delivering an improvement plan. Governance has been strengthened through a tenant scrutiny panel (Tenant Voice), the Housing and Regeneration Scrutiny Committee with co-opted resident representatives, and a Housing Management Cabinet Sub-Committee chaired by the Mayor with independent expert advisers.

Care Quality Commission: Adult Social Care

Under the Care Act 2014 assurance arrangements, the Care Quality Commission (CQC) assessed the Council's Adult Social Care function. As of March 2026 the service was rated ‘Good’. The assessment found effective, person centred care and support, a committed and well trained workforce, capable and visible leadership with a positive and inclusive culture of learning and improvement, mature and strong partnership working with voluntary, community and faith organisations and with residents, and a clear focus on understanding and reducing inequalities. The Council's Shared Lives service was also rated ‘Good’ at its first CQC inspection in August 2025, with inspectors recognising safe, caring and well led support, strong person centred and family based relationships, proactive safeguarding, and effective integrated working with health partners. These are significant positive findings over a major area of the Council's services.

Joint Targeted Area Inspection (child sexual abuse in the family environment)

A Joint Targeted Area Inspection of Tower Hamlets, published on 14 May 2026 following fieldwork in March 2026, described Tower Hamlets as an ambitious and committed multi-agency safeguarding partnership with strong communication, reflective practice and a range of effective child-focused services. The inspection identified strengths including children's voices being at the centre of practice, timely referrals and strong specialist support. It also highlighted areas requiring improvement, including the consistency of safety planning and assessments, the timeliness of distributing strategy meeting minutes and actions, the use of partnership data, and aspects of MAPPA quality assurance. The partnership is developing and implementing an action plan to address these findings through existing safeguarding governance arrangements.

Complaints, information rights and the Ombudsman

Customer Services provides the Council's corporate access, complaints, Members' Enquiries, Freedom of Information and data protection functions, and uses them as a source of organisational learning. The Director of Customer Services reported reasonable assurance over these arrangements for 2025/26: core controls, prioritisation, and oversight remained effective despite sustained increases in volume and complexity, and the Registrars service performed strongly against London and national benchmarks. Following a period of heightened scrutiny, the Council implemented structured learning and strengthened assurance, and in July 2025 independent correspondence from the Ombudsman confirmed improved performance, with no further action required and all agreed recommendations delivered in full. No standalone significant governance issue arose from Customer Services, the continuing pressures on complaints, Freedom of Information and customer contact are managed through corporate performance and improvement routes.

Cyber security, information governance and technology

The Director of Information Technology reported reasonable assurance over the Council's technology governance, risk management and internal control for 2025/26, in a high-risk environment of rising cyber threats, legacy systems and an ambitious transformation agenda. During the year the Council acted on quality concerns by terminating its previous Cyber Security Operations Centre contract and putting in place an improved centre providing 24/7, 365 day monitoring, strengthening real time threat detection and response. It also introduced a corporate policy on the use of artificial intelligence (including generative AI assistants), with defined approval and risk assessment processes and enhanced oversight to keep use secure, lawful and aligned with information governance, and it strengthened privileged access management and third-party software controls. Cyber, legacy system and transformation delivery risks are recognised and managed through the corporate risk register and improvement programmes. No standalone significant governance issue arose from Information Technology.

A Youth Justice inspection is expected during 2026/27, and an anti-social behaviour peer review was also anticipated in the period. The Council is preparing for the Youth Justice inspection through its Children's Services improvement arrangements.

Related Companies and Charities

The Council is involved in a number of companies and charities. The most significant are summarised below.

Tower Hamlets Homes

Tower Hamlets Homes (THH), the Council's former arm's length management organisation, was brought back in house with effect from 1 November 2023, following a consultation in which more than 86% of participating tenants and leaseholders supported the change. Integration is being managed as part of wider work to strengthen performance and governance in the Housing and Regeneration directorate, including external reviews (from Penningtons and HQN) to identify performance and compliance gaps, a Housing Management Improvement Plan agreed at Cabinet, strengthened governance through the Housing Management Cabinet Sub-Committee, and the designation of senior officers as the Responsible Person under the Consumer Standards and as health and safety lead.

King George's Field (Mile End)

The Council is sole trustee of the King George's Field, Mile End charity, an unincorporated charity established by a Scheme of the Charity Commission dated 28 February 2000. Its objects are to preserve the covenanted land in perpetuity and to apply it to charitable recreational purposes. The Trust has no employees of its own and depends on Council staff, its standing orders for procurement, expenditure and income are aligned to those of the Council.

During this period the Trust's governance fell below the expected standard. An internal audit gave a limited assurance opinion, highlighting weaknesses in governance, oversight and financial management, and between November 2024 and March 2026 the board did not meet because it was inquorate, delaying decisions and leaving statutory accounts unsigned. The board reconvened in March 2026 and agreed revised Terms of Reference and an accounts recovery plan. The Council is now appointing a Senior Responsible Owner with clear accountability across Parks, Finance and Democratic Services, reinstating a quarterly board cycle, completing the outstanding statutory accounts and Charity Commission filings, and closing the internal audit findings. In parallel, an options appraisal informed by King's Counsel advice is being prepared for the Mayor, considering whether to retain the Trust with strengthened governance or to transfer its assets into the Council, including the treatment of a £120,000 loan from the Council. This matter is reflected in the significant governance issues and the action plan.

Adequacy of arrangements for Value for Money and Best Value

The Council's arrangements to secure value for money and to comply with its Best Value Duty cannot, on the evidence in this statement, be described as adequate in 2025/26. The external auditor has reported significant weaknesses across financial reporting, internal control, risk management, internal audit, the Audit Committee, internal investigations, procurement and contract management, housing and statutory officer capacity, and the Secretary of State has identified a failure in relation to the use of resources. The Council is responding through a structured improvement programme, but it does not yet have sufficient evidence that the underlying arrangements are operating effectively.

The Council has taken a series of steps intended to build the foundations for sustainable improvement, including:

- the establishment of improvement governance (initially the Transformation and Assurance Board, and, under the 17 March 2026 Directions, a new Improvement Board overseen by the Ministerial Envoys),
- the development and maturing of the Continuous Improvement Plan, restructured into a smaller number of focused programmes aligned to the Directions, with programme boards, an Internal Assurance Board, and reporting to Improvement Board and Full Council,
- the move to a three-year Medium Term Financial Strategy and the introduction of real time budget reporting (Power BI) for managers,
- enhanced in year financial grip, including service level spending control panels and tighter corporate controls on discretionary spend, supported by external assurance and mobilisation support (including Grant Thornton) across key workstreams, while recognising the Envoys' caution against over reliance on consultants,
- the appointment of an experienced Section 151 Officer and targeted investment in capacity in areas such as HR and procurement,

- the co-production of a Member Compact and the launch of a Member Mentoring Programme, the introduction of a Universal Forward Plan, and the appointment of an independent chair of the Audit Committee.

These steps are necessary but not yet sufficient. The Council recognises, consistent with the Envoys' assessment, that the test is no longer the existence of plans and structures but consistent delivery, demonstrable impact and pace. The action plan in this statement sets out how the most significant weaknesses are being addressed, by whom, and how progress will be assured.

Appendix C: Where Our Governance Needs to improve

Significant Governance Issues

For the purposes of this statement, a significant governance issue is one that has:

- seriously prejudiced or prevented the 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 seriously damaged the Council's reputation,
- resulted in formal action by the Section 151 Officer or Monitoring Officer, or
- received significant adverse commentary in an external inspection report and was not, or cannot be, addressed in a timely manner.

Two tables follow. The first reports progress against the significant governance issues identified in the 2024/25 statement. The second sets out the significant governance issues identified for 2025/26. In line with CIPFA guidance, the tables are intended to be informative but brief, they do not replicate the Council's risk register, and more detailed implementation plans are used to manage and monitor delivery. The consolidated action plan that follows the tables addresses the external auditor's recommendations and the Ministerial Directions directly.

Progress against Significant Governance Issues Identified in 2024/25

This action plan directly addresses the statutory recommendations and significant weaknesses identified by the external auditor, together with the requirements of the strengthened Ministerial Directions.

It reflects the progress on the work already undertaken during 2025/26 to improve governance, risk management, financial management and internal control, and identifies the further actions required to ensure that these improvements are fully embedded and operating effectively.

The actions focus not only on the design of improved arrangements but also on demonstrable implementation, consistency of application across the organisation, and evidence of impact. The Council's 2024/25 Annual Governance Statement identified seven significant governance issues; progress against each is summarised below and is monitored through the Audit Committee, the Internal Assurance Board and the Improvement Board, with oversight from the Ministerial Envoys. Several of these issues remain live and are carried forward, in updated form, into the 2025/26 issues and the action plan.

No.	Issue (as reported for 2024/25)	Action	Progress / outcome in 2025/26
1	There is an ongoing national crisis in homelessness which is being felt particularly hard across London. Collectively, Local Authorities in London overspent by £330m on homelessness in 2024/25. London Councils has described the homelessness crisis as the single biggest risk to its members' finances. In Tower Hamlets, the costs of meeting statutory homelessness duty and temporary accommodation remain high and above budgeted provision. While high demand and above inflation rent increases are already a reality, the Council's overall financial position is at risk if: - cost mitigations are not fully delivered by the service: and	There is a wide range of activity within the Housing Options and Homelessness Service to mitigate rising costs as far as possible. That activity includes: • Developing a Temporary Accommodation (TA) supply strategy to rebalance the existing TA portfolio by increasing the proportion of low cost TA properties available to the Council and reducing reliance on expensive nightly paid properties. • Delivering a programme of in year mitigations focussed on - Procuring 500 private rented sector properties to increase homelessness prevention and dependency on high cost nightly paid and B&B options - Purchasing 100 buyback properties for use as TA	• A Temporary Accommodation Supply Strategy is at first draft stage (to Cabinet before September 2026). • In year mitigations are being delivered: 675 private-rented-sector properties secured against a 500 target, 100 buy backs acquired (some savings delayed by repair timescales), 94 HRA properties let as temporary accommodation, and the application backlog cleared. • Temporary accommodation rents were restored to Local Housing Allowance levels from December 2025 (around £2.7m of additional income and subsidy), reversing an earlier decision now reported as a significant governance issue (issue 18). • The budget has been re-baselined with around £15m of growth for

No.	Issue (as reported for 2024/25)	Action	Progress / outcome in 2025/26
	- ongoing action is not taken throughout the year to review and corporately mitigate the underlying cost pressures in the service.	- Using 100 HRA properties as TA to avoid use of nighty paid accommodation - Clearing the backlog of homelessness applications to ensure accommodation is only provided to households who meet the statutory homelessness threshold • Exploring opportunities to maximise the rental income of Council owned properties used for TA. • Implementing the findings of an externally led transformation programme that is designed to improve the efficiency and effectiveness of the Service. This transformation programme is supported by an accompanying root and branch IT transformation programme across the Service. • The Corporate Director for Housing and Regeneration, and the Interim s151 Officer have established a bi-weekly key officer working group to strengthen the grip on and reporting of expenditure in the service. The work of this group will inform budget setting for the service across the lifespan of the MTFS. • Officers in the Service are active members of the London Council's TA Working Group, ensuring that we are	2026/27, reflecting around 3,194 households in temporary accommodation against an original 2,409. Carried forward as a 2025/26 significant issue.

No.	Issue (as reported for 2024/25)	Action	Progress / outcome in 2025/26
		identifying and adopting best practice as it emerges across the region.	
2	Delivery of the "Your Voice, Our Action" programme to improve the Council's regulatory position against the Housing Consumer Standards (C3 judgement).	• 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. • 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	• The improvement programme has delivered around 90 initiatives. Overdue high risk fire safety actions were reduced from 3,317 to 1,304, and legionella/water safety actions from 2,735 to 442, in date stock condition data reached around 60% (target 100% by December 2026), complaints handling reached full Stage 2 compliance, 16 housing policies (including a new Damp and Mould policy aligned to Awaab's Law) were agreed through seven Housing Management Cabinet Sub-Committees, and • Approximately £609m was secured for Decent Homes investment. Monthly engagement with the Regulator of Social Housing continues. Carried forward as a 2025/26 significant issue.

No.	Issue (as reported for 2024/25)	Action	Progress / outcome in 2025/26
		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 slowing investment in housing stock.	• Appointment of permanent Director of Property and Estates. • 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.	• A permanent Director of Property and Estates has been appointed. • Several schemes are on site, with some completed • Contingency arrangements through the South East Consortium are in use (nine work packages being procured, with a further 240 blocks identified). • In February 2026 Cabinet approved a £520m, ten year capital investment programme, with procurement underway and delivery expected from 2028, to succeed the current arrangements.
4	Financial sustainability/overspend in Children's Services. In line with national trends, the Children's Services revenue budget faces significant pressures in relation to SEND provision, specifically SEN transport and overspends on the Dedicated Schools Grant, specifically the High Needs Block, though the statutory override has recently been	A Transport Transformation Group has been established to take forward the findings of an external review of SEN transport. This includes a proposal to save c£2.2m over the next 3 years. In relation to SEND generally, an external funding review is underway of how various types of provision are banded in our funding framework.	• The Corporate Director reports the underlying position as broadly unchanged, with reassurance from the SEND local area inspection and a Joint Targeted Area Inspection and a maintained Ofsted Outstanding judgement. • The risk that has increased is demand led budget pressure, mainly in children's social care, alongside the

No.	Issue (as reported for 2024/25)	Action	Progress / outcome in 2025/26
	extended to 2028. Additionally, further pressures are emerging around Children's Social Care, such as: • The impact of the supported accommodation regulations • Growth in client demand in relation to no recourse to public funds • Inflationary pressures across provider contracts	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. Other mitigations to address financial pressures include tighter budgetary control & monitoring and working groups, with oversight exercised via the monthly Directorate Finance meetings.	Dedicated Schools Grant High Needs Block • A plan is being produced to secure government support for the High Needs overspend. National reforms (Families First, Best Start Family Hubs, SEND reform and Youth Justice reform) are being implemented, and a Youth Justice inspection is expected. Carried forward as a 2025/26 significant issue.
5	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. 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	Deliver the requirements of the Ministerial Directions through the Continuous Improvement Plan, overseen by improvement governance and the Ministerial Envoys, report to the Minister every six months.	The Council continued to deliver the Continuous Improvement Plan, strengthened programme governance and responded to the revised Directions by integrating required actions into its improvement framework. This included transition from the Transformation and Assurance Board model to the Improvement Board arrangement, closer working with the Envoys and refreshed reporting arrangements. The matter is carried forward as a 2025/26 significant issue because the intervention was strengthened on 17 March 2026 and further action is required. .

No.	Issue (as reported for 2024/25)	Action	Progress / outcome in 2025/26
	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. The Inspection report was then considered by the SoS MHCLG as part of a wider consultation and evidence base. 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.		
6	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: <u>Preparation of the Statement of Accounts</u> 1. To meet its objectives and the requirements of the Audit and Accounts Regulations the Authority needs to: • continue to re-assess roles, responsibilities and resource requirements for financial reporting,	Recommendations accepted by the Audit Committee (March 2025), action plans agreed (13 March and 24 April 2025), progress reported to CMT, the Audit Committee and the external auditor.	• Action plans in delivery and monitored by the Audit Committee and Internal Assurance Board. • The external auditor has since identified further weaknesses and a fourth statutory recommendation (on internal investigations, issued December 2025), so these matters remain live and are carried forward into the 2025/26 issues and the action plan.

No.	Issue (as reported for 2024/25)	Action	Progress / outcome in 2025/26
	• 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. <u>Internal Control Environment</u> 2. In relation to the internal control environment: • 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		

No.	Issue (as reported for 2024/25)	Action	Progress / outcome in 2025/26
	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. <u>Procurement and Contract Management</u> 3. In relation to Procurement and Contract Management, the Council needs to: • 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		

No.	Issue (as reported for 2024/25)	Action	Progress / outcome in 2025/26
	procurement and contract management. The statutory recommendations must be considered and responded to publicly by the Council within 30 days.		
7	Following a Best Value Inspection, the SoS MHCLG found that the Council is failing its Best Value Duty in the areas of Governance, Partnerships and Community Engagement, Culture, Leadership and Continuous Improvement and put a statutory support package in place. The Ministerial Directions put in place a series of requirements to be overseen by the Ministerial Envoys and Transformation and Assurance Board.	Deliver the Continuous Improvement Plan as the Council's response to the Directions and wider improvement ambitions, work closely with the Envoys and improvement governance.	Strengthened improvement governance and assurance arrangements, including continued delivery of the Continuous Improvement Plan and associated programmes on political mentoring, culture change and scrutiny improvement, close working with the Ministerial Envoys, and the mobilisation of deep dives to strengthen the evidence base for improvement and address areas of concern identified through external oversight.

Significant Governance Issues Identified in 2025/26

The following significant governance issues have been identified for 2025/26, drawn from the strengthened Ministerial Directions (17 March 2026), the external auditor's Interim Value for Money Report and draft Auditor's Annual Report for the year ended 31 March 2025, the Council's own assessment, and the directorate assurance returns. Issues 1 to 13 are corporate and cross cutting, issues 14 to 21 are the service specific and Resources identified issues reported by directorates. Customer Services and Information Technology reported no standalone significant issue.

The actions set out below are designed to address the Council’s most significant governance weaknesses. Each action includes a defined outcome, ownership, and timescale, and will be monitored through formal governance arrangements. Progress will be reported regularly to the One Corporate Team Programme on a quarterly basis, and to the Performance and Compliance Panel, Statutory Officers Panel, Audit Committee, Corporate Management Team meetings and the Improvement Board, with escalation where milestones are not met.

No.	Issue (and why it is significant)	Action	Responsible	Timescale
1	Following a Best Value Inspection, the SoS MHCLG found that the Council is failing its Best Value Duty in the areas of Governance, Partnerships and Community Engagement, Culture, Leadership and Continuous Improvement and put a statutory support package in place. The Ministerial Directions put in place a series of requirements to be overseen by the Ministerial Envoys and Transformation and Assurance Board. Following the Envoy's second report to MHCLG in January 2026, there was an escalation in the intervention with an expansion of scope to cover use of resources in addition to the original areas, a new improvement board, an additional finance envoy, powers held in reserve by the Ministerial Envoys and the commissioning of a series of deep dives	• Establish the Envoy overseen Improvement Board (replacing the TAB) • Continue to implement the Continuous Improvement Plan including the programmes around political mentoring, culture change and scrutiny improvement required by the Ministerial Directions. • Continue to work in close partnership with the Ministerial Envoys to ensure that there is robust monitoring and a strong evidence base for improvement as programmes are delivered. • Mobilise a series of deep dives to ensure that MHCLG has the evidence it requires to address negative perceptions around the Council.	Chief Executive, Strategic Director of Change and Improvement, Corporate Leadership Team	To 31 March 2028
2	Envoy led review of long-standing allegations and perceptions, covering recruitment and promotion practices ("patronage"), allocation of community assets and grants, housing allocations, licensing and planning decisions, and	• Co-operate fully with the review • Provide unrestricted access to documents, premises, officers and members • Act on findings	Chief Executive, Monitoring Officer (with the Envoys)	2025/26 to 2026/27

No.	Issue (and why it is significant)	Action	Responsible	Timescale
	the Mayor's Office and Advisory Team. Significant integrity, public interest and reputational dimensions (Code Principle A).			
3	Internal control environment, including the governance of related charities. The external auditor reports a continuing absence of an effective internal control environment to safeguard public money, and a slow response to recommendations (Statutory Recommendation 2). Within this, the King George's Field (Mile End) charity received a limited assurance internal audit opinion and its board was inquorate between November 2024 and March 2026 with statutory accounts unsigned (see Related Companies and Charities).	• CMT owned action plan to address internal and external audit recommendations within reasonable timeframes • Maintained recommendations tracker • Regular monitoring before reporting to the Audit Committee. • For King George's Field: appoint a Senior Responsible Owner, embed the revised Terms of Reference, restore a quorate board cycle, complete the outstanding statutory accounts and filings, close the internal audit findings, and bring forward an options appraisal on the future of the Trust.	Corporate Leadership Team, Section 151 Officer, Corporate Director Communities (King George's Field)	Ongoing through 2025/26–26/27
4	Statutory financial reporting and closure of accounts. Disclaimer opinions for 2020/21 to 2024/25, assurance over opening balances to be rebuilt (Statutory Recommendation 1). The Section 151 Officer notes that, given disclaimed accounts since 2017/18, removing this weakness is likely to take four to five years.	• Re-assess roles, responsibilities and resourcing for financial reporting (with additional staff and external support, including Grant Thornton) • Retain sufficient audit evidence and embed audit readiness disciplines • Meet backstop dates • Rebuild assurance over opening balances and move from a one off intensive exercise to a clear, multi-year improvement plan.	Section 151 Officer, Corporate Head of Financial and Technical Accounting	Multi-year, from the 2025/26 closedown onwards
5	Medium-term financial sustainability and use of resources (corporate). The Secretary of State has identified a failure in relation to use of resources.	• Maintain and deliver the three-year Medium Term Financial Strategy	Section 151 Officer, Corporate Leadership Team	Ongoing

No.	Issue (and why it is significant)	Action	Responsible	Timescale
	The position is driven by significant service demand pressures, principally homelessness and temporary accommodation, adult social care, and the Dedicated Schools Grant High Needs Block, which are reported as service-specific significant issues below, together with the leisure service restructure and budget (a pressure of around £2m). Disclaimed accounts and the need to rebuild assurance over opening balances compound the challenge.	• Strengthen in year budget grip and savings delivery • Embed corporate spending controls • Benefit from the additional finance Assistant Envoy, and • Corporately mitigate the underlying demand pressures reported below.		
6	Procurement and contract management. Identified weaknesses in controls, payments, segregation of duties and conflicts of interest (Statutory Recommendation 3), including weaknesses in waiver governance (the former Records of Contract Decisions / Approvals process), live procurement litigation, and an over-reliance on consultants for core procurement capacity.	• Ensure procurement and contract management controls are consistently applied across all directorates, evidenced through reduced waivers, compliant contract registers, and internal audit assurance • Implement stronger waiver controls (a central register, oversight, monitoring and evidenced contracts) • Strengthen payment controls and conflict of interest checks • Embed training and compliance, and • Reduce consultancy dependency through a controlled capability transfer plan (see issue 20).	Director of Finance and Procurement, Section 151 Officer	2025/26 (mobilisation milestones by 30 June 2026)
7	Risk management not yet embedded. Identified as a significant weakness, a refreshed corporate risk strategy has been developed and taken through member governance. The corporate risk set includes the Council's financial standing risk from overspends, cyber	• Embed the refreshed risk management strategy across all tiers of decision-making • Keep the corporate risk register current and subject to DLT/CMT review • Use it to inform the Statement of Accounts forward look, and	Section 151 Officer, Risk Management Officer, Corporate Leadership Team	2025/26, with a further review in 2026/27

No.	Issue (and why it is significant)	Action	Responsible	Timescale
	risk, business continuity and the "failure to prevent fraud" liability, and is used to inform the AGS forward look.	• Have the Audit Committee assess annually whether the strategy remains fit for purpose. A further review of risk management is planned for 2026/27.		
8	Effectiveness of internal audit and stability of leadership. The external auditor has identified the effectiveness of the internal audit function as a significant weakness. An interim Head of Internal Audit annual opinion has now been provided for 2025/26, giving Limited Assurance, but the function's leadership stability, long-term resilience, and full implementation of the new GIAS requirements remain areas requiring improvement	• Strengthen the team through a new Director of Compliance post and a new Chief of Internal Audit • In the interim, have the Director of Compliance and Head of Internal Audit provide assurance over the internal audit work • Bring an internal audit effectiveness review to CMT and identify any further resourcing • Review the 2026/27 audit plan against key risks, and • Complete the GIAS self-assessment and Quality Assurance and Improvement Programme, and report the outcome to the Audit Committee; • Strengthen the function through permanent leadership and any further resourcing identified through the internal audit effectiveness review	Section 151 Officer, Monitoring Officer, Director of Compliance, Audit Committee	Strengthen through 2026/27, with permanent leadership, GIAS conformance arrangements and demonstrable improvement in effectiveness
9	Effectiveness of the Audit Committee. Identified as a significant weakness (independence, role clarity, papers, action tracking and pace).	• Build on the new independent chair and a strengthened membership • Deliver an improvement plan including training, a membership/independence review, better papers and action tracking, and annual reporting to Full Council, with the Local Government Association assisting on an effectiveness assessment and member training.	Monitoring Officer, Democratic Services, Audit Committee Chair	2025/26
10	Effectiveness of the Council's internal investigations. Identified as a significant weakness and the subject of the fourth statutory recommendation (issued December 2025), a number of	• Strengthen the framework, capacity and independence of investigations (not led by Internal Audit) • Improve policies and procedures and document scope, evidence and rationale	Monitoring Officer	Addressed or demonstrably on track by 30 June 2026

No.	Issue (and why it is significant)	Action	Responsible	Timescale
	investigations have identified control weaknesses, and the matter is relevant to the legacy multi party Homecare contract.	• Clarify oversight and reporting to members • Conclude outstanding investigations, and • Bring a report to the Audit Committee setting out the issues, lessons learned and actions to prevent recurrence.		
11	Culture, political behaviours and member–officer relations. Best Value and Envoy concern about defensiveness and an image first culture, foundational to trust and transparency (Code Principle A).	• Deliver the fully costed cultural change programme and the political mentoring programme • Embed the Member Compact • Adopt a more balanced organisational narrative • Deliver scrutiny improvements.	Chief Executive, Monitoring Officer	2025/26 to 2026/27
12	Capacity and stability of the statutory officer core (the "Golden Triangle" of Head of Paid Service, Section 151 Officer and Monitoring Officer). Identified by the external auditor and the Envoys as fragile and a constraint on the pace and quality of improvement.	• Stabilise and strengthen the statutory officer roles, a substantive including permanent leadership capacity where required • Commission and act on a Golden Triangle review through SOLACE, and • Strengthen the corporate core, officer structure and scheme of delegation.	Chief Executive, Section 151 Officer, Monitoring Officer	Stabilisation prioritised during 2025/26
13	The Annual Governance Statement and assurance framework. The external auditor identified the AGS as a significant weakness (tone not supported by evidence, root causes not addressed). Late publication in prior years and an over optimistic 2024/25 statement were specific concerns.	• Publish the AGS in a timely way alongside the accounts • Obtain assurance statements from all Corporate Directors (introduced this year and to be built on) • Use alternative preparation arrangements so the AGS is not drafted by the Head of Internal Audit, with independent assurance input and stronger challenge and quality assurance • Complete and use the assurance map, and • Ensure balanced, evidence-based content tested through the clearance route.	Strategic Director of Change and Improvement, Corporate Strategy Team, Section 151 Officer	July 2026 and ongoing

No.	Issue (and why it is significant)	Action	Responsible	Timescale
14	Housing Options, temporary accommodation costs and homelessness pressures (service specific). A significant and rising financial risk: gross spend on temporary accommodation of approximately £64.7m, against a national homelessness crisis and a shrinking lower end of the private rented sector. Numbers in temporary accommodation (around 3,194 households) materially exceed the level the budget was originally set for, creating financial, statutory and reputational risk.	• Deliver the Housing Options transformation and re-baseline the Temporary Accommodation (TA) budget (c.£13m growth for 2026/27), supported by a clear mitigation programme to accelerate move-on from TA and reduce length of stay. • Drive move-on into the Private Rented Sector, social housing (including supported housing) and other appropriate pathways, alongside maximising prevention and relief, increasing supply, strengthening leasing models, reducing reliance on nightly paid accommodation, and undertaking active TA inspections to minimise non-occupancy and optimise utilisation. • Deliver the 2026/27 in-year mitigation target of £9.025m (c.£19.7m full-year impact in 2027/28) through the creation of a dedicated temporary team to deliver an integrated programme of targeted interventions focusing on high-cost placements, Band 2B and single households, with robust financial tracking.	Jennifer Wynter, Divisional Director (Housing Options and Homelessness), Corporate Director, Housing and Regeneration	Mitigations and transformation to 31 March 2027
15	Meeting the Social Housing (Consumer) Standards (service specific). Following the C3 regulatory judgement, the Council must continue to demonstrate that homes are safe, decent and well managed and that residents receive a good service. Continued action is required on stock condition data, repairs, fire safety and resident engagement to secure consistent compliance.	• Achieve 100% in date stock condition data (by December 2026) • Publish a revised Repairs Policy and deliver Awaab's Law Phase 2 • Meet the Regulator's Competence and Conduct requirements (Phase 1) • Reduce overdue fire risk assessment actions from around 1,400 towards 800 by late 2026, with further reductions to March 2027 • Agree a costed five year capital programme • Complete the ASB service reorganisation, and • Deliver a resident engagement action plan.	Karen Swift, Director (Housing Management / Property and Estates), Corporate Director, Housing and Regeneration	Milestones across 2026 to 31 March 2027

No.	Issue (and why it is significant)	Action	Responsible	Timescale
16	Financial sustainability and demand pressures in Adult Social Care (service specific). Care provider contract inflation, workforce shortages, London cost premiums, rising demand and increasing complexity of need are driving up package costs. The hospital discharge cost shift, and the March 2025 NHS reforms (the planned abolition of NHS England with functions transferring to the Department of Health and Social Care by 2027, and Integrated Care Boards reducing running costs by 50%), are expected to move further pressure onto the Council without confirmed additional funding.	• Deliver demand management and cost avoidance measures over 2026/27 and beyond, including strengths-based practice on high-cost packages, reviews of partnership and contract arrangements, and sub regional market management • Strengthen internal budget management, accountability and control to secure value for money across commissioned services.	Corporate Director, Adults, Health and Social Care, Section 151 Officer	2026/27 and ongoing
17	Demand and financial pressure in Children's Services, and the scale of national reform (service specific). The most significant increased risk is demand led budget pressure, mainly in children's social care, alongside the Dedicated Schools Grant High Needs Block overspend. The service is also managing a substantial reform agenda, Families First (children's social care), Best Start Family Hubs (early help), SEND reform and Youth Justice reform, and a Youth Justice inspection is expected during the year.	• Maintain grip on demand led budgets through monthly directorate finance monitoring and corporate mitigation • Produce and submit the High Needs / Dedicated Schools Grant plan to secure government support for the overspend • Implement the national reform programmes, and • Prepare for the anticipated Youth Justice inspection.	Corporate Director, Children's Services, Section 151 Officer	2025/26 to 2026/27
18	Decision-making outside the constitutional route, temporary	• Mandate a "Constitutional / Delegation basis" section in every report seeking a decision (stating	Corporate Director, Housing and	Immediate controls in place, embed within

No.	Issue (and why it is significant)	Action	Responsible	Timescale
	accommodation rents. A decision to reduce temporary accommodation rents to social rent level instead of Local Housing Allowance levels was implemented in April 2025, with an estimated impact of around £3m per year (about £2m part year). The decision met the Key Decision threshold but did not follow the required constitutional route (a Cabinet decision or Individual Mayoral Decision), resulting in insufficient formal challenge, documentation and audit trail. It was reversed in December 2025 by Individual Mayoral Decision. Significant financial impact and a clear governance control failure (Code Principles D and F).	whether it is a Key Decision, the required route, and the relevant Constitution / scheme of delegation reference) • Introduce mandatory Key Decision screening and escalation for rent and funding decisions • Train officers who initiate, advise on or approve decisions and require evidence of the correct route before implementation (advice sought does not replace the governance process), and • Carry out periodic compliance checking reported through assurance routes.	Regeneration, Section 151 Officer, Monitoring Officer	the 2025/26 governance cycle
19	Pension administration data quality. Historic data quality issues and system mismatches (between the Altair and Resource Link systems) resulted in material over and under payments to scheme members, including Guaranteed Minimum Pension and pensioner payroll matters, now being corrected (Code Principles F, D and G).	• Complete the pensions data cleanse and rectification programme (including GMP and pensioner payroll reconciliation), applying governance controls before any recovery or rectification (with formal Pensions Committee approval where required) and clear member communications • Embed new business as usual controls (routine reconciliations, independent review and sign off, ongoing data monitoring), and • Report progress through the Pensions Committee and Pensions Board, supporting IAS19 and valuation assurance.	Section 151 Officer	Ongoing through 2025/26, with controls embedded as the programme concludes
20	Reliance on consultants and the sustainability of internal capability. The	• Implement a controlled transition plan to reduce dependency on consultancy support for core	Section 151 Officer, Director of Compliance	Transition milestones by 30 June 2026

No.	Issue (and why it is significant)	Action	Responsible	Timescale
	Envoys and the external auditor have raised concerns that extensive reliance on external consultants, notably for core corporate procurement capacity, can crowd out leadership accountability and undermine sustainable internal capability if not tightly governed and transferred into business as usual (Code Principles E and F).	delivery: service redesign aligned to the Target Operating Model • Phased recruitment to permanent roles • Explicit skills transfer and handover requirements with embedded training • Contract exit and business continuity planning to avoid a service cliff edge, and • Governance and performance monitoring through the improvement programme.		
21	Verification of balances transferred from the London Legacy Development Corporation (transfer of planning powers). The external auditor did not identify a significant weakness but recommended that the Council evidence due diligence and verify the balances and funds transferred (Code Principles F and G).	• Undertake and document due diligence, retaining evidence to demonstrate verification of the balances and funds transferred, and embed this discipline in any future balance transfers and reconciliations.	Planning and Finance leads for the transfer, Section 151 Officer	Immediate, evidence packs to be retained

Appendix D: Governance improvement action plan

This consolidated action plan addresses the external auditor's statutory recommendations and significant weaknesses, and the requirements of the strengthened Ministerial Directions, directly. It is a summary, detailed delivery is managed through the Continuous Improvement Plan, individual action plans and the recommendations tracker, and is assured through the Audit Committee, the Internal Assurance Board, the Improvement Board and the Ministerial Envoys.

Ref	Governance area and external source	Improvement actions	Lead	Target and assurance route
AP1	Closure of accounts and statutory financial reporting (EY Statutory Recommendation 1).	Re-assess roles, responsibilities and resourcing for financial reporting (with additional staff and Grant Thornton support), retain sufficient and appropriate audit evidence and embed audit readiness disciplines, meet statutory backstop dates, rebuild assurance over opening balances, and set a clear, multi-year improvement plan (a four to five year horizon, given disclaimers since 2017/18).	Section 151 Officer, Corporate Head of Financial and Technical Accounting	Multi-year, from the 2025/26 closedown, Audit Committee / External Audit
AP2	Internal control environment (EY Statutory Recommendation 2).	Maintain a CMT owned action plan and recommendations tracker covering internal/external audit and other regulators, monitor regularly at CMT before reporting to the Audit Committee, embed a culture of acting on findings.	Corporate Leadership Team, Section 151 Officer	Ongoing, CMT / Internal Assurance Board / Audit Committee
AP3	Procurement and contract management (EY Statutory Recommendation 3).	Continue the procurement improvement work (in house and with Lumensol), then review it to set the next steps, introduce stronger waiver controls (central register, oversight, monitoring and evidenced contracts), strengthen payment controls, segregation of duties and conflict of interest checks, embed training and compliance, and manage live litigation with legal advice.	Director of Finance and Procurement	2025/26 (milestones by 30 June 2026), Audit Committee

Ref	Governance area and external source	Improvement actions	Lead	Target and assurance route
AP4	Internal investigations (EY Statutory Recommendation 4, issued December 2025).	Strengthen the framework, capacity and independence of investigations (not led by Internal Audit), document scope, evidence and rationale, clarify oversight and reporting to members, conclude outstanding matters (including the legacy Homecare contract), and bring a report to the Audit Committee on issues, lessons learned and actions to prevent recurrence.	Monitoring Officer	Addressed or on track by 30 June 2026, Audit Committee
AP5	Risk management (EY significant weakness).	Implement the refreshed corporate risk strategy and the review action plan, embed risk management across all tiers, the Audit Committee to assess annually whether the strategy remains fit for purpose.	Section 151 Officer, corporate risk lead	2025/26, Audit Committee
AP6	Internal audit function and leadership stability (EY significant weakness)	Strengthen the team through a new Director of Compliance and a substantive Chief Internal Auditor, complete the internal audit effectiveness review and implement any agreed resourcing or structural changes, complete the GIAS self-assessment and Quality Assurance and Improvement Programme, review the 2026/27 audit plan against key risks, and demonstrate improved effectiveness, stability and assurance through 2026/27	Section 151 Officer, Monitoring Officer, Director of Compliance	Strengthening in 2026/27, with oversight through the Audit Committee and the Council's wider assurance arrangements
AP7	Audit Committee effectiveness (EY significant weakness).	The Council is commissioning a formal review of Audit Committee effectiveness, drawing on external expertise where appropriate. This review will assess the Committee's independence, capability, training, work programming, and the quality of information and assurance it receives. The outcome of the review will inform a targeted improvement plan to strengthen the Committee's role in providing effective oversight, challenge and assurance.	Monitoring Officer, Democratic Services, Audit Committee Chair	2025/26, Audit Committee / Full Council

Ref	Governance area and external source	Improvement actions	Lead	Target and assurance route
AP8	Medium term financial sustainability and use of resources (EY significant weakness, Secretary of State finding).	Deliver the three year Medium Term Financial Strategy, strengthen in year grip, corporate spending controls and savings delivery, use the additional finance Assistant Envoy, and corporately mitigate the underlying demand pressures, homelessness and temporary accommodation (the Housing Options mitigation plan), adult social care, the Dedicated Schools Grant High Needs Block, and the leisure restructure and budget (around £2m).	Section 151 Officer, Corporate Leadership Team, relevant Corporate Directors	Ongoing, Cabinet / Audit Committee / Envoys
AP9	Improvement governance (Ministerial Direction).	Disband the Transformation and Assurance Board and establish the Improvement Board, with agenda, workplan and reports developed to the Envoys' satisfaction, provide the Envoys with access and information as required.	Chief Executive, Strategic Director of Change and Improvement	By the timetable set with the Envoys, Improvement Board / Envoys
AP10	Deliver the Continuous Improvement Plan (Ministerial Direction).	Deliver the CIP to the Envoys' satisfaction, including scrutiny improvements, recruitment processes and record keeping, openness and transparency in decision-making, a strengthened officer structure, scheme of delegation and statutory officer support, alongside the statutory recommendation responses above. This includes completing the SOLACE-led Golden Triangle review by 31 July 2026 and implementing the agreed actions through the One Corporate Team Programme.	Strategic Director of Change and Improvement, Corporate Leadership Team	To 31 March 2028, Improvement Board / Envoys / Full Council
AP11	Cultural change, political mentoring and the Envoy led review (Ministerial Direction).	Deliver the fully costed cultural change and political mentoring programmes, embed the Member Compact and a more balanced narrative, co-operate fully with the Envoy led review (recruitment/promotions, community	Chief Executive, Monitoring Officer	2025/26 to 2026/27, Improvement Board / Envoys

Ref	Governance area and external source	Improvement actions	Lead	Target and assurance route
		assets and grants, housing allocations, licensing/planning, Mayor's Office) and act on its findings.		
AP12	Housing regulatory compliance and the Social Housing (Consumer) Standards (Regulator of Social Housing C3, EY significant weakness on housing).	Deliver the improvement programme and the RSH improvement plan: achieve 100% in date stock condition data (December 2026), publish a revised Repairs Policy and deliver Awaab's Law Phase 2, meet the Competence and Conduct requirements, reduce overdue fire risk assessment actions from around 1,400 towards 800 by late 2026, agree a costed five year capital programme, and deliver the resident engagement action plan.	Corporate Director, Housing and Regeneration (Karen Swift, Director)	Milestones across 2026 to 31 March 2027, RSH / Housing Management Cabinet Sub-Committee / Scrutiny
AP13	The Annual Governance Statement and assurance map (EY significant weakness).	Publish the AGS in a timely way alongside the Statement of Accounts, obtain assurance statements from all Corporate Directors and build on this, use alternative preparation arrangements (not drafted by the Head of Internal Audit) with independent assurance input and stronger challenge/QA, complete and use the assurance map, ensure content is balanced and evidence based and tested through the full clearance route.	Strategic Director of Change and Improvement, Corporate Strategy Team, Section 151 Officer	July 2026 and ongoing, Audit Committee
AP14	Decision-making and constitutional compliance (control failure on temporary accommodation rents, see issue 18).	Mandate a “Constitutional / Delegation basis” section in decision reports, introduce mandatory Key Decision screening and escalation for rent and funding decisions, train officers and require evidence of the correct route before implementation, and carry out periodic compliance checking.	Monitoring Officer, Section 151 Officer, Corporate Director, Housing and Regeneration	Immediate controls, embed within the 2025/26 governance cycle, CMT / Audit Committee

Ref	Governance area and external source	Improvement actions	Lead	Target and assurance route
AP15	Pension administration data quality (Director assurance, EY).	Complete the pensions data cleanse and rectification (including GMP and pensioner payroll), with governance controls and Pensions Committee approval before any recovery/rectification, embed business as usual controls (reconciliations, independent sign-off, monitoring), report through the Pensions Committee / Board.	Head of Pensions and Treasury, Corporate Head of Financial and Technical Accounting, Section 151 Officer	Ongoing through 2025/26, Pensions Committee / Pensions Board
AP16	Reduce reliance on consultants and build internal capability (Envoy and EY concern, see issue 20).	Implement a controlled transition plan: service redesign aligned to the Target Operating Model, phased recruitment to permanent roles, explicit skills transfer and handover, contract exit and business continuity planning, and governance and performance monitoring.	Section 151 Officer, Director of Compliance	Transition milestones by 30 June 2026, Improvement governance
AP17	Verification of balances transferred from the LLDC (transfer of planning powers, EY recommendation).	Undertake and document due diligence, retaining evidence to verify the balances and funds transferred, and embed this in any future balance transfers and reconciliations.	Planning and Finance leads for the transfer, Section 151 Officer	Immediate, Audit Committee